



a world class African city

CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

General Information

MAYORAL COMMITTEE

Executive Mayor

Mpho Franklin "Parks" Tau (Chairperson)
(1 JUNE 2011 - 30 JUNE 2016)

Councillors

(1 JUNE 2011 - 30 JUNE 2016)
Constance Bapela (Speaker of Council)
Geoff Makhubu (Finance)
Ruby Mathang (Economic Development)
Rosslyn Greeff (Development Planning and Urban Management)
Rehana Moosajee (Transportation)
Matshidiso Mfikoe (Environment and Infrastructure Services)
Nonceba Molwele (Health and Human Development)
Mally Mokoena (Corporate and Shared Services)
Sello Lemao (Public Safety)
Chris Vondo (Community Development)
Daniel Bovu (Housing)
Prema Naidoo (Chief Whip)
Elginah Ndhlovhu (Chief of Staff)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

General Information

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.

CITY MANAGER

Trevor Fowler

ACTING EXECUTIVE DIRECTOR : FINANCE

Lungelwa Sonqishe

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BANKERS

ABSA Bank Limited

AUDITORS

The Office of the Auditor-General : Gauteng
Registered Auditors
61 Central Street
Houghton
2198

PO Box 91081
Auckland Park
2006

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Index

The reports and statements set out below comprise the Group Annual Financial Statements:

Index	Page
Municipal Manager's approval of the Group Annual Financial Statements	5
Statement of Financial Position	6 - 7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9 - 10
Cash Flow Statement	11
Accounting Policies	12 - 29
Notes to the Group Annual Financial Statements	30 - 181

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Index

Abbreviations

AUC	Assets Under Construction
BESA	Bond Exchange South Africa
CJMM	City of Johannesburg Metropolitan Municipality
CMP	Corporate Media Platforms
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
DMTN	Domestic Medium Term Note
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
JSE	Johannesburg Stock Exchange
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
NDR	Non-distributable Reserve
PAYE	Pay As You Earn
PPE	Property, plant and equipment
SARS	South Africa Revenue Services
SCA	Supreme Court of Appeal
UIF	Unemployment Insurance Fund
USDG	Urban Settlements Development Grant
VAT	Value Added Taxation

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Municipal Manager's approval of the Group Annual Financial Statements

I am responsible for the preparation of the Group Annual Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The Group Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

Trevor Fowler
Municipal Manager

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand thousand	Note(s)	GROUP		CORE	
		2012	2011	2012	2011
ASSETS					
Current Assets					
Inventories	4	313,351	214,456	103,012	100,252
Loans to Municipal Entities	5	-	-	805,774	832,770
Other financial assets	6	263,170	157,944	263,170	157,944
Current tax receivable		2,343	2,384	-	-
Trade and other receivables	7	998,041	1,210,024	1,218,415	2,508,931
VAT receivable	8	78,513	113,682	73,046	110,433
Consumer debtors	9	6,018,505	4,267,159	973,053	322,242
Cash and cash equivalents	10	2,174,445	695,161	2,042,517	643,438
		9,848,368	6,660,810	5,478,987	4,676,010
Non-Current Assets					
Investment property	11	1,308,735	1,306,552	1,262,055	1,259,755
Property, plant and equipment	12	37,910,444	36,092,886	23,782,164	23,154,910
Intangible assets	13	668,789	820,334	395,609	538,149
Investments in Municipal Entities	14	-	-	152,113	269,643
Investment in joint ventures	15	31,575	31,423	-	-
Investment in associates	16	13,737	13,960	-	-
Loans to Municipal Entities	5	-	-	5,436,952	5,664,918
Other financial assets	6	2,934,833	2,433,340	2,934,833	2,433,340
Deferred tax	17	20,727	18,351	-	-
Consumer debtors	9	45,391	59,576	45,391	59,576
		42,934,231	40,776,422	34,009,117	33,380,291
Non-current assets held for sale and assets of disposal groups	18	136,606	3,233	136,606	-
Total Assets		52,919,205	47,440,465	39,624,710	38,056,301

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand thousand	Note(s)	GROUP		CORE	
		2012	2011	2012	2011
LIABILITIES					
Current Liabilities					
Loans and borrowings	20	1,547,753	366,309	1,547,221	336,996
Current tax payable		4,657	12,278	-	-
Finance lease obligation	21	24,816	25,458	17,497	19,882
Trade and other payables	22	7,199,199	7,243,796	5,929,267	6,971,357
VAT payable	8	841,525	709,942	-	-
Obligations arising from conditional grants and receipts	23	810,935	653,091	801,640	631,956
Provisions	24	16,691	15,720	15,219	14,545
Deferred income	26	9,933	9,623	-	-
Bank overdraft	10	-	72	-	-
		10,455,509	9,036,289	8,310,844	7,974,736
Non-Current Liabilities					
Loans and borrowings	20	11,277,553	11,843,619	11,259,017	11,824,608
Finance lease obligation	21	68,295	202,796	61,104	198,060
Retirement benefit obligation	25	1,789,466	1,743,487	1,808,066	1,773,642
Deferred tax	17	1,123,756	699,499	-	-
Provisions	24	674,208	662,029	78,953	355,054
Deferred income	26	102,746	113,363	54,444	56,828
Interest rate swap liability	27	108,114	41,976	108,114	41,976
Consumer deposits	28	457,494	446,418	15,688	4,112
		15,601,632	15,753,187	13,385,386	14,254,280
Total Liabilities		26,057,141	24,789,476	21,696,230	22,229,016
Net Assets		26,862,064	22,650,989	17,928,480	15,827,285
NET ASSETS					
Reserves					
Hedging reserve		(94,065)	(26,033)	(94,065)	(26,033)
Accumulated surplus		26,956,129	22,677,022	18,022,545	15,853,318
Total Net Assets		26,862,064	22,650,989	17,928,480	15,827,285

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

Figures in Rand thousand	Note(s)	GROUP		CORE	
		2012	2011	2012	2011
Revenue					
Property rates	30	5,539,477	4,933,897	5,539,477	4,933,897
Service charges	31	18,601,300	15,209,782	918,271	848,565
Rental facilities and equipment		189,374	145,500	73,107	52,107
Interest received		480,264	490,236	1,120,464	1,040,429
Income from agency services		194,642	168,166	194,642	168,166
Public contributions, Donated and contributed property, plant and equipment		148,887	99,468	148,404	99,420
Fines		435,336	361,603	435,336	361,603
Licenses and permits		803	806	803	806
Government grants	32	7,540,386	7,134,966	7,395,769	6,969,070
Reversal of impairment		-	-	4,961	17,984
Other revenue	34	1,800,267	1,272,645	1,033,517	666,532
Gains on disposal of assets		128,854	6,784	126,478	6,265
Total Revenue		35,059,590	29,823,853	16,991,229	15,164,844
Expenditure					
Employee related costs	35	(7,098,305)	(6,468,824)	(4,116,777)	(3,755,129)
Remuneration of councillors	36	(98,291)	(80,646)	(98,291)	(80,646)
Depreciation and amortisation	37	(1,717,514)	(1,607,190)	(1,219,304)	(1,104,078)
Impairment losses	38	(148,774)	(42,789)	(390,600)	(41,872)
Finance costs		(1,606,887)	(1,523,057)	(1,607,282)	(1,548,566)
Allowance for impairment of current receivables	39	(2,181,500)	(2,780,370)	(440,560)	(1,268,675)
Repairs and maintenance		(468,300)	(486,111)	(106,260)	(102,408)
Bulk purchases	40	(10,147,417)	(8,162,421)	-	-
Contracted services	41	(2,306,512)	(2,685,328)	(1,294,867)	(1,357,569)
Grants and subsidies paid	42	(132,957)	(111,793)	(2,618,744)	(2,428,118)
Loss on disposal of assets		(76,663)	(21,554)	(69,377)	(12,694)
General Expenses	43	(3,645,630)	(2,835,897)	(2,156,571)	(1,952,771)
Total Expenditure		(29,628,750)	(26,805,980)	(14,118,633)	(13,652,526)
Fair value adjustments		(23,996)	(15,942)	(23,996)	(15,942)
Share of (deficit)/surplus of associate accounted for under the equity method		(70)	9,799	-	-
Loss on non-current assets held for sale or disposal groups		(300)	-	(300)	-
Taxation		(448,294)	(271,107)	-	-
Surplus for the year		4,958,180	2,740,623	2,848,300	1,496,376

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
GROUP				
Opening balance as previously reported		-	20,987,208	20,987,208
Adjustments				
Prior year adjustments	47	-	(63,941)	(63,941)
Balance at 01 July 2010 as restated		-	20,923,267	20,923,267
Changes in net assets				
Capitalisation Adjustment		(26,033)	-	(26,033)
Unbundling of land		-	55,747	55,747
Net revenue (expenditure) recognised directly in equity		(26,033)	55,747	29,714
Surplus for the year		-	2,740,623	2,740,623
Total recognised revenue and expenditure for the year		(26,033)	2,796,370	2,770,337
Assets under construction		-	(1,042,615)	(1,042,615)
Total changes		(26,033)	1,753,755	1,727,722
Opening balance as previously reported		(26,033)	21,968,440	21,942,407
Adjustments				
Prior year adjustments	47	-	708,582	708,582
Balance at 01 July 2011 as restated		(26,033)	22,677,022	22,650,989
Changes in net assets				
Capitalisation adjustment		(68,032)	-	(68,032)
Unbundling of land		-	82,293	82,293
Net revenue (expenditure) recognised directly in equity		(68,032)	82,293	14,261
Surplus for the year		-	4,958,180	4,958,180
Total recognised revenue and expenditure for the year		(68,032)	5,040,473	4,972,441
Assets under construction		-	(761,366)	(761,366)
Total changes		(68,032)	4,279,107	4,211,075
Balance at 30 June 2012		(94,065)	26,956,129	26,862,064

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
CORE				
Opening balance as previously reported		-	15,414,966	15,414,966
Adjustments				
Prior year adjustments	47	-	(71,156)	(71,156)
Balance at 01 July 2010 as restated		-	15,343,810	15,343,810
Changes in net assets				
Capitalisation Adjustment		(26,033)	-	(26,033)
Unbundling of land		-	55,747	55,747
Net revenue (expenditure) recognised directly in equity		(26,033)	55,747	29,714
Surplus for the year		-	1,496,376	1,496,376
Total recognised revenue and expenditure for the year		(26,033)	1,552,123	1,526,090
Assets under construction		-	(1,042,615)	(1,042,615)
Total changes		(26,033)	509,508	483,475
Opening balance as previously reported		(26,033)	15,140,737	15,114,704
Adjustments				
Prior year adjustments	47	-	712,581	712,581
Balance at 01 July 2011 as restated		(26,033)	15,853,318	15,827,285
Changes in net assets				
Capitalisation adjustment		(68,032)	-	(68,032)
Unbundling of land		-	82,293	82,293
Net revenue (expenditure) recognised directly in equity		(68,032)	82,293	14,261
Surplus for the year		-	2,848,300	2,848,300
Total recognised revenue and expenditure for the year		(68,032)	2,930,593	2,862,561
Assets under construction		-	(761,366)	(761,366)
Total changes		(68,032)	2,169,227	2,101,195
Balance at 30 June 2012		(94,065)	18,022,545	17,928,480

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand thousand	Note(s)	GROUP		CORE	
		2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Sale of goods and services		26,873,567	22,198,651	8,474,996	7,155,345
Grants		7,540,386	7,134,966	7,395,769	6,969,070
Interest income		335,958	297,948	1,040,801	964,016
		34,749,911	29,631,565	16,911,566	15,088,431
Payments					
Employee costs		(7,098,305)	(6,468,824)	(4,116,777)	(3,755,129)
Suppliers		(20,109,303)	(18,573,669)	(7,747,737)	(8,073,031)
Finance costs		(1,606,887)	(1,523,057)	(1,607,282)	(1,548,566)
Taxes on surpluses		(448,294)	(271,107)	-	-
		(29,262,789)	(26,836,657)	(13,471,796)	(13,376,726)
Net cash flows from operating activities	44	5,487,122	2,794,908	3,439,770	1,711,705
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	12	(3,549,284)	(3,783,645)	(1,861,123)	(2,048,700)
Proceeds from sale of property, plant and equipment	12	166,955	91,733	109,723	24,013
Purchase of investment property	11	(26,390)	-	(26,235)	-
Purchase of other intangible assets	13	(30,821)	(55,460)	(5,135)	(6,426)
Non-current assets held for sale		(133,373)	(3,233)	(136,606)	-
Investments made		(555,321)	(171,513)	(555,321)	(171,513)
Investments redeemed		57,876	255,452	175,558	251,886
(Increase)/decrease in non current receivables		(5,495)	1,277	254,428	(442,125)
Net cash flows from investing activities		(4,075,853)	(3,665,389)	(2,044,711)	(2,392,865)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(371,404)	(266,499)	(376,074)	(283,296)
Proceeds from borrowings		1,000,208	1,512,029	1,000,208	1,512,029
Repayment of provisions		(296,886)	(9,800)	(355,226)	-
Finance lease payments		(135,143)	(61,217)	(139,341)	(58,899)
Repayment of post retirement benefits		(139,765)	(128,887)	(137,123)	(122,351)
Increase/(decrease) in consumer deposits		11,077	219,762	11,576	495
Net cash flows from financing activities		68,087	1,265,388	4,020	1,047,978
Net increase/(decrease) in cash and cash equivalents		1,479,356	394,907	1,399,079	366,818
Cash and cash equivalents at the beginning of the year		695,089	300,182	643,438	276,620
Cash and cash equivalents at the end of the year	10	2,174,445	695,089	2,042,517	643,438

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Group Annual Financial Statements

The Group Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) financial reporting framework, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These Group Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

The principal accounting policies adopted in the preparation of these Group Annual Financial Statements are set out below.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Consolidation

Basis of consolidation

Consolidated Annual Financial Statements are the Annual Financial Statements of the Group presented as those of a single entity.

The consolidated Annual Financial Statements incorporate the Annual Financial Statements of the core and all controlled entities, including special purpose entities,

Control exists when the core has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities are included in the consolidated Annual Financial Statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

An investment in an entity is accounted for in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as cost on initial measurement of a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement.

The Annual Financial Statements of the core and its shareholder loans used in the preparation of the consolidated Annual Financial Statements are prepared as of the same reporting date.

Adjustments are made when necessary to the Annual Financial Statements of the subsidiaries to bring their accounting policies in line with those of the core.

All inter-entity and intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the Group are identified and recognised separately from the core's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

Investment in associates

An associate is an entity over which the core has significant influence and which is neither a controlled entity nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.1 Consolidation (continued)

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. The surplus or deficit of the Group includes the Group's share of the surplus or deficit of the investee.

The Group's share of the surplus or deficit of the investee is recognised in surplus or deficit.

The most recent available Annual Financial Statements of the associate are used by the Group in applying the equity method. When the reporting date's of the Group and the associate are different, the associate prepares, for the use of the Group, Annual Financial Statements as of the same date as the Annual Financial Statements of the Group unless it is impractical to do so.

When the Annual Financial Statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's Annual Financial Statements. In any case, the difference between the reporting date of the associate and that of the Group is more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Deficits in an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the Group resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in surplus or deficit.

Surpluses and deficits on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein.

The Group discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the Group Annual Financial Statements in conformity with GRAP, management is required to make judgements, estimates and assumptions that affect the amounts represented in the Group Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Group Annual Financial Statements. These estimates and underlying assumptions are reviewed on an ongoing basis.

Significant judgements include:

Held to maturity investments and loans and receivables

The CJMM assesses its loans and receivables (including trade receivables) and its held to maturity investments at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Available-for-sale financial assets

The CJMM follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the CJMM evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 24 - Provisions.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill.

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

The increase in the restoration provision due to passage of time is recognised as borrowing cost in the statement of financial performance.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

The cost of ongoing programmes to prevent and control pollution and rehabilitate the environment is recognised as an expense when incurred.

A provision is recognised when:

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

Contingent liabilities

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of contingent liabilities are included in note 46.

Post retirement benefits

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

The group determines the appropriate discount rate at the end of each year. This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions.

Additional information is disclosed in Note 25.

Debt impairment provision

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the group, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Investment property (continued)

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - Land	indefinite
Property - Buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated, owing to the uncertainty regarding their estimated useful lives. Land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Property, plant and equipment (continued)

Item	Average useful life
Land and buildings	
• Land	not depreciated
• Buildings	5 - 50 years
Plant and equipment	10 - 85 years
Furniture and fittings	7 - 20 years
Motor vehicles	5 - 12 years
Office equipment	3 - 12 years
Computer equipment	3 - 15 years
Infrastructure	
• Electricity	40 - 85 years
• Housing	30 years
• Pedestrian Malls	30 years
• Roads and Paving	30 years
• Sewerage Infrastructure	4 - 100 years
• Water Infrastructure	4 - 100 years
Community	
• Buildings	30 years
• Recreational Facilities	20 - 30 years
• Security	5 years
Other	
• Dogs and horses	5 - 7 years
• Other	2 - 5 years
Bins and containers	5 years
Landfill Site	16 - 36 years
Specialised vehicles	10 years
Heritage assets	not depreciated
Library books	10 years
Emergency equipment	5 - 15 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expected useful life differs from previous estimates, the change is accounted for as a change in accounting estimate. The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the group holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the statement of cash flows.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the group or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the group; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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.

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

Item	Useful life
Additional capacity rights	10 years
Servitudes	indefinite
Computer software, internally generated	3 years
Computer software	2 - 9 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Investments in Municipal Entities

CORE annual financial statements

In the municipality's separate annual financial statements, investments in municipal entities are carried at cost less any accumulated impairment.

The cost of an investment in a controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given up, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

1.7 Financial instruments

Non-derivative financial assets

The municipality initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The municipality classifies its non-derivative financial assets into the following categories:

- Held-to-maturity financial assets; and
- Loans and receivables.

Held-to-maturity financial assets

If the municipality has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the municipality from classifying investment securities as held-to-maturity for the current and the following two financial years.

Held-to-maturity financial assets comprise various investments with several financial institutions and these have been presented under "Other financial assets".

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Impairment of non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.7 Financial instruments (continued)

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the municipality, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables and held-to-maturity investments

The municipality considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investments are assessed for specific impairment.

All individually significant loans and receivables and held-to-maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investments that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investments with similar risk characteristics.

In assessing collective impairment the municipality uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investments. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

Non-derivative financial liabilities

The municipality initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The municipality classifies non-derivative financial liabilities into the other financial liabilities category.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, trade and other payables and consumer deposits.

Bank overdrafts that are repayable on demand and form an integral part of the municipality's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Derivative financial instruments, including hedge accounting

The municipality holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.7 Financial instruments (continued)

On initial designation of the derivative as the hedging instrument, the municipality formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The municipality makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported surplus or deficit.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in surplus or deficit as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect surplus or deficit, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in net assets. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in surplus or deficit.

When the hedged item is a non-financial asset, the amount accumulated in net assets is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to surplus or deficit in the same period that the hedged item affects surplus or deficit. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in net assets is reclassified in surplus or deficit.

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognised immediately in surplus or deficit.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in surplus or deficit.

1.8 Leases

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

Finance leases - lessee

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

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

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

Operating leases - lessor

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.8 Leases (continued)

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

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 weighted average 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. Where inventories are acquired at cost, or for nominal consideration, their costs are their fair value as at the date of acquisition.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Non-current assets held for sale

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

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

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

1.11 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 assets fair value less costs of disposal and its value in use.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

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 belong. 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 amount 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 assets' revised carrying amount on a systematic basis over its remaining useful life.

1.12 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.

The CJMM has various maintenance and upgrading programmes to ensure continuous uphold and sustained use of these non-cash generating assets.

1.13 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.13 Employee benefits (continued)

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.

Bonus pensionable service and medical boarding's.

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.

1.14 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Additional disclosure of these estimates of provisions are included in note 24 - Provisions.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.14 Provisions and contingencies (continued)

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the group

No obligation arises as a consequence of the sale or transfer of an operation until the group is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.16 Revenue from non-exchange transactions

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

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The group has two types of fines: traffic fines and criminal procedure act fines.

There is uncertainty regarding the probability of the flow of economic benefits in respect of criminal procedure act fines. Legal processes have to be undertaken before the criminal procedure act fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

1.17 Investment income

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

1.18 Borrowing costs

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

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the group on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.18 Borrowing costs (continued)

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

When the group completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.22 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.23 Presentation of currency

These Group Annual Financial Statements are presented in South African Rand.

1.24 Offsetting

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

1.25 Internal 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 accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised 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 amounts in the CRR are utilised.

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. The municipality 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 the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

1.26 Conditional grants and receipts

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

2. STATEMENT AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of these Annual Financial Statements, the following Standards and Interpretations were in issue but not yet effective:

<u>Name</u>	<u>Effective Date</u>
GRAP 18 - Segment Reporting	No effective date determined yet
GRAP 20 - Related Parties	No effective date determined yet
GRAP 21 - Impairment of non-Cash-Generating Assets	01 July 2012
GRAP 23 - Revenue from non-Exchange Transactions (Taxes and Transfers)	01 July 2012
GRAP 24 - Presentation of Budget Information in Financial Statements	01 July 2012
GRAP 25 - Employee benefits	No effective date determined yet
GRAP 26 - Impairment of Cash-Generating Assets	01 July 2012
GRAP 103 - Heritage Assets	01 July 2012
GRAP 104 - Financial Instruments	01 July 2012
GRAP 105 - Transfer of functions between entities under common control	No effective date determined yet
GRAP 106 - Transfer of functions between entities not under common control	No effective date determined yet
GRAP 107 - Mergers	No effective date determined yet

All standards and interpretations will be adopted at their effective date (except those Standards and Interpretations that are not applicable to the City of Johannesburg).

The impact of the application of the above standards and interpretations have not been fully assessed for the following financial year.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

3. CHANGES IN ACCOUNTING POLICY

During the period ending 30 June 2012 the City of Johannesburg changed its accounting policy, whereby traffic offence income included under fines, is now recognised on an accrual basis rather than on the cash basis.

The reason for the change in accounting policy is as a result of an accounting guideline issued by National Treasury, which will have an impact on the application of GRAP 23 in the 2013 financial year.

The change in accounting policy will result in a fair presentation of financial information.

The comparative amounts were restated accordingly and there is a NIL net effect on prior years.

Statement of financial position

Previously stated - Cash basis	-	-	-	-
Adjustment - Debtors	149,790	150,567	149,790	150,567
Adjustment - Provision for bad debts	(149,790)	(150,567)	(149,790)	(150,567)
Currently stated - Accrual basis	-	-	-	-

Statement of financial performance

Surplus from operating activities before adjustment	26,862,064	22,650,989	17,928,480	15,827,285
Adjustment - Fines	(777)	45,942	(777)	45,942
Adjustment - Allowance for impairment of current receivables	777	(45,942)	777	(45,942)
Surplus from operating activities after adjustment	26,862,064	22,650,989	17,928,480	15,827,285

Statement of changes in net assets

Accumulated surplus

Opening accumulated surplus as previously reported	26,862,064	22,650,989	17,928,480	15,827,285
Change in accounting policy in respect of fines	(777)	45,942	(777)	45,942
Change in accounting policy in respect of allowance for impairment of current receivables	777	(45,942)	777	(45,942)
Closing accumulated surplus	26,862,064	22,650,989	17,928,480	15,827,285

4. INVENTORIES

Consumable stores	239,715	132,766	43,763	33,554
Spare parts	19,398	15,299	-	-
Water	8,492	7,697	-	-
Housing stock	59,249	66,725	59,249	66,725
	326,854	222,487	103,012	100,279
Inventories (write-downs)	(13,503)	(8,031)	-	(27)
	313,351	214,456	103,012	100,252
Cost of inventories expense	43	100,863	97,226	14,273
				15,160

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
5. LOANS TO MUNICIPAL ENTITIES				
Shareholder loans				
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.5 to 17.5%	-	-	624,793	624,793
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 15% Maturity = 30/06/2018 The unsecured loan bears interest at a nominal annual rate of 15% (2011 : 14.5% to 15%) compounded monthly and are repayable in equal quarterly installments over a period of 10 years, maturing on 30 June 2018. The quarterly repayments commenced in 2009.	-	-	389,944	454,939
	-	-	1,014,737	1,079,732
Conduit and additional loans				
City of Johannesburg Property Company (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2011	-	-	401	1,500
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate range = 10.2% to 17.5% Maturity = 30 June 2021	-	-	2,449,771	2,553,150
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% to 10.9% Maturity = 30 June 2018	-	-	78,864	93,907
Johannesburg Water (Pty) Ltd Terms and conditions: Rate range = 10.9% to 15.17% Maturity = 30 June 2021	-	-	2,520,037	2,460,260
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate range = 10.2% to 15% Maturity = 30 June 2021	-	-	131,516	132,548
The Johannesburg Fresh Produce Market (Pty) Ltd Terms and conditions: Rate range = 9% to 15% Maturity = 30 June 2020	-	-	178,916	190,903
	-	-	5,359,505	5,432,268
Less impairment of loans to Pikitup Johannesburg (Pty) Ltd	-	-	(131,516)	(14,312)
	-	-	5,227,989	5,417,956
Impairment of loan to Pikitup Johannesburg (Pty) Ltd				
The Pikitup loan was fully impaired due to the technical insolvency that Pikitup was facing at year end. Pikitup did not repay their capital portion, they did not repay their Capital and Interest for the month of July. Pikitup has reclassified all their loans to the City as long term loan without any current portion reflected providing uncertainty regarding the ability to pay back the loans to the City.				
Non-current assets	-	-	5,436,952	5,664,918
Current assets	-	-	805,774	832,770
	-	-	6,242,726	6,497,688

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

5. LOANS TO MUNICIPAL ENTITIES (continued)

Shareholder loans

	Fair Value 2012	Fair Value 2011	Fair Value 2012	Fair Value 2011
City Power Johannesburg (Pty) Ltd	-	-	701,795	512,232
Johannesburg Water (Pty) Ltd	-	-	488,671	406,972
	-	-	1,190,466	919,204

Conduit and additional loans

City of Johannesburg Property Company (Pty) Ltd	-	-	401	1,548
City Power Johannesburg (Pty) Ltd	-	-	2,541,076	2,805,336
Johannesburg Metropolitan Bus Services (Pty) Ltd	-	-	84,734	98,858
Johannesburg Water (Pty) Ltd	-	-	2,633,800	2,668,687
Pikitup Johannesburg (Pty) Ltd	-	-	143,086	148,047
The Johannesburg Fresh Produce Market (Pty) Ltd	-	-	188,971	207,223
	-	-	5,592,068	5,929,699

Fair value of loans to and from municipal entities

The carrying amount is a reasonable approximation of the fair value.

Reconciliation of provision for impairment of loans to municipal entities

Opening balance	-	-	241,947	259,931
Additional impairment	-	-	122,165	-
Reversal	-	-	(4,962)	(17,984)
	-	-	359,150	241,947

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance. No loans are currently past due, all loan repayments were done in terms of the loan agreements.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
6. OTHER FINANCIAL ASSETS				
Held to maturity investments				
Other financial assets	3,103,025	2,501,801	3,103,025	2,501,801
Loans and receivables				
Housing Selling scheme loans	2,089	2,089	2,089	2,089
Other loans and receivables	94,978	89,483	94,978	89,483
	97,067	91,572	97,067	91,572
Loans and receivables - Impairments	(2,089)	(2,089)	(2,089)	(2,089)
	94,978	89,483	94,978	89,483
Total other financial assets	3,198,003	2,591,284	3,198,003	2,591,284
Non-current assets				
Held to maturity	2,839,855	2,343,857	2,839,855	2,343,857
Loans and receivables	94,978	89,483	94,978	89,483
	2,934,833	2,433,340	2,934,833	2,433,340
Current assets				
Held to maturity	263,170	157,944	263,170	157,944
	3,198,003	2,591,284	3,198,003	2,591,284

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
6. OTHER FINANCIAL ASSETS (continued)				
Held to maturity investments				
	2012 Amortised Cost	2012 Market Values	2012 Amortised Cost	2012 Market Values
ABSA Investment Maturity - 20.12.2012 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	145,421	149,882	145,421	149,882
SCMB Long-term Investment Maturity - 31.08.2013 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	25,977	29,826	25,977	29,826
Investment: RMB - E Maturity - 30.11.2014 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	63,947	92,852	63,947	92,852
Investment: RMB - E Maturity - 31.12.2012 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	254,741	296,186	254,741	296,186
Investment: RMB R10 Maturity - 30.11.2014 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	67,312	97,737	67,312	97,737
ABSA Sinking Fund 20 Maturity - 05.06.2023 Rating - (AAA) Pledged as collateral for CJMM Bond redemptions	2,527,718	2,527,718	2,527,718	2,527,718
Fixed Deposit - RMB Maturity - 30.11.2014 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	17,909	34,140	17,909	34,140
	3,103,025	3,228,341	3,103,025	3,228,341

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
6. OTHER FINANCIAL ASSETS (continued)				
	2011 Amortised Cost	2011 Market Values	2011 Amortised Cost	2011 Market Values
ABSA Investment Maturity - 20.12.2012 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	135,677	149,184	135,677	149,184
SCMB Long-term Investment Maturity - 31.08.2013 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	22,953	29,425	22,953	29,425
Investment: RMB - E Maturity - 30.11.2014 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	54,270	90,215	54,270	90,215
Investment: RMB - E Maturity - 31.12.2012 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	239,391	354,963	239,391	354,963
Investment: RMB R10 Maturity - 30.11.2014 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	57,127	94,964	57,127	94,964
STD Bank: (2496) Maturity - 30.11.2011 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	46,933	49,929	46,933	49,929
ABSA Sinking Fund 20 Maturity - 05.06.2023 Rating - (AAA) Pledged as collateral for CJMM Bond redemptions	1,922,526	1,922,526	1,922,526	1,922,526
Fixed Deposit - RMB Maturity - 30.11.2014 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	22,924	45,467	22,924	45,467
	2,501,801	2,736,673	2,501,801	2,736,673

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

6. OTHER FINANCIAL ASSETS (continued)

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price.
- The fair values on investments not listed or quoted are estimated using the discounted cash flow analysis.

The held to maturity investments are ring-fenced for the repayment of non-current liabilities and there were no gains or losses realised on the disposal of held to maturity financial assets in 2012 and 2011.

The total amount of change in fair value, estimated using discounted cash flow analysis.

7. TRADE AND OTHER RECEIVABLES

Loans and receivables

Accrued VAT	125,705	123,307	125,705	125,078
Housing debtors	1,894	54,950	1,894	54,950
Insurance debtor	45,530	83,918	45,186	77,513
Kelvin power	62,136	76,717	62,136	76,717
Operating lease receivables	35,695	31,901	7,547	3,324
Sundry debtor	696,298	807,472	356,242	228,142
Related party debtors	-	-	597,403	1,920,184
	967,258	1,178,265	1,196,113	2,485,908

Other receivables

Fruitless and wasteful expenditure to be investigated	49	8,720	8,464	5,769	5,715
Prepayments		22,063	23,295	16,533	17,308
		30,783	31,759	22,302	23,023

Total trade and other receivables

	998,041	1,210,024	1,218,415	2,508,931
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8. VAT

Receivable	78,513	113,682	73,046	110,433
Payable	(841,525)	(709,942)	-	-
	(763,012)	(596,260)	73,046	110,433

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
9. CONSUMER DEBTORS				
Gross balances				
Rates	4,825,098	3,714,534	4,825,098	3,714,534
Electricity	5,924,893	4,753,471	-	-
Water	7,269,345	5,908,688	-	-
Refuse	703,039	814,162	495,861	637,940
Housing rental	298,101	258,746	298,101	258,746
	19,020,476	15,449,601	5,619,060	4,611,220
Less: Provision for debt impairment				
Rates	(3,936,601)	(3,466,722)	(3,936,601)	(3,466,722)
Electricity	(2,836,918)	(2,211,808)	-	-
Water	(5,360,647)	(4,531,239)	-	-
Refuse	(538,020)	(659,648)	(379,621)	(509,231)
Housing rental	(284,394)	(253,449)	(284,394)	(253,449)
	(12,956,580)	(11,122,866)	(4,600,616)	(4,229,402)
Net balance				
Rates	888,497	247,812	888,497	247,812
Electricity	3,087,975	2,541,663	-	-
Water	1,908,698	1,377,449	-	-
Refuse	165,019	154,514	116,240	128,709
Housing rental	13,707	5,297	13,707	5,297
	6,063,896	4,326,735	1,018,444	381,818
Current Assets	6,018,505	4,267,159	973,053	322,242
Non-Current Assets	45,391	59,576	45,391	59,576
	6,063,896	4,326,735	1,018,444	381,818

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
9. CONSUMER DEBTORS (continued)				
Rates				
Current (0 - 30 days)	911,264	695,884	911,264	695,884
31 - 60 days	253,924	93,306	253,924	93,306
61 - 90 days	153,860	165,840	153,860	165,840
91 - 120 days	171,472	158,305	171,472	158,305
121 - 365 days	710,480	667,837	710,480	667,837
> 365 days	2,624,098	1,933,362	2,624,098	1,933,362
	4,825,098	3,714,534	4,825,098	3,714,534
Electricity				
Current (0 - 30 days)	2,635,665	897,953	-	-
31 - 60 days	289,432	524,031	-	-
61 - 90 days	160,007	283,594	-	-
91 - 120 days	190,249	232,582	-	-
121 - 365 days	788,234	190,797	-	-
> 365 days	1,861,306	2,624,514	-	-
	5,924,893	4,753,471	-	-
Water				
Current (0 - 30 days)	1,434,137	970,007	-	-
31 - 60 days	290,971	188,144	-	-
61 - 90 days	183,590	215,185	-	-
91 - 120 days	241,808	164,626	-	-
121 - 365 days	1,102,901	1,008,172	-	-
> 365 days	4,015,938	3,362,554	-	-
	7,269,345	5,908,688	-	-
Refuse				
Current (0 - 30 days)	79,276	134,702	59,149	118,028
31 - 60 days	42,001	29,674	35,128	25,552
61 - 90 days	31,261	28,044	25,677	22,294
91 - 120 days	36,768	45,365	30,712	23,510
121 - 365 days	300,192	234,179	131,654	106,357
> 365 days	213,541	342,198	213,541	342,199
	703,039	814,162	495,861	637,940
Housing rental				
Current (0 - 30 days)	3,696	3,209	3,696	3,209
31 - 60 days	3,412	2,961	3,412	2,961
61 - 90 days	3,329	2,889	3,329	2,889
91 - 120 days	3,289	2,855	3,289	2,855
121 - 365 days	25,714	22,319	25,714	22,319
> 365 days	258,661	224,513	258,661	224,513
	298,101	258,746	298,101	258,746

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past, nor due, nor impaired can be assessed by reference to the customer classification and historical information about counterparty default rates.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
9. CONSUMER DEBTORS (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 - 30 days)	2,363,541	1,217,672	500,558	516,525
31 - 60 days	567,197	364,224	245,601	70,009
61 - 90 days	338,200	340,641	156,433	135,804
91 - 120 days	402,971	345,910	171,184	150,203
121 - 365 days	1,874,389	1,228,769	758,127	562,089
> 365 days	5,856,200	5,287,752	1,943,716	1,392,612
	11,402,498	8,784,968	3,775,619	2,827,242
Less: Provision for debt impairment	(8,315,280)	(6,488,395)	(3,041,972)	(2,575,394)
	3,087,218	2,296,573	733,647	251,848
Consumers - Past due and impaired				
Current (0 - 30 days)	404,330	533,076	272,081	434,649
31 - 60 days	237,130	143,278	150,365	59,262
61 - 90 days	100,897	158,949	97,327	114,562
91 - 120 days	326,741	269,104	106,014	126,661
121 - 365 days	1,600,199	1,096,234	533,865	475,606
> 365 days	5,645,983	4,287,754	1,882,320	1,364,654
	8,315,280	6,488,395	3,041,972	2,575,394
Consumers - Past due and not impaired				
Current (0 - 30 days)	1,959,210	684,596	228,476	81,876
31 - 60 days	330,067	220,944	95,236	10,746
61 - 90 days	237,302	181,693	59,106	21,243
91 - 120 days	76,231	76,806	65,171	23,542
121 - 365 days	274,191	132,536	224,262	86,483
> 365 days	210,217	999,998	61,396	27,958
	3,087,218	2,296,573	733,647	251,848

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
9. CONSUMER DEBTORS (continued)				
Industrial/ commercial				
Current (0 - 30 days)	2,646,886	1,347,989	495,872	297,215
31 - 60 days	289,306	441,824	43,877	49,072
61 - 90 days	177,770	318,144	23,043	52,068
91 - 120 days	222,395	234,964	30,359	30,839
121 - 365 days	993,568	828,413	99,886	213,736
> 365 days	2,916,464	3,047,152	1,061,776	1,053,160
	7,246,389	6,218,486	1,754,813	1,696,090
Less: Provision for debt impairment	(4,408,915)	(4,461,050)	(1,479,603)	(1,572,560)
	2,837,474	1,757,436	275,210	123,530
Industrial/ commercial - Past due and impaired				
Current (0 - 30 days)	349,281	571,375	298,103	249,847
31 - 60 days	35,431	209,313	26,378	41,251
61 - 90 days	20,974	135,777	13,853	43,770
91 - 120 days	197,751	162,531	18,250	25,923
121 - 365 days	889,013	742,963	61,243	179,672
> 365 days	2,916,465	2,639,091	1,061,776	1,032,097
	4,408,915	4,461,050	1,479,603	1,572,560
Industrial/ commercial - Past due and not impaired				
Current (0 - 30 days)	2,297,605	776,615	197,769	47,369
31 - 60 days	253,876	232,511	17,499	7,821
61 - 90 days	156,795	182,367	9,190	8,298
91 - 120 days	24,643	72,431	12,108	4,915
121 - 365 days	104,555	85,450	38,644	34,064
> 365 days	-	408,062	-	21,063
	2,837,474	1,757,436	275,210	123,530

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
9. CONSUMER DEBTORS (continued)				
National and provincial government				
Current (0 - 30 days)	80,126	135,291	4,196	3,380
31 - 60 days	23,236	32,070	2,985	2,739
61 - 90 days	16,077	36,768	3,389	3,151
91 - 120 days	18,221	23,158	3,931	3,628
121 - 365 days	59,564	66,620	9,834	20,687
> 365 days	174,365	152,240	64,293	54,303
	371,589	446,147	88,628	87,888
Less: Provision for debt impairment	(232,385)	(173,421)	(79,041)	(81,448)
	139,204	272,726	9,587	6,440
National and provincial government - Past due and impaired				
Current (0 - 30 days)	2,574	2,896	2,522	2,842
31 - 60 days	1,856	2,369	1,795	2,302
61 - 90 days	2,135	2,780	2,038	2,648
91 - 120 days	12,688	13,393	2,363	3,050
121 - 365 days	48,168	55,517	6,029	17,390
> 365 days	164,964	96,466	64,294	53,216
	232,385	173,421	79,041	81,448
National and provincial government - Past due and not impaired				
Current (0 - 30 days)	77,552	132,398	1,673	539
31 - 60 days	21,382	29,702	1,191	438
61 - 90 days	13,941	33,986	1,352	502
91 - 120 days	5,532	9,764	1,568	578
121 - 365 days	11,394	11,104	3,803	3,297
> 365 days	9,403	55,772	-	1,086
	139,204	272,726	9,587	6,440

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
9. CONSUMER DEBTORS (continued)				
Total				
Current (0 -30 days)	5,090,553	2,700,952	1,000,626	817,120
31 - 60 days	879,739	838,118	292,463	121,820
61 - 90 days	532,047	695,553	182,865	191,023
91 - 120 days	643,587	604,032	205,474	184,670
121 - 365 days	2,927,521	2,123,802	867,847	796,512
> 365 days	8,947,029	8,487,144	3,069,785	2,500,075
	19,020,476	15,449,601	5,619,060	4,611,220
Less: Provision for debt impairment	(12,956,580)	(11,122,866)	(4,600,616)	(4,229,402)
	6,063,896	4,326,735	1,018,444	381,818
Less: Provision for debt impairment				
Current (0 - 30 days)	756,185	1,107,347	572,706	687,338
31 - 60 days	274,417	354,960	178,538	102,815
61 - 90 days	124,006	297,506	113,218	160,980
91 - 120 days	537,180	445,028	126,627	155,634
121 - 365 days	2,537,380	1,894,714	601,137	672,668
> 365 days	8,727,412	7,023,311	3,008,390	2,449,967
	12,956,580	11,122,866	4,600,616	4,229,402
Total debtor past due but not impaired				
Current (0 - 30 days)	4,334,367	1,593,609	427,918	129,784
31 - 60 days	605,325	483,157	113,926	19,005
61 - 90 days	408,038	398,046	69,648	30,043
91 - 120 days	106,406	159,001	78,847	29,035
121 - 365 days	390,140	229,090	266,709	123,844
> 365 days	219,620	1,463,832	61,396	50,107
	6,063,896	4,326,735	1,018,444	381,818
Reconciliation of debt impairment provision				
Balance at beginning of the year	(11,122,866)	(8,253,191)	(4,229,402)	(3,023,385)
Contributions to provision	(2,130,748)	(2,873,582)	(371,214)	(1,206,017)
Debt impairment written off against provision	182,884	2,617	-	-
Reversal of provision	114,150	1,290	-	-
Balance at the end of the year	(12,956,580)	(11,122,866)	(4,600,616)	(4,229,402)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

9. CONSUMER DEBTORS (continued)

Johannesburg Water

An impairment is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Accordingly, an impairment loss is recognised based on the ageing as well as the profile of debtors. The terms of the trade and other receivables have not been renegotiated during the current or prior period. Extensive investigative work performed prior to 2004 in order to inform the direction of the company turnaround strategy identified that the deemed consumption areas were largely responsible not only for the high outstanding debtors, but also the higher than benchmark unaccounted for water level. The level of unaccounted for water for the year under review is 30.3% [R 805,2 million], (2011: 34.2% [R 723,5 million]). The metered areas are considered to be within excepted norms, whilst the problem area has been identified as being the deemed consumption environment.

Credit quality of consumer debtors

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis and characteristics like collection levels are considered during evaluation for impairment. The credit quality of trade receivables that are neither past due nor impaired are considered fair by the company taking into account the historical information available.

Electricity distribution losses

Distribution losses relate to unaccounted for electricity. The total cost of unaccounted distribution losses, included in bulk purchases, amounts to (Non-Technical) R663 million : (2011 : R649 million) and (Technical) R709 million : (2011 : R568 million)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
10. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	579	416	106	114
Bank balances	703,493	608,101	576,295	561,032
Call investment deposits	1,470,373	86,644	1,466,116	82,292
Bank overdraft	-	(72)	-	-
	2,174,445	695,089	2,042,517	643,438
Current assets	2,174,445	695,161	2,042,517	643,438
Current liabilities	-	(72)	-	-
	2,174,445	695,089	2,042,517	643,438

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

10. CASH AND CASH EQUIVALENTS (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. The amortised cost carrying amount estimates the fair value due the short term nature of these deposits.

Fixed Deposits STD Bank Rating - (F1+)	1,217	1,157
Fixed Deposits ABSA Rating - (F1+)	850	358
Call Deposits ABSA Rating - (F1+)	163,447	4,289
Call Deposits RMB Rating - (F1+)	1,205	1,119
Call Deposits INVESTEC Rating - (F1)	68,642	21,624
Fixed Deposits INVESTEC 02 July 2012 Rating - (F1)	208,100	-
Call Deposits NEDCOR Rating - (F1+)	33,364	46,890
Call Deposits CITY BANK Rating - (F1)	5,679	1,155
Fixed Deposits CITY BANK 06 July 2012 Rating - (F1)	330,000	-
Call Deposits DEUTSCHE BK Rating - (F1+)	1,144	1,005
Fixed Deposits DEUTSCHE BK 06 July 2012 Rating - (F1+)	320,000	-
Call Deposits TCTA Rating - (F1+)	11,047	1,004
Call Deposits LANDBANK Rating - (F1+)	31,187	1,055
Calyon SA Rating - (F1+)	-	1,131
Stanlib Call Investment Rating - (F1+)	290,234	1,505
	1,466,116	82,292

Cash and cash equivalents that have been ring-fenced for following future expenditure

Underwriting of COID reserve	66,000	62,800
Capital replacement reserve	11,142	14,260
	77,142	77,060

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

11. INVESTMENT PROPERTY

GROUP	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,429,042	(120,307)	1,308,735	1,410,878	(104,326)	1,306,552

CORE	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,308,740	(46,685)	1,262,055	1,290,731	(30,976)	1,259,755

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

11. INVESTMENT PROPERTY (continued)

Reconciliation of investment property - GROUP - 2012

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	1,306,552	26,390	(8,226)	-	(3,814)	(12,167)	1,308,735

Reconciliation of investment property - GROUP - 2011

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	1,095,016	-	(249)	235,862	-	(24,077)	1,306,552

Reconciliation of investment property - CORE - 2012

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	1,259,755	26,235	(8,226)	-	(3,814)	(11,895)	1,262,055

Reconciliation of investment property - CORE - 2011

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	1,047,943	-	(249)	235,862	-	(23,801)	1,259,755

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
11. INVESTMENT PROPERTY (continued)				
Fair value				
CORE	2,132,900	2,132,900	2,132,900	2,132,900
The Johannesburg Fresh Produce Market (Pty) Ltd	12,424	11,612	-	-
Metropolitan Trading Company (Pty) Ltd	55,152	55,002	-	-
	2,200,476	2,199,514	2,132,900	2,132,900

A register containing the information for CORE as required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Metropolitan Trading Company (Pty) Ltd

- Metro Mall Erf 601,602 and 603, Newtown, Extension 1
- Yeoville flats Erf 737, Yeoville
- Yeoville market Erf 1304, Yeoville

The Johannesburg Fresh Produce Market (Pty) Ltd

- Stand 118 City Deep Extension 2, Johannesburg, Gauteng - comprising of retail shops.

Details of valuation

CORE

The CORE valuation is based on the valuation roll and is reviewed every three years.

The Johannesburg Fresh Produce Market (Pty) Ltd

An external, independent valuation entity, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the entity's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the entity and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

The gross property rental income earned by the entity from its investment property, all of which are leased out under gross operating leases, amounted to R1,424 (million) (2011: R1,377 (million)).

Expenditure incurred during the year on investment property amounted to Rnil (2011:RNil).

The Metropolitan Trading Company SOC Ltd

The gross property rental income earned by the entity from its investment property, all of which are leased out under gross operating leases, amounted to R7,185 million (2011 : R7,833 million).

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	6,369,697	(46,733)	6,322,964	6,166,820	(46,789)	6,120,031
Buildings	10,942,065	(2,538,705)	8,403,360	10,614,590	(2,181,289)	8,433,301
Plant and equipment	1,801,053	(673,024)	1,128,029	1,784,467	(580,804)	1,203,663
Furniture and fittings	485,541	(309,993)	175,548	533,549	(327,342)	206,207
Motor vehicles	14,330	(8,481)	5,849	14,830	(7,808)	7,022
Office equipment	699,532	(493,767)	205,765	666,041	(445,574)	220,467
Computer equipment	221,099	(125,345)	95,754	223,149	(123,655)	99,494
Infrastructure	19,709,913	(3,647,029)	16,062,884	18,073,964	(2,848,032)	15,225,932
Community	1,248,312	(322,065)	926,247	1,031,757	(264,569)	767,188
Other	14,076	(8,236)	5,840	13,654	(7,818)	5,836
Bins and containers	225,418	(184,254)	41,164	219,185	(173,667)	45,518
Work in progress	3,701,295	-	3,701,295	3,185,863	-	3,185,863
Landfill sites	524,441	(116,178)	408,263	233,217	(103,257)	129,960
Zoo animals	19,550	(1,671)	17,879	19,511	(836)	18,675
Specialised vehicles	291,422	(33,051)	258,371	483,468	(213,007)	270,461
Heritage assets	113,938	(21,348)	92,590	112,733	(21,356)	91,377
Library books	327,504	(277,946)	49,558	320,525	(268,781)	51,744
Emergency equipment	28,717	(19,633)	9,084	26,392	(16,245)	10,147
Total	46,737,903	(8,827,459)	37,910,444	43,723,715	(7,630,829)	36,092,886

CORE	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	6,369,697	(46,733)	6,322,964	6,166,820	(46,789)	6,120,031
Buildings	9,745,702	(2,016,889)	7,728,813	9,475,370	(1,686,498)	7,788,872
Plant and equipment	197,288	(115,126)	82,162	188,506	(88,210)	100,296
Furniture and fittings	402,166	(270,311)	131,855	442,355	(280,117)	162,238
Motor vehicles	4,272	(4,147)	125	4,293	(4,023)	270
Office equipment	637,601	(460,972)	176,629	610,681	(417,145)	193,536
Infrastructure	7,961,797	(2,236,229)	5,725,568	7,294,755	(1,674,282)	5,620,473
Community	1,248,312	(322,065)	926,247	1,031,757	(264,569)	767,188
Other	731	(467)	264	597	(440)	157
Bins and containers	9,833	(4,975)	4,858	10,423	(4,677)	5,746
Work in progress	2,403,127	-	2,403,127	2,124,573	-	2,124,573
Specialised vehicles	136,441	(4,502)	131,939	306,414	(186,559)	119,855
Heritage assets	112,345	(21,348)	90,997	111,140	(21,356)	89,784
Library books	327,504	(277,946)	49,558	320,525	(268,781)	51,744
Emergency equipment	26,456	(19,398)	7,058	26,392	(16,245)	10,147
Total	29,583,272	(5,801,108)	23,782,164	28,114,601	(4,959,691)	23,154,910

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - GROUP - 2012

	Opening balance	Additions	Unbundling of land	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	6,120,031	138,440	82,293	(56,102)	38,302	-	-	6,322,964
Buildings	8,433,301	70,940	-	(1,362)	259,578	(309,652)	(49,445)	8,403,360
Plant and equipment	1,203,663	12,444	-	(202)	12,001	(98,674)	(1,203)	1,128,029
Furniture and fittings	206,207	16,354	-	(2,456)	804	(44,921)	(440)	175,548
Motor vehicles	7,022	208	-	(219)	21	(1,182)	(1)	5,849
Office equipment	220,467	81,197	-	(2,227)	1,146	(92,459)	(2,359)	205,765
Computer equipment	99,494	21,007	-	(4,052)	5,027	(25,717)	(5)	95,754
Infrastructure	15,225,932	852,135	-	(20,033)	837,330	(788,037)	(44,443)	16,062,884
Community	767,188	6,732	-	(87)	210,343	(53,439)	(4,490)	926,247
Other	5,836	927	-	(30)	-	(868)	(25)	5,840
Bins and containers	45,518	6,823	-	21	-	(11,192)	(6)	41,164
Work in progress	3,185,863	1,884,458	-	-	(1,369,026)	-	-	3,701,295
Landfill sites	129,960	291,224	-	-	-	(12,921)	-	408,263
Zoo animals	18,675	39	-	-	-	(835)	-	17,879
Specialised vehicles	270,461	156,647	-	(98,774)	-	(69,963)	-	258,371
Heritage assets	91,377	-	-	(32)	1,245	-	-	92,590
Library books	51,744	6,978	-	-	-	(9,164)	-	49,558
Emergency equipment	10,147	2,731	-	(50)	-	(2,124)	(1,620)	9,084
	36,092,886	3,549,284	82,293	(185,605)	(3,229)	(1,521,148)	(104,037)	37,910,444

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - GROUP - 2011

	Opening balance	Additions	Unbundling of land	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	5,971,941	84,830	55,747	-	7,513	-	-	6,120,031
Buildings	8,018,339	46,332	-	(21,913)	646,828	(239,422)	(16,863)	8,433,301
Plant and equipment	1,020,182	63,571	-	(1,574)	222,928	(100,448)	(996)	1,203,663
Furniture and fittings	226,121	11,871	-	(529)	31,349	(45,958)	(16,647)	206,207
Motor vehicles	7,950	793	-	(396)	(2)	(1,260)	(63)	7,022
Office equipment	233,306	61,542	-	(1,665)	29,317	(98,152)	(3,881)	220,467
Computer equipment	110,719	8,172	-	(801)	3,815	(22,404)	(7)	99,494
Infrastructure	12,749,524	1,058,753	-	(8,035)	2,069,566	(642,472)	(1,404)	15,225,932
Community	687,493	13,509	-	(58)	110,952	(44,281)	(427)	767,188
Other	7,286	356	-	(745)	3	(1,036)	(28)	5,836
Bins and containers	52,981	7,586	-	(26)	15	(14,677)	(361)	45,518
Work in progress	4,190,659	2,358,147	-	-	(3,362,943)	-	-	3,185,863
Landfill sites	139,067	24,348	-	(23,664)	-	(9,791)	-	129,960
Zoo animals	19,509	-	-	-	-	(834)	-	18,675
Specialised vehicles	358,295	11,324	-	(1,308)	-	(97,850)	-	270,461
Heritage assets	88,125	-	-	-	3,252	-	-	91,377
Library books	31,866	31,299	-	-	-	(11,421)	-	51,744
Emergency equipment	12,933	1,212	-	(33)	194	(2,053)	(2,106)	10,147
	33,926,296	3,783,645	55,747	(60,747)	(237,213)	(1,332,059)	(42,783)	36,092,886

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - CORE - 2012

	Opening balance	Additions	Unbundling of land	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	6,120,031	138,440	82,293	(56,102)	38,302	-	-	6,322,964
Buildings	7,788,872	39,039	-	(1,262)	233,050	(281,439)	(49,447)	7,728,813
Plant and equipment	100,296	1,522	-	(25)	8,094	(26,522)	(1,203)	82,162
Furniture and fittings	162,238	10,271	-	(1,898)	-	(38,324)	(432)	131,855
Motor vehicles	270	-	-	-	-	(144)	(1)	125
Office equipment	193,536	69,735	-	(1,659)	19	(82,643)	(2,359)	176,629
Infrastructure	5,620,473	45,295	-	-	621,749	(523,679)	(38,270)	5,725,568
Community	767,188	6,731	-	(87)	210,343	(53,438)	(4,490)	926,247
Other	157	204	-	(9)	-	(88)	-	264
Bins and containers	5,746	-	-	21	-	(903)	(6)	4,858
Work in progress	2,124,573	1,391,356	-	-	(1,112,802)	-	-	2,403,127
Specialised vehicles	119,855	151,082	-	(97,495)	-	(41,503)	-	131,939
Heritage assets	89,784	-	-	(32)	1,245	-	-	90,997
Library books	51,744	6,978	-	-	-	(9,164)	-	49,558
Emergency equipment	10,147	470	-	(50)	-	(1,889)	(1,620)	7,058
	23,154,910	1,861,123	82,293	(158,598)	-	(1,059,736)	(97,828)	23,782,164

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - CORE - 2011

	Opening balance	Additions	Unbundling of land	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	5,971,941	84,830	55,747	-	7,513	-	-	6,120,031
Buildings	7,355,883	30,863	-	(16,322)	634,316	(199,005)	(16,863)	7,788,872
Plant and equipment	113,168	21,964	-	(13)	(6,691)	(27,279)	(853)	100,296
Furniture and fittings	176,837	10,202	-	(467)	31,238	(39,654)	(15,918)	162,238
Motor vehicles	526	-	-	-	(2)	(195)	(59)	270
Office equipment	204,900	54,209	-	(406)	28,704	(89,990)	(3,881)	193,536
Infrastructure	4,366,622	70,603	-	-	1,585,055	(400,403)	(1,404)	5,620,473
Community	687,493	13,509	-	(58)	110,952	(44,281)	(427)	767,188
Other	254	3	-	(10)	3	(93)	-	157
Bins and containers	7,144	3	-	(26)	15	(1,029)	(361)	5,746
Work in progress	3,011,077	1,725,794	-	-	(2,612,298)	-	-	2,124,573
Specialised vehicles	170,302	4,209	-	-	-	(54,656)	-	119,855
Heritage	86,532	-	-	-	3,252	-	-	89,784
Library books	31,866	31,299	-	-	-	(11,421)	-	51,744
Emergency equipment	12,933	1,212	-	(33)	194	(2,053)	(2,106)	10,147
	22,197,478	2,048,700	55,747	(17,335)	(217,749)	(870,059)	(41,872)	23,154,910

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The following leased assets are included in Property, Plant and Equipment listed above

GROUP	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	46,364	-	46,364	46,364	-	46,364
Leasehold property	15,459	(14,717)	742	15,530	(13,950)	1,580
Motor vehicles	1,606	(736)	870	1,606	(271)	1,335
Office equipment	171,278	(137,543)	33,735	150,166	(111,714)	38,452
Other property, plant and equipment	9,471	(3,732)	5,739	3,606	(2,239)	1,367
Soccer city	3,138	-	3,138	3,138	-	3,138
Specialised vehicles	-	-	-	306,414	(186,559)	119,855
Total	247,316	(156,728)	90,588	526,824	(314,733)	212,091

CORE	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	46,364	-	46,364	46,364	-	46,364
Office equipment	156,371	(129,361)	27,010	139,345	(107,282)	32,063
Soccer city	3,138	-	3,138	3,138	-	3,138
Specialised vehicles	-	-	-	306,414	(186,559)	119,855
Total	205,873	(129,361)	76,512	495,261	(293,841)	201,420

Quantities of animals

Mammals	674	667
Aves	628	613
Reptilia	190	155
Amphibia	287	171
Insecta	4	5
Pisces	164	188
Arachnida	12	13
Crustacea	-	6
	1,959	1,818

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

13. INTANGIBLE ASSETS

GROUP	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	171,205	(28,584)	142,621	157,776	(21,167)	136,609
Servitudes	1,727	-	1,727	1,701	-	1,701
Computer software, internally generated	14,059	(1,259)	12,800	12,796	(1,103)	11,693
Computer software	1,295,169	(783,528)	511,641	1,321,360	(651,029)	670,331
Total	1,482,160	(813,371)	668,789	1,493,633	(673,299)	820,334

CORE	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,067,493	(671,884)	395,609	1,062,362	(524,213)	538,149

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

13. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - GROUP - 2012

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Additional capacity rights	136,609	13,429	-	-	(7,417)	-	142,621
Servitudes	1,701	-	-	26	-	-	1,727
Computer software, internally generated	11,693	1,263	-	-	(156)	-	12,800
Computer software	670,331	16,129	(1,019)	3,203	(176,626)	(377)	511,641
	820,334	30,821	(1,019)	3,229	(184,199)	(377)	668,789

Reconciliation of intangible assets - GROUP - 2011

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Additional capacity rights	104,849	38,255	-	-	(6,495)	-	136,609
Servitudes	901	800	-	-	-	-	1,701
Computer software, internally generated	10,154	1,698	-	-	(159)	-	11,693
Computer software	898,704	14,707	(25)	1,351	(244,400)	(6)	670,331
	1,014,608	55,460	(25)	1,351	(251,054)	(6)	820,334

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

13. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - CORE - 2012

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	538,149	5,135	-	-	(147,673)	(2)	395,609

Reconciliation of intangible assets - CORE - 2011

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	760,054	6,426	-	(18,113)	(210,218)	-	538,149

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

14. INVESTMENTS IN MUNICIPAL ENTITIES

Gross investment

	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
City of Johannesburg Property Company (Pty) Ltd	100 %	100 %	5,142	5,142
City Power Johannesburg (Pty) Ltd	100 %	100 %	112,466	112,466
Johannesburg City Parks	100 %	100 %	28,098	28,098
Johannesburg Development Agency (Pty) Ltd	100 %	100 %	6,623	6,623
Johannesburg Metropolitan Bus Services (Pty) Ltd	100 %	100 %	54,774	54,774
Johannesburg Roads Agency (Pty) Ltd	100 %	100 %	60,209	52,694
Johannesburg Social Housing Company (Pty) Ltd	100 %	100 %	-	-
Johannesburg Tourism Company	100 %	100 %	20,478	19,279
Johannesburg Water (Pty) Ltd	100 %	100 %	1	1
Metropolitan Trading Company (Pty) Ltd	100 %	100 %	97,972	97,972
Pikitup Johannesburg (Pty) Ltd	100 %	100 %	1	1
Roodepoort City Theatre	100 %	100 %	1,784	1,784
The Johannesburg Civic Theatre (Pty) Ltd	100 %	100 %	-	-
The Johannesburg Fresh Produce Market (Pty) Ltd	100 %	100 %	20,000	20,000
The Johannesburg Zoo	100 %	100 %	1,860	1,860
			409,408	400,694

Impairments

	Carrying amount 2012	Carrying amount 2011
Johannesburg City Parks	(20,218)	(20,218)
Johannesburg Metropolitan Bus Services (Pty) Ltd	(54,774)	(13,726)
Johannesburg Roads Agency (Pty) Ltd	(60,209)	-
Johannesburg Tourism Company	(20,478)	(1,473)
Metropolitan Trading Company (Pty) Ltd	(97,972)	(95,134)
Roodepoort City Theatre	(1,784)	(500)
The Johannesburg Zoo	(1,860)	-
	(257,295)	(131,051)

Net investment

	Carrying amount 2012	Carrying amount 2011
City of Johannesburg Property Company (Pty) Ltd	5,142	5,142
City Power Johannesburg (Pty) Ltd	112,466	112,466
Johannesburg City Parks	7,880	7,880
Johannesburg Development Agency (Pty) Ltd	6,623	6,623
Johannesburg Metropolitan Bus Services (Pty) Ltd	-	41,048
Johannesburg Roads Agency (Pty) Ltd	-	52,694
Johannesburg Social Housing Company (Pty) Ltd	-	-
Johannesburg Tourism Company	-	17,806
Johannesburg Water (Pty) Ltd	1	1
Metropolitan Trading Company (Pty) Ltd	-	2,838
Pikitup Johannesburg (Pty) Ltd	1	1
Roodepoort City Theatre	-	1,284
The Johannesburg Civic Theatre (Pty) Ltd	-	-
The Johannesburg Fresh Produce Market (Pty) Ltd	20,000	20,000
The Johannesburg Zoo	-	1,860
	152,113	269,643

CORE has investments in the following Municipal Entities that are less than R1,000.

Johannesburg Social Housing Company (Pty) Ltd - R120.00
 Johannesburg Civic Theatre (Pty) Ltd - R10.00

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

14. INVESTMENTS IN MUNICIPAL ENTITIES (continued)

The City is in the process of re-structuring some of the functions currently conducted through some Municipal Entities (MOEs). This reorganization/ Institutional review would result in the legal deregistration of some MOEs. The overall functions carried by the City through deregistered MOEs would be maintained albeit through different forms and mechanisms. The following are the salient re-organization/review objectives outlined in the report per affected MOE:

1. Metropolitan Trading Company (MTC)
MTC's functions are being reintegrated into the CoJ and that the functions of MTC should be transferred to Transportation Department and Economic Development.
2. Johannesburg Tourism Company(JTC)
The functions of JTC are being reintegrated into the CoJ within the Group Communications and Tourism Department.
3. Johannesburg Zoo (ZOO) and Johannesburg City Parks (JCP)
Zoo and Parks are being merged to form one new entity. However a merger in terms of the Companies Act is envisaged which will result in the business of ZOO being transferred to Parks and with Parks 'surviving' as the new entity and the ZOO legal company being deregistered post-merger.
4. Johannesburg Property Company(JPC)
JPC's mandate has been extended to include facilities management, in addition to its current mandate of property management. As such, all facilities management services will be rendered by JPC on behalf of the CoJ and MEs.
5. Johannesburg Development Agency(JDA)
The City resolved that JDA's mandate be extended to include development facilitation.
6. Joburg Theatre and Roodepoort City Theatre (RCT)
The City intends having one company that manages all the theatres of the CoJ, which will result in RCT being sold to Joburg Theatre.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

15. INVESTMENT IN JOINT VENTURES

Name of company	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Joshco JV	55.00 %	55.00 %	31,575	31,423

The carrying amount of the Joint Venture is shown net of share of losses of R 0,152 million (2011 : R0,060 million). The interest in Joint Venture is recognised using the equity method.

Principal activities and reporting dates of joint ventures

Name of entity	Principal activity	Reporting date	Period of results included
Joshco Madulamoho Joint Venture (JM/JV)	55%	30/06/2012	1 July 2011 to 30 June 2012

The JM/JV is an investment between Joshco and Madulamoho for social rental housing. The separate annual financial statements of the Joint Venture are available at the registered office of the entity. There are no contingent liabilities, contingent assets or commitments relating to the Joint Venture.

Restrictions on a joint venture to distribute its reserves

The Joint Venture's ability to distribute its reserves is not restricted in terms of the Joint Venture agreement.

Joint ventures pledged as security

The JM/JV has not been pledged as security.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

16. INVESTMENTS IN ASSOCIATES

Name of entity	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Fried shelf 128 (Pty) Ltd	50.00 %	50.00 %	13,737	13,960

The carrying amounts of associates are shown net of impairment losses.

Movements in carrying value

Opening balance			13,960	4,001
Share of surplus/(deficit)			(754)	2,203
Share in revaluation reserve			531	7,756
			13,737	13,960

Associates with different reporting dates

The investment in associate relates to Pikitup Johannesburg SOC Limited who rents the building from Fried shelf 128 (Pty) Ltd. The financial year-end of Fried shelf 128 (Pty) Ltd is the last day of February. The year ends of the two entities are more than three months apart. The entity made adjustments to the accounts of the associate to bring the two year ends in line with each other.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
17. DEFERRED TAX				
Deferred tax asset / (liability)				
Accelerated capital allowances for tax purposes	(21)	(92)	-	-
Liabilities for health care benefits accrued	1,869	1,415	-	-
Provisions	2,693	2,026	-	-
Tax losses available for set off against future taxable income	279	-	-	-
Recognised in equity	(74)	72	-	-
Fair value and amortised cost adjustments	(1,115,406)	(690,877)	-	-
Deferred income	7,315	8,961	-	-
Trade and other receivables	1,505	1,390	-	-
Leases	46	(73)	-	-
Property, Plant and Equipment & Intangibles	(3,994)	(2,938)	-	-
Trade and other payables	872	242	-	-
Temporary difference	(3,993)	(5,359)	-	-
Other	5,880	4,085	-	-
	(1,103,029)	(681,148)	-	-

Reconcilliation of deferred tax asset / (liability)

At beginning of the year	(681,148)	(430,950)	-	-
Accelerated capital allowances	231	(231)	-	-
Provisions	431	2,203	-	-
Originating temporary difference on tangible fixed assets	(546)	(7,887)	-	-
Temporary difference on provisions	(196,721)	(393,666)	-	-
Temporary difference on revaluation of property	-	(1,088)	-	-
Temporary difference on retirement benefits	2,754	5,415	-	-
Temporary difference on provision for doubtful debts	(22,959)	(546)	-	-
Increase(decrease) in tax losses available for set off against future	(1,352)	9,536	-	-
Movement in temporary timing differences	2,808	2,788	-	-
Income received in advance	3,329	6,473	-	-
Property, plant and equipment	1,515	3,448	-	-
Trade and other receivables	(1,057)	(774)	-	-
Leases	288	11	-	-
Calculated tax loss	(310,827)	104,372	-	-
Fair value and amortised cost adjustment	(17)	93	-	-
Other movements	24,399	(19,683)	-	-
Other deferred tax	75,720	38,743	-	-
Trade and other payables	144	246	-	-
Prepayments	(21)	349	-	-
	(1,103,029)	(681,148)	-	-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
18. ASSETS CLASSIFIED AS HELD-FOR-SALE				
Assets and liabilities				
Non-current assets held for sale				
Property, plant and equipment	136,606	3,233	136,606	-

CJMM

The fleet contract, contract A 400A for the provision of non-specialised vehicles and fleet services was awarded to Avis Fleet Services (AFS) on a basis of an operating lease. The award was subject to the successful negotiation of a Business Relationship Agreement (BRA) and Service Level Agreement (SLA).

The former fleet contract, Contract A114 terminated February 2012. In terms of the contract (clause 34.2) the City was liable to procure the fleet from the previous services provider at bank settlement value. The transaction was concluded and the vehicles are currently held as "vehicles held for sale" until such time that contract A400A is implemented. The contract will be implemented October 2012.

Johannesburg Metropolitan Bus Services SOC Limited

Assets held-for-sale relate to disposal of buses. The buses were disposed at a loss of R2.2m

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

19. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

GROUP - 2012

	Loans and receivables	Held to maturity	Total
Current Assets			
Other financial assets	-	263,170	263,170
Trade and other receivables	998,041	-	998,041
Consumer debtors	6,018,505	-	6,018,505
Call investment deposits	1,470,373	-	1,470,373
Bank balances and cash	704,072	-	704,072
Non-Current Assets			
Other financial assets	94,978	2,839,855	2,934,833
	9,285,969	3,103,025	12,388,994

GROUP - 2011

	Loans and receivables	Held to maturity	Total
Current Assets			
Other financial assets	-	157,944	157,944
Trade and other receivables	1,210,024	-	1,210,024
Consumer debtors	4,267,159	-	4,267,159
Call investment deposits	86,644	-	86,644
Bank balances and cash	608,517	-	608,517
Non-Current Assets			
Other financial assets	89,483	2,343,857	2,433,340
	6,261,827	2,501,801	8,763,628

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

19. FINANCIAL ASSETS BY CATEGORY (continued)

CORE - 2012

	Loans and receivables	Held to maturity	Total
Current Assets			
Loans to Municipal Entities	805,774	-	805,774
Other financial assets	-	263,170	263,170
Trade and other receivables	1,218,415	-	1,218,415
Consumer debtors	973,053	-	973,053
Call investment deposits	1,466,116	-	1,466,116
Bank balances and cash	576,401	-	576,401
Non-Current Assets			
Loans to Municipal Entities	5,436,952	-	5,436,952
Other financial assets	94,978	2,839,855	2,934,833
	10,571,689	3,103,025	13,674,714

CORE - 2011

	Loans and receivables	Held to maturity	Total
Current Assets			
Loans to Municipal Entities	832,770	-	832,770
Other financial assets	-	157,944	157,944
Trade and other receivables	2,508,931	-	2,508,931
Consumer debtors	322,242	-	322,242
Call investment deposits	82,292	-	82,292
Bank balances and cash	561,146	-	561,146
Non-Current Assets			
Loans to Municipal Entities	5,664,918	-	5,664,918
Other financial assets	89,483	2,343,857	2,433,340
	10,061,782	2,501,801	12,563,583

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
20. LOANS AND BORROWINGS				
Non Current portion of loans and borrowings				
Structured loans	294,263	722,360	294,263	722,360
Development Bank South Africa	1,432,989	1,577,289	1,414,453	1,558,278
Local Registered Stock Loans	30,000	30,000	30,000	30,000
Municipal bonds	6,751,000	7,451,000	6,751,000	7,451,000
Jozi bonds	-	34,244	-	34,244
Other loans and borrowings	2,769,301	2,028,726	2,769,301	2,028,726
	11,277,553	11,843,619	11,259,017	11,824,608
Current portion of loans and borrowings				
Structured loans	444,939	64,191	444,939	64,191
Development Bank South Africa	138,426	127,355	137,894	126,812
Municipal bonds	700,000	-	700,000	-
Jozi bonds	34,451	-	34,451	-
Other loans and borrowings	229,937	174,763	229,937	145,993
	1,547,753	366,309	1,547,221	336,996
Non-current liabilities				
At amortised cost	11,277,553	11,843,619	11,259,017	11,824,608
Current liabilities				
At amortised cost	1,547,753	366,309	1,547,221	336,996
	12,825,306	12,209,928	12,806,238	12,161,604
Municipal Manager's estimate of fair value of the loans and borrowings				
Structured loans	802,240	881,240	802,240	881,240
Development Bank of Stock Loans	868,406	886,801	868,406	886,801
Local Registered Stock Loans	28,178	26,013	28,178	26,013
Municipal bonds	4,887,174	4,244,032	4,887,174	4,244,032
Jozi Bonds	34,202	32,854	34,202	32,854
Other financial liabilities	2,128,663	1,453,062	2,128,663	1,453,062
	8,748,863	7,524,002	8,748,863	7,524,002

The fair values of the loans and borrowings were determined as follows:

Listed bonds fair values were calculated using the prices as quoted on Bond Exchange South Africa (BESA) on 30 June 2012. Retail bonds fair values were calculated using prices quoted on the Johannesburg Stock Exchange (JSE) on 30 June 2012.

R 3,103,025 thousand (2011 : R 2,501,801 thousand) has been invested specifically in a ring-fenced account for the repayment of loans and borrowings. Refer to Note 6.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
21. FINANCE LEASE OBLIGATION				
Minimum lease payments due				
- within one year	30,845	199,676	24,343	193,081
- in second to fifth year	42,727	42,031	32,999	36,478
- later than five years	473,017	478,154	473,019	478,154
	546,589	719,861	530,361	707,713
less: future finance charges	(453,478)	(491,607)	(451,760)	(489,771)
Present value of minimum lease payments	93,111	228,254	78,601	217,942
Non-current liabilities	68,295	202,796	61,104	198,060
Current liabilities	24,816	25,458	17,497	19,882
	93,111	228,254	78,601	217,942

Registers containing the information for the Group is available for inspection at the respective registered offices of the CJMM and ME's.

It is municipality policy to lease certain buildings and equipment under finance leases.

A lease agreement for Soccer City Stadium was signed on the 7 August 2009 between the Department of Public Works (Lessor) and City of Johannesburg Metropolitan Municipality (Lessee). Term of the lease is 99 years.

Interest on Finance Leases are calculated at variable rates of interest, ranging between 9% and 15% per annum and repayments on these Finance Leases range from monthly to quarterly.

The Finance Lease terms range from three years to five years. There are no renewal or purchase options and no restrictions imposed by the lease agreements.

Finance Lease Liabilities relate to vehicles with a lease term of 4-6 (2011: 4-6) years. The effective interest rate on Finance Leases is 9.5% (2011: 9.5%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

The municipality's obligations under Fleet Finance Leases are secured by the lessors title to the leased assets.

The carrying values of the finance leased assets are included under other property, plant and equipment in the note to the financial statements.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
22. TRADE AND OTHER PAYABLES				
Financial liabilities				
Accrued interest	162,301	184,855	151,268	164,297
Credit balances in consumer debtors	1,812,320	1,423,127	1,123,708	1,092,773
Engineering fees	94,714	176,496	70,884	71,928
Operating lease payables	23,100	17,353	4,632	3,473
Other creditors	1,412,142	956,868	831,179	643,078
Retentions	186,767	148,316	38,392	50,448
Trade payables	2,905,309	3,757,184	608,309	903,122
Related party creditor	-	-	2,770,387	3,712,290
	6,596,653	6,664,199	5,598,759	6,641,409
Other liabilities				
Accrued leave pay	364,866	357,232	227,414	230,081
Accrued bonus	200,723	187,245	82,732	80,009
Accrued staff 13th cheques	11,455	11,932	-	-
Payments received in advance	25,502	23,188	20,362	19,858
	602,546	579,597	330,508	329,948
	7,199,199	7,243,796	5,929,267	6,971,357

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
23. OBLIGATIONS ARISING FROM CONDITIONAL GRANTS AND RECEIPTS				
Obligations arising from conditional grants and receipts comprises of:				
Provincial grants : Capital projects	105,171	108,931	103,690	103,330
Urban settlements development grant	76,439	19,614	76,439	19,614
Provincial grants : Top Structure of houses	84,760	11,984	84,760	11,984
Provincial grants : Operating projects	19,773	6,630	19,773	6,630
Social housing foundation	7,814	5,347	-	-
Gautrain grant	-	349	-	349
2010 Public transport (SPTN)	492,387	449,898	492,387	449,898
Neighbourhood development partnership grant	8,866	3,136	8,866	3,136
Expanded Public Works Programme (EPWP)	65	21,063	65	21,063
Subtotal	795,275	626,952	785,980	616,004
Obligations arising from public contributions and donations	15,660	26,139	15,660	15,952
	810,935	653,091	801,640	631,956

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

A liability is recognised for any unfulfilled conditions, criteria, obligations and other contingencies attaching to government grants or assistance.

These amounts are invested in a ring-fenced investment until utilised.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

24. PROVISIONS

Reconciliation of provisions - GROUP - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Settlement	Total
International Parking Management	355,054	-	(240,000)	-	(115,054)	-
Provision for liabilities	-	78,953	-	-	-	78,953
Escalation on contracts	1,175	1,378	(1,081)	-	-	1,472
Environmental rehabilitation: Closed landfill site	90,926	51,675	(140)	-	5,083	147,544
Environmental rehabilitation: Open landfill sites	216,049	275,078	(55,493)	-	12,077	447,711
Pension fund provision	14,545	846	(172)	-	-	15,219
	677,749	407,930	(296,886)	-	(97,894)	690,899

Reconciliation of provisions - GROUP - 2011

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Settlement	Total
International Parking Management	310,090	44,964	-	-	-	355,054
Escalation on contracts	2,441	1,161	(2,427)	-	-	1,175
Environmental rehabilitation: Closed landfill site	125,329	-	(2,451)	(40,412)	8,460	90,926
Environmental rehabilitation: Open landfill sites	236,970	3,289	(4,922)	(35,283)	15,995	216,049
Pension fund provision	13,570	975	-	-	-	14,545
	688,400	50,389	(9,800)	(75,695)	24,455	677,749

Reconciliation of provisions - CORE - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Settlement	Total
International Parking Management	355,054	-	(240,000)	-	(115,054)	-
Provision for liabilities	-	78,953	-	-	-	78,953
Pension fund provision	14,545	846	(172)	-	-	15,219
	369,599	79,799	(240,172)	-	(115,054)	94,172

Reconciliation of provisions - CORE - 2011

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Settlement	Total
International Parking Management	310,090	44,964	-	-	-	355,054
Pension fund provision	13,570	975	-	-	-	14,545
	323,660	45,939	-	-	-	369,599

Non-current liabilities	674,208	662,029	78,953	355,054
Current liabilities	16,691	15,720	15,219	14,545
	690,899	677,749	94,172	369,599

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

24. PROVISIONS (continued)

CJMM

International parking management

An agreement was reached between the City of Johannesburg Metropolitan Municipality and International Parking Management (PTY) Limited, whereby the City of Johannesburg Metropolitan Municipality paid an amount of R 240,000,000 (Two Hundred and Forty Million Rand), in full and final settlement.

This amount was paid in three instalments:-

R 150 000 (million) (One Hundred and Fifty Million Rand) - 3 December 2011
R 50 000 (million) (Fifty Million Rand) - 8 February 2012
R 40 000 (million) (Forty Million Rand) - 12 April 2012

Provision for liabilities

A claim for damages was instituted by the Plaintiff as a result of the construction of the Grayston fly-over for loss of income. The total claim is in excess of R10,000,000.00 plus interest and is not insured. SCA has ruled against the City on the matter of whether the construction amounted to a diversion. Court is to decide on Plaintiff quantum of damages suffered.

Pension fund provisions

The pension fund provision relates to the change from defined benefit plans to defined contribution plans of the pension funds. The provision is based on the actuarial valuations of the pension funds and agreement reached by management and the trustee's of the pension funds.

Pikitup Johannesburg SOC Limited

The provision is management's best estimate of the obligations to settle escalations on procurement service contract and the environmental obligations to rehabilitate the various landfill sites upon closure.

The calculations of the landfill rehabilitation are based on the following assumptions in line with the permits requirements and consistent with prior years.

- The final side slopes for each landfills are 1:3;
- The cover to waste ratio is 1:5 for each site;
- The growth rates for each site are based zero growth;
- The final landfill footprint extends over the entire landfill property size (excluding infrastructure and a 20m buffer zone between the site boundary and the toe of the landfill;
- The density of the waste is calculated using both the survey and weighbridge data;

The final landfill airspace estimation was performed by the Topographical surveyor appointed by the Company who has extensive experience in the field with an Advance Mine Survey Certificate - M3.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

25. RETIREMENT BENEFIT OBLIGATION

For all post retirement employee liabilities, an actuarial calculation is performed at the end of the financial year.

25.1 Post retirement liabilities

Post-Retirement Medical Aid Plan	(1,319,009)	(1,294,523)	(1,330,725)	(1,301,289)
Post-Retirement Housing Subsidy Plan	(4,085)	(4,767)	(2,892)	(3,245)
Retirement Gratuity Plan	(466,372)	(444,197)	(474,449)	(469,108)
	(1,789,466)	(1,743,487)	(1,808,066)	(1,773,642)

25.1.1 Post retirement medical aid plan

City of Johannesburg Metropolitan Municipality has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Post-retirement medical aid subsidies are provided to pensioners, in the service of the CJMM as at 1 January 2001, and employees 50 years and older on 1 July 2003 whilst contributory members to either LA Health or Munimed medical schemes. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	1,319,009	1,294,523	1,208,785	1,185,546
In respect of notional accounts for employees of ME's	-	-	121,940	115,743
	1,319,009	1,294,523	1,330,725	1,301,289

Movements for the year

Opening balance	1,294,523	1,400,173	1,185,546	1,267,406
Benefits paid	(98,749)	(94,967)	(95,010)	(91,691)
Net expense recognised in the statement of financial performance	123,235	(10,683)	118,249	9,831
	1,319,009	1,294,523	1,208,785	1,185,546

Net expense recognised in the statement of financial performance

Current service cost	1,519	3,664	864	2,209
Interest cost	111,199	126,462	101,838	114,574
Actuarial (gains) losses	10,517	(140,809)	15,547	(106,952)
	123,235	(10,683)	118,249	9,831

Notional loan account

Opening balance	-	-	115,743	109,613
Interest received	-	-	6,197	6,130
Balance at end of year	-	-	121,940	115,743

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	8.60 %	8.60 %	8.60 %	8.60 %
Expected rate of return on assets	8.60 %	8.60 %	8.60 %	8.60 %
Expected rate of return on reimbursement rights	7.70 %	7.10 %	7.70 %	7.10 %
Expected increase in salaries	6.70 %	7.10 %	6.70 %	7.10 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

25. RETIREMENT BENEFIT OBLIGATION (continued)

Other assumptions.

Age of spouse	-	Husbands five years older than wives
Mortality of in-service members	-	In accordance with the SA 85-90 (Light) ultimate table (rated down 3 years for females).
Mortality of pensioners	-	In accordance with the PA(90) ultimate male and female tables.

Sensitivity analysis

	Change in assumption		
	1%	0%	-1%
Liability	1,140,228	1,208,785	1,290,333
Percentage change	-5,70%	0%	6,70%
Service cost	453	478	507
Percentage change	-5,2%	0%	6,2%

Post-Retirement Mortality

	Liability	Percentage Change	Service Cost	Percentage Change
2 Years younger	1,257,260	4,0%	492	3,1%

25.1.2 Post retirement housing subsidy plan

The City of Johannesburg Metropolitan Municipality provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is based on the subsidy received at the date of valuation. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.

The above liability is unfunded. However, City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of City of Johannesburg Metropolitan Municipality who are entitled to benefits that relates to their service with the City of Johannesburg Metropolitan Municipality since the City of Johannesburg Metropolitan Municipality was established. The amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of IAS 19 cannot be offset against the liability. It has however been included in the assets of the City of Johannesburg Metropolitan Municipality.

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	4,085	4,767	2,892	3,245
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The fair value of plan assets includes:

Movements for the year

Opening balance	4,767	4,989	3,245	3,574
Benefits paid	(962)	(1,024)	(699)	(929)
Net expense recognised in the statement of financial performance	280	802	346	600
	4,085	4,767	2,892	3,245

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

25. RETIREMENT BENEFIT OBLIGATION (continued)

Net expense recognised in the statement of financial performance

Current service cost	42	53	-	-
Interest cost	382	427	279	300
Actuarial (gains) losses	(144)	322	67	300
	280	802	346	600

Notional loan account

Key assumptions used

Assumptions used on last valuation on 30 June 2012.

Discount rates used	8.60 %	8.60 %	8.60 %	8.60 %
Expected rate of return on assets	8.60 %	8.60 %	8.60 %	8.60 %

Sensitivity analysis

	Change in assumption		
	1%	0%	-1%
Liability	2,830	2,892	2,956
Percentage change	-2,10%	0%	2,20%

Post-Retirement Mortality

	Liability	Percentage Change
2 Years younger	2,892	2,10%

25.1.3 Post retirement gratuity plan

City of Johannesburg Metropolitan Municipality provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with the City of Johannesburg Metropolitan Municipality when they were not members of one of the retirement funds and who meet certain service requirements in terms of City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.

The above liability is unfunded. However, City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of City of Johannesburg Metropolitan Municipality who are entitled to benefits that relates to their service with the City of Johannesburg Metropolitan Municipality since the company was established. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of IAS 19 cannot be offset against the liability. It has however been included in the assets of the City of Johannesburg Metropolitan Municipality.

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	466,372	444,197	182,116	170,931
In respect of notional accounts for employees of ME's	-	-	292,333	298,177
	466,372	444,197	474,449	469,108

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

25. RETIREMENT BENEFIT OBLIGATION (continued)

Movements for the year

Opening balance	444,197	425,626	170,931	163,576
Benefits paid	(40,054)	(32,896)	(20,032)	(14,746)
Net expense recognised in the statement of financial performance	62,226	51,467	31,217	22,101
	466,369	444,197	182,116	170,931

Net expense recognised in the statement of financial performance

Interest cost	37,249	37,402	14,683	13,740
Actuarial (gains) losses	24,977	14,065	16,534	8,361
	62,226	51,467	31,217	22,101

Notional loan account

Opening balance	-	-	298,177	296,744
Interest received	-	-	15,538	16,418
Benefits payments	-	-	(21,382)	(14,985)
Balance at end of year	-	-	292,333	298,177

Key assumptions used

Assumptions used on last valuation on 30 June 2012.

The principal actuarial assumptions used were as follows:

Discount rates used	8.60 %	8.60 %	8.60 %	8.60 %
Expected rate of return on assets	8.60 %	8.60 %	8.60 %	8.60 %
Expected increase in salaries	6.70 %	6.70 %	6.70 %	5.60 %

Sensitivity analysis

Liability	Change in assumption		
	1%	0%	-1%
Liability	172,206	182,116	13,355
Percentage change	-5,4%	0%	6,2%

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

25. RETIREMENT BENEFIT OBLIGATION (continued)

CJMM and its ME's provide post-employment benefits to all their permanent employees through defined contribution funds. The following employee contributions have been made to the defined contribution plans.

City of Johannesburg Pension Fund	40,277	32,798
eJoburg Retirement Fund	119,366	107,522
Municipal Councillors pension Fund	8,770	7,116
National Fund for Municipal Workers	854	810
Soweto City Council Pension Fund	80	78
Municipal Employees Gratuity Fund	10,316	10,172
	179,663	158,496

The following employee contributions have been made to the multi-employer plans.

Joint Municipal Pension Fund	1,066	1,081
Municipal Employees Pension Fund	3,802	3,666
	4,868	4,747

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
26. DEFERRED INCOME				
Bond tap				
Balance unspent at beginning of year	56,828	58,979	56,828	58,979
Prior year adjustment	-	2,018	-	2,018
Conditions met - transferred to revenue	(2,384)	(4,169)	(2,384)	(4,169)
Conditions still to be met - transferred to liabilities	54,444	56,828	54,444	56,828

The Bond tap is a Bond issued into the life of an existing Bond. The Tap was issued at a premium on the prevailing interest rate at the time of the Tap. The premium is amortised over the maturity of the Bond and released to interest income on an annual basis.

The tap was issued on 09 December 2008, due to mature on 05 June 2023. The tap was issued at a premium of R58,038,692.00, at an interest rate of 12.21% per annum. The notional amount was R468,000,000.00 and the issue price was R526,038,692.00.

Deferred income related to advertising income received in advance

Balance at beginning of year	500	454	-	-
Current year receipts	-	379	-	-
Conditions met - transferred to revenue	(333)	(333)	-	-
Conditions still to be met - transferred to liabilities	167	500	-	-

Deferred income represents advertising income received in advance amounting to R1,000,000 to be recognised over a 3 year period commencing 1 January 2010 and ending 31 December 2012.

Passenger trips received in advance

Balance unspent at beginning of year	3,228	534	-	-
Current year receipts	1,138	2,694	-	-
Conditions still to be met - transferred to liabilities	4,366	3,228	-	-

Deferred income refers to the liability relating to passenger trips sold in advance through the Smartcards Multi-Journey Software. The deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket accordingly.

Joshco Madulamoho Joint Venture (JM/JV) Grant

Balance unspent at beginning of year	30,427	31,341	-	-
Current year receipts	(2,093)	-	-	-
Conditions met - transferred to revenue	(914)	(914)	-	-
Conditions still to be met - transferred to liabilities	27,420	30,427	-	-

Commission received

Balance unspent at beginning of year	32,003	61	-	-
Current year receipts	-	34,381	-	-
Conditions met - transferred to revenue	(5,721)	(2,439)	-	-
Conditions still to be met - transferred to liabilities	26,282	32,003	-	-

The above deferred income relate to commission received on the conclusion of the 5 year lease agreement relating to outdoor advertising and land sales transaction not yet finalised.

Total deferred income	112,679	122,986	54,444	56,828
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City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

27. INTEREST RATE SWAP LIABILITY

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for a 11.66% fixed interest rate. Refer to note 55 for detail.

Swap Details

Trade Date : 30 March 2011
 Settlement Date: 29 March 2018
 Nominal Amount: R 1,000 (million)
 Fixed Rate: 11.66%
 Payable: Semi- annual

Opening balance	41,976	-	41,976	-
Initial recognition of the swap fair value	-	41,976	-	41,976
Swap fair value changes	66,138	-	66,138	-
Closing balance	108,114	41,976	108,114	41,976

28. CONSUMER DEPOSITS

Non Current portion of Consumer deposits

Electricity and water deposits	441,806	442,306	-	-
Other deposits	15,688	4,112	15,688	4,112
	457,494	446,418	15,688	4,112

Consumer deposits relate largely to deposits held in the JPC Portfolio Account (R12,840,214.00). The balance relates to deposits held by Community Development and the Housing Department. All consumer deposits are non-current in nature.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

29. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

GROUP - 2012

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	1,547,753	1,547,753
Finance lease obligations	24,816	24,816
Trade and other payables	6,596,653	6,596,653
Non-Current Liabilities		
Loans and borrowings	11,277,553	11,277,553
Finance lease obligations	68,295	68,295
Deferred income	102,746	102,746
Consumer deposits	457,494	457,494
	20,075,310	20,075,310

GROUP - 2011

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	366,309	366,309
Finance lease obligations	25,458	25,458
Trade and other payables	6,664,199	6,664,199
Bank overdraft	72	72
Non-Current Liabilities		
Loans and borrowings	11,843,619	11,843,619
Finance lease obligations	202,796	202,796
Deferred income	113,363	113,363
Consumer deposits	446,418	446,418
	19,662,234	19,662,234

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

29. FINANCIAL LIABILITIES BY CATEGORY (continued)

CORE - 2012

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	1,547,221	1,547,221
Finance lease obligations	17,497	17,497
Trade and other payables	5,598,759	5,598,759
Non-Current Liabilities		
Loans and borrowings	11,259,017	11,259,017
Finance lease obligations	61,104	61,104
Deferred income	54,444	54,444
Consumer deposits	15,688	15,688
	18,553,730	18,553,730

CORE - 2011

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	336,996	336,996
Finance lease obligations	19,882	19,882
Trade and other payables	6,641,409	6,641,409
Non-Current Liabilities		
Loans and borrowings	11,824,608	11,824,608
Finance lease obligations	198,060	198,060
Deferred income	56,828	56,828
Consumer deposits	4,112	4,112
	19,081,895	19,081,895

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
30. PROPERTY RATES				
Rates received				
Residential	2,454,311	2,067,645	2,454,311	2,067,645
Commercial	2,973,798	2,735,183	2,973,798	2,735,183
State	35,412	32,472	35,412	32,472
Municipal	75,956	98,597	75,956	98,597
	5,539,477	4,933,897	5,539,477	4,933,897
Valuations				
Residential	699,772,776	667,792,193	699,772,776	667,792,193
31. SERVICE CHARGES				
Other service charges	116,588	45,849	63,519	50,557
Refuse removal	911,315	810,429	695,821	659,365
Sale of electricity	12,073,818	9,679,135	-	-
Sale of water	3,349,344	2,655,683	-	-
Sewerage and sanitation charges	1,991,304	1,880,043	-	-
Surcharges : Electricity	125,281	95,510	125,281	95,510
Surcharges : Refuse	2,424	2,267	2,424	2,267
Surcharges : Water	31,226	40,866	31,226	40,866
	18,601,300	15,209,782	918,271	848,565

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
32. GOVERNMENT GRANTS AND SUBSIDIES				
Provincial grants : Capital projects	231,449	170,808	86,832	4,747
Urban settlements development grant	1,471,677	589,627	1,471,677	589,792
Financial management grant	1,250	1,000	1,250	1,000
Provincial grants : Top structure of houses	112,539	53,056	112,539	53,056
Provincial grants : Operating projects	11,998	15,949	11,998	15,949
Ellis park upgrading : 2010	-	44,466	-	44,466
Gautrain grant	349	79	349	79
Confederation cup	-	86,524	-	86,524
2010 Public transport (SPTN)	1,067,528	1,728,057	1,067,528	1,728,057
Neighborhood development partnership grant	104,032	139,963	104,032	139,963
Expanded Public Works Programme (EPWP)	144,964	144,921	144,964	144,921
Ambulance subsidy	100,312	82,210	100,312	82,210
Equitable share and fuel levy	4,189,748	3,994,276	4,189,748	3,994,276
Provincial health subsidies	104,540	84,030	104,540	84,030
	7,540,386	7,134,966	7,395,769	6,969,070

Provincial grants : Capital projects

Balance unspent at beginning of year	108,931	51,349	103,330	43,811
Current year receipts	140,497	228,624	-	64,500
Previous years AUC - Capitalised	86,832	658	86,832	658
Accruals reversed	-	(270)	-	(270)
Transferred to debtors	-	(622)	-	(622)
Adjustments	360	-	360	-
Conditions met - transferred to revenue	(231,449)	(170,808)	(86,832)	(4,747)
Conditions still to be met - transferred to liabilities	105,171	108,931	103,690	103,330

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

Urban settlements development grant

Balance unspent at beginning of year	19,614	28,632	19,614	28,632
Current year receipts	1,027,970	556,285	1,027,970	556,450
Accruals reversed	-	109	-	109
Previous years AUC - Capitalised	500,532	24,215	500,532	24,215
Conditions met - transferred to revenue	(1,471,677)	(589,627)	(1,471,677)	(589,792)
Conditions still to be met - transferred to liabilities	76,439	19,614	76,439	19,614

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

Current year receipts	1,250	1,000	1,250	1,000
Conditions met - transferred to revenue	(1,250)	(1,000)	(1,250)	(1,000)
Conditions still to be met - transferred to liabilities	-	-	-	-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
32. GOVERNMENT GRANTS AND SUBSIDIES (continued)				
Provincial grants : Top structure of houses				
Balance unspent at beginning of year	11,984	11,984	11,984	11,984
Current year receipts	230,568	327,683	230,568	327,683
Transferred to debtors	(57,835)	(327,683)	(57,835)	(327,683)
Adjustment	12,582	-	12,582	-
Current year receivables	-	53,056	-	53,056
Conditions met - transferred to revenue	(112,539)	(53,056)	(112,539)	(53,056)
Conditions still to be met - transferred to liabilities	84,760	11,984	84,760	11,984
Provincial grants : Operating projects				
Balance unspent at beginning of year	6,630	5,162	6,630	5,162
Current year receipts	19,553	17,417	19,553	17,417
Current year receivables	5,588	-	5,588	-
Conditions met - transferred to revenue	(11,998)	(15,949)	(11,998)	(15,949)
Conditions still to be met - transferred to liabilities	19,773	6,630	19,773	6,630
These grants are provided to finance community projects.				
Social housing foundation				
Balance unspent at beginning of year	5,347	21,650	-	-
Current year receipts	2,467	605	-	-
Transfers to debtors	-	(16,908)	-	-
Conditions still to be met - transferred to liabilities	7,814	5,347	-	-
Ellis park upgrading : 2010				
Previous years AUC - Capitalised	-	44,466	-	44,466
Conditions met - transferred to revenue	-	(44,466)	-	(44,466)
Conditions still to be met - transferred to liabilities	-	-	-	-
This grant is provided for the upgrade of Ellis Park.				
Gautrain grant				
Balance unspent at beginning of year	349	428	349	428
Conditions met - transferred to revenue	(349)	(79)	(349)	(79)
Conditions still to be met - transferred to liabilities	-	349	-	349
The purpose of this grant is to provide capacity support for the Gautrain Rapid Rail Link.				
Confederation cup				
Balance unspent at beginning of year	-	84,496	-	84,496
Current year receipts	-	2,028	-	2,028
Conditions met - transferred to revenue	-	(86,524)	-	(86,524)
Conditions still to be met - transferred to liabilities	-	-	-	-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
32. GOVERNMENT GRANTS AND SUBSIDIES (continued)				
2010 Public transport (SPTN)				
Balance unspent at beginning of year	449,898	314,254	449,898	314,254
Current year receipts	998,000	932,000	998,000	932,000
Previous years AUC - Capitalised	112,017	931,701	112,017	931,701
Conditions met - transferred to revenue	(1,067,528)	(1,728,057)	(1,067,528)	(1,728,057)
Conditions still to be met - transferred to liabilities	492,387	449,898	492,387	449,898

This grant is provided to finance 2010 Public Transport System.

Neighborhood development partnership grant

Balance unspent at beginning of year	3,136	5,408	3,136	5,408
Current year receipts	60,277	99,958	60,277	99,958
Transfer	(4,613)	(4,500)	(4,613)	(4,500)
Previous years AUC - Capitalised	54,098	42,233	54,098	42,233
Conditions met - transferred to revenue	(104,032)	(139,963)	(104,032)	(139,963)
Conditions still to be met - transferred to liabilities	8,866	3,136	8,866	3,136

The purpose of this grant is to stimulate and accelerate private sector investment in poor and underserved neighborhoods.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	21,063	55,394	21,063	55,394
Current year receipts	69,498	110,590	69,498	110,590
Previous years AUC - Capitalised	7,887	-	7,887	-
Expenditure incurred in advance	46,581	-	46,581	-
Conditions met - transferred to revenue	(144,964)	(144,921)	(144,964)	(144,921)
Conditions still to be met - transferred to liabilities	65	21,063	65	21,063

Ambulance subsidy

Current year receipts	88,312	82,210	88,312	82,210
Current year receivables	12,000	-	12,000	-
Conditions met - transferred to revenue	(100,312)	(82,210)	(100,312)	(82,210)
Conditions still to be met - transferred to liabilities	-	-	-	-

Gauteng province pays an annual grant to EMS for providing an ambulance service for the City of Johannesburg. This grant covers less than half of the cost of the vehicles, the manning of the vehicles and all other costs associated with providing the service by the City.

Equitable share and fuel levy

Current year receipts	4,189,748	3,994,276	4,189,748	3,994,276
Conditions met - transferred to revenue	(4,189,748)	(3,994,276)	(4,189,748)	(3,994,276)
Conditions still to be met - transferred to liabilities	-	-	-	-

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
32. GOVERNMENT GRANTS AND SUBSIDIES (continued)				
Provincial health subsidies				
Current year receipts	66,540	84,030	66,540	84,030
Current year receivables	38,000	-	38,000	-
Conditions met - transferred to revenue	(104,540)	(84,030)	(104,540)	(84,030)
Conditions still to be met - transferred to liabilities	-	-	-	-

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.

33. REVERSAL OF IMPAIRMENT

Other loans and borrowings	-	-	4,961	17,984
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The reversal of impairment relates to repayments of loans impaired for PIKITUP. Refer to note 29 for detail on the loans.

34. OTHER REVENUE

Advertising	39,705	31,333	-	-
BRT revenue	56,717	44,535	56,717	44,535
Brokerage revenue	14,480	11,519	14,480	11,519
Bus fares	93,204	75,045	-	-
Commissions received	286,698	214,710	-	-
Cut off fees	12,771	9,772	-	-
Demand site management levy	192,397	191,538	-	-
Developer funded asset income	192,272	79,688	-	-
Hiring of halls	5,956	5,207	5,956	5,207
IPM Settlement discount	115,054	-	115,054	-
Internal recoveries - ME's	-	-	581,534	319,805
Other subsidies	5,245	28,490	5,245	28,490
Recovery of insurance	2,950	7,130	2,950	7,130
Recovery of legal costs	1,341	1,006	1,341	1,006
Sundry revenue	775,964	566,887	244,727	243,055
Training revenue	5,513	5,785	5,513	5,785
	1,800,267	1,272,645	1,033,517	666,532

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
35. EMPLOYEE RELATED COSTS				
Employee related costs : Salaries and wages	4,920,810	4,516,495	2,853,170	2,602,811
Employee related costs : Pension contributions	573,653	502,843	348,122	312,584
Employee related costs : Gratuities	32,069	16,920	19,704	15,269
Employee related costs : Medical aid contributions	385,953	340,083	222,191	198,938
Employee related costs : Skills development levy	33,466	31,691	33,466	31,691
Actuarial (gains)/losses	32,148	(98,291)	32,148	(98,291)
Housing benefits and allowances	34,454	27,906	21,557	19,596
Overtime payments	303,360	380,770	73,484	174,355
Bonus	443,520	401,444	243,411	222,581
Travel, motor car, accommodation, subsistence and other allowances	332,657	314,166	245,865	229,591
Less: Employee costs included in other expenses	6,215	34,797	23,659	46,004
	7,098,305	6,468,824	4,116,777	3,755,129

Remuneration of the City Manager

Annual Remuneration	2,589	1,816
Car Allowance	137	125
Performance Bonuses	143	-
Contributions to UIF, Medical and Pension Funds	39	176
	2,908	2,117

Remuneration of the Executive Director : 2010

Annual Remuneration	391	1,455
Car Allowance	71	282
Performance Bonuses	213	-
Contributions to UIF, Medical and Pension Funds	7	25
	682	1,762

Remuneration of the Executive Director : Central Planning Unit

Annual Remuneration	625	1,008
Car Allowance	69	110
Performance Bonuses	124	-
Contributions to UIF, Medical and Pension Funds	60	139
Eminence	53	-
	931	1,257

Remuneration of the Chief Information Officer

Annual Remuneration	1,987	1,607
Car Allowance	202	285
Performance Bonuses	72	-
Contributions to UIF, Medical and Pension Funds	196	318
Eminence Allowance	104	297
Acting Allowance	27	107
	2,588	2,614

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
35. EMPLOYEE RELATED COSTS (continued)				
Remuneration of the Director : External Relations				
Annual Remuneration			-	753
Car Allowance			-	47
Contributions to UIF, Medical and Pension Funds			-	27
			-	827
Remuneration of the Executive Director : Comm, Marketing and Events				
Annual Remuneration			959	1,423
Car Allowance			116	96
Contributions to UIF, Medical and Pension Funds			26	1
Eminence			131	-
			1,232	1,520
Remuneration of the Executive Head : Joburg Risk Audit Services				
Annual Remuneration			1,282	1,191
Car Allowance			288	288
Performance Bonuses			110	-
Contributions to UIF, Medical and Pension Funds			2	32
			1,682	1,511
Remuneration of the Director : Legal and Compliance				
Annual Remuneration			835	815
Car Allowance			82	82
Performance Bonuses			165	-
Contributions to UIF, Medical and Pension Funds			84	68
Eminence Allowance			161	176
			1,327	1,141
Remuneration of the Executive Director : Finance				
Annual Remuneration			353	1,987
Car Allowance			12	72
Performance Bonuses			78	-
Contributions to UIF, Medical and Pension Funds			1	32
Eminence Allowance			-	2
			444	2,093
Remuneration of the Executive Director : Economic Development				
Annual Remuneration			678	1,525
Car Allowance			27	132
Performance Bonuses			112	-
Contributions to UIF, Medical and Pension Funds			1	1
			818	1,658

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

35. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Executive Director : Revenue and Customer Relations Management

Annual Remuneration			1,613	1,515
Car Allowance			101	101
Performance Bonuses			60	-
Contributions to UIF, Medical and Pension Funds			2	1
			1,776	1,617

Remuneration of the Executive Director : Community Development

Annual Remuneration			1,088	1,534
Car Allowance			57	86
Performance Bonuses			164	-
Contributions to UIF, Medical and Pension Funds			28	39
			1,337	1,659

Remuneration of the Executive Director : Development Planning and Urban Development

Annual Remuneration			977	916
Car Allowance			97	97
Performance Bonuses			147	-
Contributions to UIF, Medical and Pension Funds			12	39
Acting Allowance			-	141
			1,233	1,193

Remuneration of the Executive Director : Environmental Management

Annual Remuneration			1,504	1,411
Car Allowance			108	108
Performance Bonuses			262	-
Contributions to UIF, Medical and Pension Funds			2	1
			1,876	1,520

Remuneration of the Executive Director : Infrastructure and Services

Annual Remuneration			1,526	1,430
Car Allowance			153	153
Contributions to UIF, Medical and Pension Funds			2	1
			1,681	1,584

Remuneration of the Executive Director : Housing

Annual Remuneration			724	675
Car Allowance			128	128
Performance Bonuses			15	-
Contributions to UIF, Medical and Pension Funds			12	39
Acting Allowance			-	141
			879	983

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
35. EMPLOYEE RELATED COSTS (continued)				
Remuneration of the Chief of Police				
Annual Remuneration			1,083	1,016
Car Allowance			102	102
Performance Bonuses			179	-
Contributions to UIF, Medical and Pension Funds			163	153
Eminence Allowance			220	220
			1,747	1,491
Remuneration of the Executive Head : Emergency Management Services				
Annual Remuneration			1,030	1,160
Car Allowance			27	109
Performance Bonuses			174	-
Contributions to UIF, Medical and Pension Funds			33	1
Eminence Allowance			18	220
			1,282	1,490
Remuneration of the Executive Director : Transportation				
Annual Remuneration			1,508	1,418
Car Allowance			73	73
Performance Bonuses			184	-
Contributions to UIF, Medical and Pension Funds			228	214
			1,993	1,705
Remuneration of the Executive Director : Health				
Annual Remuneration			1,562	1,466
Car Allowance			108	108
Performance Bonuses			325	-
Contributions to UIF, Medical and Pension Funds			2	1
			1,997	1,575
Remuneration of the Executive Director : Corporate Services				
Annual Remuneration			1,697	1,393
Car Allowance			158	144
Performance Bonuses			107	-
Contributions to UIF, Medical and Pension Funds			30	39
			1,992	1,576
Remuneration of the Director : Office of the City Manager				
Annual Remuneration			341	-
Contributions to UIF, Medical and Pension Funds			15	-
			356	-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

35. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Manager Private Office of the Executive Mayor

Annual Remuneration			580	729
Contributions to UIF, Medical and Pension Funds			89	111
Eminence			125	167
			794	1,007

36. REMUNERATION OF COUNCILLORS

Executive Mayor	995	964	995	964
Mayoral Committee Members	8,229	7,955	8,229	7,955
Speaker	829	771	829	771
Councillors	79,414	63,374	79,414	63,374
Councillors' pension contribution	8,824	7,582	8,824	7,582
	98,291	80,646	98,291	80,646

Remuneration of the Executive Mayor - Parks Tau

Annual Remuneration			759	60
Car Allowance			128	11
Contributions to UIF, Medical and Pension Funds			48	10
Cell Allowance			-	3
			935	84

New appointment 1 June 2011.

Remuneration of the Executive Mayor - Amos Masondo

Annual Remuneration			-	685
Car Allowance			-	170
Contributions to UIF, Medical and Pension Funds			-	111
Cell Allowance			-	36
			-	1,002

Contract was terminated on the 31 May 2011.

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are employed on a full-time basis by the Council.

Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and Speaker have use of a Council owned vehicle for official duties.

The Executive Mayor has four full-time bodyguards. The Speaker has two full-time bodyguards.

37. DEPRECIATION AND AMORTISATION

Property, plant and equipment	1,521,148	1,332,059	1,059,736	870,059
Investment property	12,167	24,077	11,895	23,801
Intangible assets	184,199	251,054	147,673	210,218
	1,717,514	1,607,190	1,219,304	1,104,078

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

38. IMPAIRMENT LOSSES

Impairments

Property, plant and equipment	104,037	42,783	97,828	41,872
Investment property	3,814	-	3,814	-
Intangible assets	377	6	2	-
Non-current assets held for sale	40,546	-	40,546	-
Investments in Municipal Entities	-	-	126,245	-

These investments were impaired due to the possible absorption of these entities into the CJMM. For a more detailed description of these impairments, refer to Note 14.

Loans to Municipal Entities	-	-	122,165	-
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The Pikitup Johannesburg (Pty) Ltd loan was fully impaired due to the technical insolvency that the entity was facing at year end. For a more detailed description of this impairment, refer to Note 5.

	148,774	42,789	390,600	41,872
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39. ALLOWANCE FOR IMPAIRMENT OF CURRENT RECEIVABLES

Impairments	84	45,366	80	45,330
Allowance - Trade and other receivables	331,264	43,056	54,487	15,709
Allowance - Consumer debtors	2,130,748	2,873,582	371,214	1,206,017
Impairment loss - Trade and other receivables	16,438	(177,727)	14,779	1,619
Impairment loss - Consumer debtors	(182,884)	(2,617)	-	-
Reversal of allowance - Consumer debtors	(114,150)	(1,290)	-	-

	2,181,500	2,780,370	440,560	1,268,675
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40. BULK PURCHASES

Electricity	7,672,069	6,024,919	-	-
Water	2,454,783	2,115,397	-	-
Sewer purification	20,565	22,105	-	-

	10,147,417	8,162,421	-	-
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41. CONTRACTED SERVICES

Information Technology Services	238,241	320,535	238,211	320,446
Fleet Services	549,897	831,298	57,551	46,387
Operating Leases	170,528	178,123	165,883	194,303
Specialist Services	860,855	786,418	816,297	778,035
Other Contractors	486,991	568,954	16,925	18,398

	2,306,512	2,685,328	1,294,867	1,357,569
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Refer to note 45 for future operating lease commitments

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
42. GRANTS AND SUBSIDIES PAID				
Grants paid to ME's				
Johannesburg City Parks	-	-	457,182	469,596
Johannesburg Development Agency (Pty) Ltd	-	-	24,110	21,637
Johannesburg Metropolitan Bus Services (Pty) Ltd	-	-	293,919	291,841
Johannesburg Roads Agency (Pty) Ltd	-	-	445,300	439,693
Johannesburg Social Housing Company (Pty) Ltd	-	-	17,764	16,794
Johannesburg Tourism Company	-	-	39,917	31,616
Metropolitan Trading Company (Pty) Ltd	-	-	51,775	45,293
Pikitup Johannesburg (Pty) Ltd	-	-	1,076,356	925,110
Roodepoort City Theatre	-	-	9,853	9,375
The Johannesburg Civic Theatre (Pty) Ltd	-	-	26,818	25,000
The Johannesburg Zoo	-	-	42,793	40,370
	-	-	2,485,787	2,316,325
Other subsidies				
Grant paid : Sporting Organisations (Marks Park Sports Club)	1,147	1,112	1,147	1,112
Grant paid : Other	18,868	19,004	18,868	19,004
Grant paid : Housing top structures	112,942	91,677	112,942	91,677
	132,957	111,793	132,957	111,793
	132,957	111,793	2,618,744	2,428,118

Grants paid to MEs are utilised to fund capital and operational expenditure.

The grants paid are based on the approved operating and capital budgeted amounts as approved by Council.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
43. GENERAL EXPENSES				
Advertising	45,053	33,106	8,759	10,405
Auditors remuneration	38,502	30,951	19,574	11,774
Bank charges	66,643	54,760	56,402	47,455
Billing and meter reading charges	51,247	52,833	-	-
Cleaning	23,089	22,527	-	-
Commission paid	38,544	23,028	-	-
Computer expenses	22,752	32,395	-	-
Conferences and seminars	10,901	20,262	5,048	11,891
Consulting and professional fees	55,954	67,261	49,731	61,471
Consumables	100,863	97,286	14,273	15,220
Debt collection	171,090	218,776	170,949	217,005
Free electricity	36,456	48,782	33,230	32,445
Hire	9,775	3,480	8,496	5,570
Horticulture	8,882	23,329	-	-
Hostel charges	2,357	-	-	-
Insurance	140,424	188,770	138,454	154,324
Lease rentals on operating lease	416,636	159,427	137,503	154,167
ME - charges	-	-	318,101	211,396
Marketing	48,817	69,268	27,231	25,435
Motor vehicle expenses	124,220	86,568	-	-
Other expenses	570,909	397,676	207,264	198,639
Placement fees	1,913	1,792	-	-
Post retirement expenses	95,010	91,691	95,010	91,691
Printing and stationery	89,876	89,088	76,673	73,169
Productions	7,741	8,431	-	-
Provision for contingent liability	10,000	-	10,000	-
Road maintenance	163,846	171,088	-	-
Security (Guarding of municipal property)	332,631	318,410	179,684	172,895
Software expenses	32,027	33,525	25,623	19,910
Staff welfare	7,283	7,690	28	1,019
Subscriptions and membership fees	12,642	16,558	9,408	13,156
Telephone and fax	99,067	112,202	43,603	46,340
Training	33,930	40,641	23,386	27,498
Travel - local	19,921	18,612	5,875	3,558
Travel - overseas	6,589	14,087	5,707	9,256
Utilities	750,040	281,597	486,559	337,082
	3,645,630	2,835,897	2,156,571	1,952,771

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
44. CASH GENERATED FROM OPERATIONS				
Surplus	5,406,474	3,011,730	2,848,300	1,496,376
Adjustments for:				
Depreciation and amortisation	1,717,514	1,607,190	1,219,304	1,104,078
Gain on sale of assets and liabilities	128,854	6,784	126,478	6,265
Loss on sale of assets and liabilities	(100,959)	(37,496)	(69,377)	(12,694)
Fair value adjustments	(1,894)	15,942	(1,894)	15,942
Debt impairment	2,181,500	2,780,370	440,560	1,268,675
Taxation paid	(33,993)	18,197	-	-
Interest earned - outstanding debtors	(144,306)	(192,288)	(79,663)	(76,413)
Impairment deficit	108,228	42,789	101,644	41,872
Impairment of me loans	-	-	(4,961)	(17,984)
Grant income not recognised for asset under construction	(761,366)	(1,042,615)	(761,366)	(1,042,615)
Deferred income	(10,307)	39,159	(2,384)	5,391
Equity share in associate	223	(9,859)	-	-
Investment movement	(103,931)	(568,585)	(103,931)	(568,585)
Borrowings	(13,426)	(122,500)	20,500	(25,820)
Post retirement benefits	185,741	33,838	171,547	55,080
Provisions	310,036	(851)	79,799	45,939
Changes in working capital:				
Inventories	(98,895)	(36,596)	(2,760)	(70,977)
Trade and other receivables	211,983	249,788	1,290,535	(726,575)
Consumer debtors	(3,774,355)	(4,043,791)	(997,523)	(924,276)
Trade and other payables	(44,594)	758,479	(1,042,109)	1,150,666
VAT	166,752	239,042	37,387	(66,874)
Obligations arising from conditional grants and receipts	157,843	46,181	169,684	54,234
	5,487,122	2,794,908	3,439,770	1,711,705

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
45. COMMITMENTS				
Commitments in respect of capital expenditure:				
Authorised and not yet contracted for				
• Infrastructure	2,575,701	2,004,024	1,042,866	643,685
• Community	103,600	69,370	100,200	29,170
• Other	290,916	180,282	165,055	101,810
• Heritage	15,100	1,500	15,100	1,500
	2,985,317	2,255,176	1,323,221	776,165
Authorised and contracted for				
• Infrastructure	1,058,998	1,382,672	559,506	949,758
• Community	169,152	17,000	28,558	17,000
• Other	48,100	47,351	29,600	42,601
• Heritage	-	15,800	-	15,800
• Housing development fund	-	4,200	-	4,200
	1,276,250	1,467,023	617,664	1,029,359
	4,261,567	3,722,199	1,940,885	1,805,524
This expenditure will be financed from:				
External Loans	1,314,000	1,000,000	274,300	128,600
Capital Replacement Reserve	22,642	20,760	11,142	14,260
Government Grants	2,628,616	2,701,439	1,650,443	1,662,664
Internal cash	291,309	-	-	-
District Council Grants	5,000	-	5,000	-
	4,261,567	3,722,199	1,940,885	1,805,524

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

45. COMMITMENTS (continued)

Operating leases - as lessee (Fleet)

Minimum lease payments due

- within one year	447,757	676,023	-	155,639
- in second to fifth year inclusive	1,513,954	1,468,635	-	-
- later than five years	-	4,925	-	-
	1,961,711	2,149,583	-	155,639

Operating leases – as lessee (Buildings)

Minimum lease payments due

- within one year	96,835	88,814	63,219	62,246
- in second to fifth year inclusive	208,692	211,383	67,988	97,629
- later than five years	95,855	94,400	2,608	4,427
	401,382	394,597	133,815	164,302

Lease payments made throughout the year by respective Departments are included in the Statement of Financial Performance under General Expenses, refer to Note 43.

Operating lease smoothing and calculations are based on the contracts relating to operating leases of buildings held in the various Departments of the CJMM. The average leasing term for the CJMM is 4 years and the average escalation rate is 9%. Restrictions imposed on lease agreements are limited to those contained in individual contracts. A complete register of operating leases, as well as all the contracts are maintained by facilities management.

Operating leases – as lessee (Office equipment)

Minimum lease payments due

- within one year	896	40	-	-
- in second to fifth year inclusive	1,475	70	-	-
	2,371	110	-	-

Operating leases – as lessor (income)

Minimum lease payments due

- within one year	8,013	5,677	-	-
- in second to fifth year inclusive	7,443	4,430	-	-
- later than five years	2,897	3,120	-	-
	18,353	13,227	-	-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

46. CONTINGENT LIABILITIES

GROUP

Johannesburg Roads Agency (Proprietary) Limited

These are legal claims that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims succeed against the entity. No provision has been made as management believes the claims will not succeed. The amounts have been based on attorneys' best estimates of the possible amount payable and are subject to interest at 15.5% from commencement date of the litigation. Refer to cases below:

- Pipe Jack v JRA (Claim for unpaid invoice) - Amount involved R 213,067.00
- Hetta Eiendoms Bpk v JRA (Claim for specific performance / Alleged damage to property due to construction). Amount involved R492,473.77.
- Nortje v JRA (Labour court matter) - Amount involved R450,000.00.
- Midnight Moon Trading (Pty) Ltd (Dispute on quality of work). Amount Involved R3,870,167.00.
- Superway (Pty) Ltd vs. JRA (Dispute on quality of work). Amount involved R967,432.00.
- A Britz vs. JRA (Interdict application to stop JRA from entering the applicant private property). Amount involved R100,000.00.
- Manong and Ass v JRA (Equality Court Matter) - Amount involved R4,000,000.00.
- Sophi Ngema vs JRA (Plaintiff alleges that they were promised work and were stopped without any explanation and were later referred to another site where also on that site no work took place). Amount involved R 200,000.00.
- DRH Projects vs JRA (A contract was awarded to the plaintiff in which was never paid) Amount involved R 70,919.00.

The Johannesburg Fresh Produce Market (Proprietary) Limited

The entity is involved in four (4) litigation matters and disputes relating to the dismissal of former employees. One (1) of these cases have been lodged with the bargaining council, one (1) case with CCMA, while one (1) case has been lodged with the Labour court and one (1) with the Labour Appeal court. All four of the cases have been brought forward from the prior year. The estimated exposure is unknown at this stage. The directors are of the opinion that the claims can be successfully resisted by the company.

There are several potential claims and disputes against the entity, the outcome of which cannot at present be foreseen or reliably measured. The claims and disputes arise due to termination of contracts due to poor performance, possible noncompliance with procurement and SCM policies and possible fraud within the entity and relates to a number of suppliers or contractors.

There are also several uncertainties relating to the claims and disputes resulting from the litigation process which includes inter alia determination of possible value received and non-compliance with procurement and SCM policies.

Metropolitan Bus Services (Pty) Ltd

There are several labour disputes that exist between Metrobus and ex-employees. Should the disputes be settled in favour of the former employees, management estimates Metrobus could incur or be liable for claims of backpay up to R657,000.00. At this moment the disputes are still uncertain.

Metrobus has been notified of a claim by a service provider relating to computer expenses over a number of years. Should this claim be settled in favour of the service provider, Metrobus will be liable for claims up to R900,000.00. An official invoice for this claim has not been received.

City Power (Pty) Ltd

Litigation is in process against the municipal entity by a customer, whereby the customer demands the municipal Entity to repay R1,062,472.00 paid due to the alleged irregular billing. The matter has been postponed for trial pending the outcome of R&CRM enquiry.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

46. CONTINGENT LIABILITIES (continued)

The municipal entity has received audit findings from South African Revenue Services on its income tax submissions for the years 2004 to 2007. South African Revenue Services is disputing the 100% bad debt deduction that the municipal entity has claimed as a deduction in its income tax returns. The matter is on-going and the quantum of the claim is still to be determined.

City Parks (Pty) Ltd

There is a possible claim against the company from a number of employees with regard to the payment of accumulated sick leave.

Johannesburg Development Agency (Pty) Ltd

In 2005, the JDA entered into a contract for the construction of Baragwanath Public Transport Facility, the supplier had FIGB provide a financial guarantee for the contract. On 13 February 2006, the JDA cancelled the contract because the supplier had defaulted. The JDA then turned to the FIGB demanding an amount of R1,400,000.00.

The matter was taken to court, and then judgement was granted in favour of the JDA. In August 2007, FIGB appealed and lost the appeal. The court issued a writ of execution for the judgement of debt but the Sheriff returned the writ with an explanation that she could not find any FIGB assets to meet the judgement. JDA has investigated the location of FIGB assets but was unsuccessful and is now considering abandoning the matter. Therefore, the chances of recovering the R1,400,000.00 are non-existent at this stage. Legal confirmation has subsequently confirmed that the amount of this claim is R1,754,279.00 plus interest at a rate of 15.5% per annum from 9 March 2006 to date of payment plus costs. Progress made in 2012 - Due to the improbability of ever recovering on the writ of execution the Accounting Officer has resolved to abandon the writ.

The JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. Eviction proceedings have been instituted in the South Gauteng High Court. Negotiations are underway with illegal occupants to settle the matter out of court. Progress made in 2012 - Some of the illegal occupants have agreed to be reallocated to properties operated by the Johannesburg Social Housing Company. The few that would be left because of inability to meet monthly rental payments will be accommodated by the Department of Housing.

The JDA was served with a summons from Leaf Security (Pty) Ltd for services rendered for the period of December 2010 to January 2011. The JDA had contracted Leaf Security for security services at a construction site in Bertrams. The JDA has subsequently filed an intention to defend the matter at the Magistrates Court.

Progress made in 2012 - Negotiations to settle the matter out of court are at an advanced stage and will be finalised by end of October 2012.

On the 12 July 2011, the Johannesburg Development Agency (SOC) Ltd, received a summons from an applicant, Gillian Anne Frost, claiming compensation for bodily injuries she sustained at one of the JDA's development sites. In the case of an adverse finding against the JDA, the JDA will be liable for an amount of R405,108.00. The City of Johannesburg has filed its intention to defend the matter on behalf of all the cited respondents.

Progress made in 2012 - The matter has not advanced since the City's filing of their legal papers.

The JDA has initiated arbitration proceedings with one of its contractors to determine whether a claim for extension of time rejected by the JDA is reasonable. In the event, that the finding is against the JDA, the JDA will have to pay the contractor an estimated amount of R1,500,000.00 (including costs and disbursements).

Progress made in 2012 - The matter was determined and an agreement was concluded with contractor.

Letters of demand received in the 2010/11 financial year and the intentions of certain parties to sue against the JDA that was received included:

Total South Africa (Pty) Limited for loss of income as a result of JDA BRT construction works - R275,034.29.

The matter is still being negotiated. Progress made in 2012 - The matter has no progress and no court action initiated.

EasiHold (Pty) Ltd trading as Easipark for parking management services at 1 and 2 Central Place - R498,526.02.

Blue IQ Holdings (SOC) Limited, on whose behalf Easipark provided services, settled the amount in full. Progress made in 2012 - Matter has not moved.

The City of Johannesburg and the JDA were served with a summons by Tembu Convenience Centre CC, trading as a convenience store and Engen Fuel dealership, for loss of income amounting to more than R17,000,000.00, as a result of BRT construction works. The City has filed its papers defending the matter in the South Gauteng High Court. We are still awaiting trial dates.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

46. CONTINGENT LIABILITIES (continued)

Pikitup (Pty) Ltd

Freehold land, buildings and servitudes purchased from The City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement, have not as yet been transferred into the name of Pikitup Johannesburg SOC Ltd. Transfer duties might be payable by the company on the transfer of property. It is not possible to estimate an expected amount.

The company has a contingent liability to the value of R54,000,000.00 in respect of disputed claims with two of its services providers.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

46. CONTINGENT LIABILITIES (continued)

CORE

Uninsured claims & litigations

Five Plaintiffs brought action against the Council in the 1990's, 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. (This claim was originally for R4,146,583.00 the majority of which was for loss of earnings). The approximate amount that the plaintiff could now claim would be in the order of approximately R500,000.00.

A Court action emanating from the alleged breach of contract of lease by the City for an amount of R15,000,000.00.

Claim for damages for R10,000,000.00 in respect of relocation of homeless people. The Plaintiff sued the City allegedly because the City relocated homeless people onto the Defendant's property without his consent, making it impossible for him to develop the property.

Claim for damages against the COJ amounting to R11,668,746.00. The claim is based on an alleged breach of contract in that the City has allegedly failed to use its "best endeavors" to have the property transferred to the plaintiff.

Claim for R50,000,000.00 for services rendered in terms of contract for the provision of red light violation prosecution services.

Claim for at least R39,000,000.00 plus legal costs in respect of monies allegedly owing by the City of Johannesburg to a previous service provider for IT services rendered.

The Plaintiff instituted action against the City for termination of contract. It sought relief twofold, to uphold the contract, alternatively damages in the sum of R33,150,639.00.

The City appointed a Service Provider (JV) to construct 1 000 low cost RDP houses, the JV subsequently ceded its rights and obligations in terms of the agreement to another service provider. The latter only concluded 385 foundations. Various indulgences were granted to JV to comply with its obligations in terms of the agreement. Service provider then referred a dispute to arbitration in terms of the JBCC agreement claiming the sum of R29,406,592.00. The City has defended the claim, pleadings have been closed and the arbitration proceeding has been set down for hearing on 29 October 2012.

The owner of 5 properties has placed an objection before the Valuation Appeal Board. The objection to the supplementary valuation of five properties owned by the abovementioned objector and the City's Supplementary Valuation Roll for the period 1 September 2009 to 31 March 2010 which has become known as a Supplementary Valuation Roll No. 4. The Objector is also contending that a portion if not the whole of Supplementary Valuation Roll No. 4 is invalid.

The City of Johannesburg is appealing the judgement handed down on 17 May 2012. A dispute which centers around the method COJ uses in charging rates on properties categories as multiple purpose properties.

An application by Labour for certain employees to remain in the employ of the City upon expiry of their fixed term contracts of employment, pending outcome of the application in the Labour Court under case no. J123/06. The essence of the dispute being that employees that were converted from permanent to fixed term employment must be re-converted back to permanency.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
47. PRIOR PERIOD ERRORS				
Statement of financial position				
CJMM - Trade and other receivables	216,845		216,845	
CJMM - VAT receivable	(29,904)		(29,904)	
CJMM - Consumer debtors	(155,444)		(155,444)	
CJMM - Investment property	100,483		100,483	
CJMM - Property, plant and equipment	(135,291)		(135,291)	
CJMM - Intangible assets	(31,904)		(31,904)	
CJMM - Other financial assets	1,754		1,754	
CJMM - Trade and other payables	473,206		473,206	
CJMM - Obligations arising from conditional grants and receipts	116,017		116,017	
CJMM - Finance lease obligation	133,672		133,672	
CJMM - Deferred income	(1,818,924)		(1,818,924)	
CJMM - Interest rate swap liability	(1,122)		(1,122)	
CJMM - Consumer deposits	(209,899)		(209,899)	
CJMM - Hedging reserve	17,065		17,065	
CJMM - Capital replacement reserve	(14,260)		(14,260)	
CJMM - COID reserve	(129,223)		(129,223)	
CJMM - Accumulated surplus	754,348		754,348	
CITYPARKS - Property, plant and equipment	(78)		-	
CITYPARKS - Trade and other receivables	(3)		-	
JDA - VAT	(413)		-	
JRA - Cash and cash equivalents	(5,503)		-	
JRA - Trade and other payables	8,989		-	
JRA - Trade and other receivables	5,503		-	
JRA - Property, plant and equipment	(2,334)		-	
MBUS - Cash and cash equivalents	449		-	
MBUS - Inventories	1,315		-	
MBUS - Property, plant and equipment	(7,553)		-	
MBUS - Assets held for sale	446		-	
MBUS - Trade and other receivables	(240)		-	
MBUS - Trade and other payables	1,884		-	
MBUS - Revaluation reserve	10,067		-	
MBUS - Accumulated surplus	(449)		-	
PIKITUP - Accumulated surplus	10,654		-	
PIKITUP - Property, plant and equipment	(9,256)		-	
PIKITUP - Investment in associates	(2,996)		-	
PIKITUP - Revaluation reserve	(10,401)		-	
PIKITUP - Consumer debtors	(28)		-	
PIKITUP - Trade and other receivables	734		-	
PIKITUP - Trade and other payables	(258)		-	
WATER - Consumer debtors	1,088		-	
WATER - Retirement benefit obligation	10,548		-	
WATER - Accumulated surplus	(9,457)		-	
ZOO - Trade and other payables	460		-	
ZOO - Accumulated surplus	19,438		-	
ZOO - Property, plant and equipment	(18,607)		-	
	(708,582)		(712,581)	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
47. PRIOR PERIOD ERRORS (continued)				
Statement of financial performance				
CJMM - Property rates	41,303		41,303	
CJMM - Service charges	(6,492)		(6,492)	
CJMM - Interest received	(11,782)		(11,782)	
CJMM - Fines	45,943		45,943	
CJMM - Government grants	981,756		981,756	
CJMM - Other subsidies	28,490		28,490	
CJMM - Other revenue	(144,708)		(144,708)	
CJMM - Employee related costs	44,368		44,368	
CJMM - Depreciation and amortisation	(162,481)		(162,481)	
CJMM - Finance costs	(67,794)		(67,794)	
CJMM - Allowance for impairment of current receivables	(51,128)		(51,128)	
CJMM - Repairs and maintenance	12,199		12,199	
CJMM - Contracted services	48,757		48,757	
CJMM - General Expenses	(29,908)		(29,908)	
CJMM - Fair value adjustments	(15,942)		(15,942)	
CITYPARKS - Depreciation and amortisation	(91)		-	
CITYPARKS - Contracted services	169		-	
CITYPARKS - Other revenue	3		-	
JDA - Other revenue	413		-	
JRA - Contracted services	(6,552)		-	
JRA - Depreciation and amortisation	2,334		-	
JRA - General Expenses	(2,437)		-	
MBUS - Depreciation and amortisation	(2,960)		-	
MBUS - Employee costs	(1,652)		-	
MBUS - General expenses	(959)		-	
MBUS - Repairs and maintenance	(348)		-	
PIKITUP - Service charges	442		-	
PIKITUP - Depreciation	2,199		-	
PIKITUP - Share of deficit of associate accounted for under the equity method	8,910		-	
WATER - Service charges	623		-	
WATER - Employee costs	(2,802)		-	
ZOO - Employee costs	(435)		-	
ZOO - General expenses	(25)		-	
ZOO - Depreciation	(831)		-	
	708,582		712,581	
Statement of changes in net assets				
Statement of financial position				
Property, plant and equipment	(50,447)		(50,447)	
Finance lease obligation	51,827		51,827	
	1,380		1,380	
Statement of financial performance				
Depreciation and amortisation	54,656		54,656	
Finance costs	11,042		11,042	
Contracted services	(67,078)		(67,078)	
	(1,380)		(1,380)	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

47. PRIOR PERIOD ERRORS (continued)

The correction of the error(s) results in the restatement of comparative figures as follows - GROUP - 2011

Johannesburg Roads Agency (Proprietary) Limited

The adjustments mentioned below is based on services paid for in the current financial year but not accrued: Kwagga Holdings amounting to R850 167.47 for the year 2010/11, Impofana Construction and Projects amounting to R1 568 033.92. Information Decision and Systems was for IT related services amounting to R72 000.00. Kpg Surfacing /Ann Rose Joint Venture for road construction & maintenance was for R908 026.06. The raising of COJ Revenue and CRM call centre personnel which was not accrued for in prior years. amounting to R6 551. 999.69

The adjustment mentioned below is based on accumulated depreciation adjustment: Depreciation adjustments relates to fully depreciated assets written back in terms of GRAP 17 paragraph 66, amounting to R2 334 330.00

JRA bank account managed by JPC:

The raising of JPC portfolio bank account that was not consolidated in the prior year amounting to R5 502 807.00

Johannesburg Metropolitan Bus Services SOC Limited

Spare Parts (R735 475)

Management discovered that the spare parts disclosed as part of property, plant and equipment, no-longer met the recognition criteria as set out in GRAP 17 and was therefore disposed in the prior period, which led to a decrease in property, plant and equipment and an increase in loss on disposal of assets.

Office equipment (R437,812 & R489,952)

All office equipment which was held under finance lease had not previously been recognised as required by GRAP 17. These assets have now correctly been recognised which led to an increase in property, plant and equipment and an increase in depreciation.

Specialised vehicles (R18,907,966 & R17,823,301 & R446 031)

All specialised vehicles had not previously been recognised as required by GRAP 17. These assets have now correctly been recognised which led to an increase in property, plant and equipment and an increase in depreciation.

Pension fund (R1,651,699)

An accrual for pension fund payouts was not raised in the prior year. This led to an increase in trade and other payables and an increase in general expenses.

Inventory Accrual (R1,314,516)

Inventory costs had not correctly been allocated to the statement of financial performance in the prior period. This led to an increase in trade payables and a increase in general expenses.

Insurance fund (R240,484)

The insurance fund expense was overstated in the prior period. The error has been corrected and led to a increase in insurance assets and a decrease in insurance expense

Cash and cash equivalents (R449,431)

A cash receipt was incorrectly processed twice during the 2010 financial year.

Johannesburg Water (Proprietary) Limited

Revenue from non-exchange transactions:

During the current financial year, revenue adjustments amounting to R1,088 were performed that related to prior periods. These adjustments relate primarily to reversals of water and sewer charges charged during the previous financial years. These adjustments have now been reflected as a prior year adjustment resulting in the comparatives being restated.

Retirement benefit obligation:

Information provided to the actuary was inadvertently not updated in the previous financial year by the actuary. The situation was corrected in the current year where the prior periods have been adjusted by a net amount of R10,548.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

47. PRIOR PERIOD ERRORS (continued)

Johannesburg City Parks NPC

Purchased equipment recorded as lease

The Johannesburg Zoo NPC

Amount of R435 167 relates to understated payroll related expense and liability in the 2010/2011 period.

Amount of R25 042 relates to an understated expense and liability in the 2010/2011 period.

Amount of R439 relates to understated income and VAT receivable in the 2010/2011 period.

Amount of R19 437 571 for prior year 2010/2011 relates to Zoo Animals previously accounted for at a Nominal Value and now Accounted for at a Deemed Value.

Amount of R831 078 relates to Depreciation raised on the Zoo Animals accounted for at the Deemed value in period 2010/2011.

Pikitup Johannesburg SOC Limited

The useful life of certain Property, plant and equipment were not estimated correctly as some of the assets were still in use although they were fully depreciated at the end of June 2009. This translates to an overstatement of the accumulated depreciation amount disclosed during 2010 and 2011 financial year.

Additionally the equity investment in Friedshelf was mistated as a results of differences between the draft annual financial statements and the audited annual financial statements which only became available after the finalisation of the audit of 2011 financial year.

Johannesburg Development Agency (SOC) Ltd

Project funds payable - reclassification from current liability to non-current liability
CAPEX VAT - reversal of provision raised in prior years

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

47. PRIOR PERIOD ERRORS (continued)

The correction of the error(s) results in the restatement of comparative figures as follows - CORE - 2011

Statement of financial position

Trade and other receivables - 216,845

- Raising of Pio Trans as a debtor and accounting for cash management fees paid to Metrotrading Company.
- Reallocation of the smoothing of operating lease receivables.
- Recognition of related party debtors as a result of accounting for Fleet Africa as a finance lease.
- Revenue adjustments relating to rates and refuse.

VAT receivable - (29,904)

- VAT corrections to consumer debtors raised in previous years.
- VAT transferred as a result of the outcomes of the SARS VAT audit.

Consumer debtors - (155,444)

- Corrections to consumer debtors raised in previous years.
- Revenue adjustments and the respective provision for bad debt adjustments relating to rates and refuse.

Investment property - 100,483

- Transferring of completed assets from AUC's to Investment Property, along with all the movements associated with the reclassification of Investment Property.

Property, plant and equipment - (135,291)

- Depreciation charges on assets transferred from AUC's to the respective classes of PPE.
- Accounting for current year movements on each class of PPE.
- Recognition of the Fleet Africa lease as a finance lease, hence recognising the assets.

Intangible assets - (31,904)

- Transferring of completed assets from AUC's to Intangible Assets, along with all the movements associated with the reclassification of Intangible Assets.

Other financial assets - 1,754

- Correction of Bond Tap Premium / Discount.

Trade and other payables - 473,206

- Reversal of accruals raised in previous financial years.
- Accounting for interest using the effective interest rate method and not the coupon rate, as originally used.
- Accounting for interest not raised in the previous year.
- Reversal of a journal entry which was previously passed in error.
- Reversal of sundry creditors raised in the previous years.
- Recoveries of fees paid over to attorneys for customer accounts.
- Reversal of related party balances raised in the previous years.
- Reallocation of the smoothing of operating lease receivables.
- Recognition of related party creditors as a result of accounting for Fleet Africa as a finance lease.
- Reversal of consumer deposits for the three utilities.

Obligations arising from conditional grants and receipts - 116,017

- Correction of journal passed at year end for PTIS grant spent in the 2011/12 year.

Finance lease obligation - 133,672

- Adjustments to recognise Fleet Africa as a finance lease.

Deferred income - (1,818,924)

- Correction of Bond Tap Premium / Discount.
- Transfer of Deferred Income back to the reserves.

Interest rate swap liability - (1,122)

- Adjustments made to the Interest Rate SWAP Liability.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

47. PRIOR PERIOD ERRORS (continued)

Consumer deposits - (209,899)

- Reversal of consumer deposits for the three utilities.

Hedging reserve - 17,065

- Adjustments made to the Cash flow hedge.

Capital replacement reserve - (14,260)

- Reclassified under Accumulated Surplus

COID reserve - (129,223)

- Reclassified under Accumulated Surplus

Statement of financial performance

Property rates - 41,303

- Revenue adjustments relating to rates.

Service charges - (6,492)

- Revenue adjustments relating to rates.

Interest received - (11,782)

- Correction of Bond Tap Premium / Discount.

- Interest on arrear accounts in respect of rates.

Fines - 45,943

- Raising debtors and income for 2012 - 2013 fines and the reversal of 2011 collections.

Government grants - 981,756

- Correction of journal passed at year end for PTIS grant spent in the 2011/12 year.

- New AUC acquisitions recognised as revenue.

Other subsidies - 28,490

- Reclassified under Other revenue

Other revenue - (144,708)

- Reversal of sundry creditors raised in the previous years.

- Recoveries of fees paid over to attorneys for customer accounts.

- Recognition of related party debtors as a result of accounting for Fleet Africa as a finance lease.

Employee related costs - 44,368

- Reclassified from General expenses

Depreciation and amortisation - (162,481)

- Depreciation charges on assets transferred from AUC's to the respective classes of PPE.

- Accounting for current year movements on each class of PPE.

- Depreciation charged as a result of treating Fleet Africa as a finance lease.

Finance costs - (67,794)

- Correction of Bond Tap Premium / Discount.

- Accounting for interest using the effective interest rate method and not the coupon rate, as originally used.

- Accounting for interest not raised in the previous year.

- Reversal of a journal entry which was previously passed in error.

- Interest costs as a result of treating Fleet Africa as a finance lease.

Allowance for impairment of current receivables - (51,128)

- Raising debtors and bad debts for 2012 - 2013 fines and the reversal of 2011 collections.

- Bad Debt adjustments relating to rates and refuse.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

47. PRIOR PERIOD ERRORS (continued)

Repairs and maintenance - 12,199

- Reversal of EPWP accruals.

Contracted services - 48,757

- Raising of Pio Trans as a debtor

- Adjustments processed as a result of recognising Fleet Africa as a finance lease.

General Expenses - (29,908)

- Reversal of related party balances raised in the previous years.

Fair value adjustments - (15,942)

- Fair value adjustments.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

	GROUP		CORE	
Figures in Rand thousand	2012	2011	2012	2011

48. RISK MANAGEMENT

Overview

Effective financial risk management is imperative to CJMM. The realisation of the CJMM's objectives toward service delivery depends on CJMM's sound management of financial risks which enable the City to anticipate and respond to changes in the market environment as well as making informed decisions under conditions of uncertainty.

The CJMM is exposed to the following financial risks from the use of financial instruments:

- Liquidity risk (including integrated cash flow management)
- Market risk.
- Credit/Counterparty risk

To ensure the execution of and compliance to overall risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on financial assets and liabilities, CJMM plays a focal role in:

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized.
- Ensuring that CoJ's Credit rating is maintained or improved by ensuring that financial risk ratios fall within required limits.
- Ensuring sustainable financial viability of CoJ by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting CJMM's financial position.
- To provide Council with reasonable assurance that financial risks the CJMM is exposed to are identified and, to the best extent possible, mitigated and controlled.

The Treasury Unit identifies, quantifies and sets up control measures to mitigate financial risks in close co-operation with operating units. Treasury executes its responsibility in line with the approved Treasury and Assets and Liabilities Management (ALM) policies.

Financial Risk Management Framework

The Risk Management Framework serve to raise awareness, inform and guide the Group on its approved approach to risk management. The framework, which is reviewed on a continuous basis in line with best market practices, seeks to assist the Group in the effective identification, evaluation and control of financial risks that may impact upon the realization of corporate, mayoral and service delivery objectives and priorities that the Group has set itself to achieve.

Council, through Assets and Liabilities Committee (ALCO), has overall responsibility for the establishment and oversight of the CJMM's risk management framework. ALCO, in this regard, is responsible for developing and monitoring the CJMM's financial risk management policies. ALCO reports regularly to the Mayoral Committee and Section 79 on its activities.

The CJMM's financial risk exposures are managed by the Treasury Unit. The CJMM's activities expose it to a variety of financial risks. The municipality's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the CJMM's financial performance. The group recognises that an effective risk management function is fundamental to its business. Risk awareness, control and compliance are embedded in Treasury's day-to-day activities.

The CJMM's Treasury unit reports its risk management activities to Mayoral, Council and ALCO on a regular basis. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the CJMM's activities.

Liquidity and Concentration Risk

Liquidity Risk, in this instance, refers to the risk that CJMM may not meet its periodic obligations with respect to its liabilities when they fall due. Management of liquidity risk is particularly important as it ensures that capital and operating expenditure is met. Treasury enters into liability obligations to bridge funding gaps arising from both capital and operational expenditure with the aim of ensuring that CJMM meets its liability obligations when the fall due.

For each financial year, Council approves a funding plan that minimizes liquidity risk. Treasury manages both the long-term and short-term cash requirements, with surplus funds from operations of the City invested in short term money market instruments.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

Long-term liquidity risks arising from capital project initiatives are managed through issuance of long-term debt in the form of COJ bonds or long term loans or a combination of the two.

Short-term liquidity constraints are managed through two types of short-term funding methods: i) General Banking Facilities—the Absa Short term facility of R 380 million, Citi Bank Committed facility of R200 million and ii) Commercial Paper Issuance. CJMM's Treasury makes sure that all short term facilities utilised within the financial year are paid before the end of the financial year in line with Section 45(4)(a) of the MFMA. A cash management policy for managing its short-term cash flows and cash balances in a cost-effective manner is in place. The cash management policy assists the Group in managing its liquidity risk through the use of cash projection models with the aim of minimizing variances between projected and actual usage.

Both Short and Long term borrowings are approved under CJMM's Domestic Medium Term Note (DMTN) programme.

Liquidity risk is also linked to Concentration risk which could be defined as the probability of high cash outflow arising from concentration of debt obligations payable around the same period, resulting in risk of default and the inability to evenly spreading liability obligations.

In line with International Financial Reporting Standards 7 (IFRS 7), the tables below show CJMM's contractual maturity analysis of its interest rate swap and non-derivative financial liabilities.

Funding Debt Maturities

The Group funds its coupon, interest and capital payments for all liabilities, other than bonds, from a Contingency Reserve Fund (CRF). Operational surpluses generated by the City are channelled into the CRF. Capital redemptions for bonds are funded from the Sinking Fund. The CJMM's annual budget contains provisions for coupon, interest and capital payments.

Redemption analysis of SWAP

Instrument	Maturity date	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
R1 bn loan	29-Mar-18	(32,911)	(33,253)	(27,299)	(19,942)	(13,323)	(7,118)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

Redemption of non derivative financial instruments

Loan name	Institution	Nominal	Issue date	Maturity date	Rate	Rate option
DBSA 13541-1	DBSA	143,927	31 Mar 02	30 Sep 20	3 mnths Jibar +1.46%	Floating
DBSA 102761-1	DBSA	500,000	20-Aug-09	1 July 29	6 mnths Jibar +2.85%	Floating
DBSA 11073-1	DBSA	15,664	01 April 00	30 Sep 13	6 mnths Jibar +1.8%	Floating
DBSA 11073-2	DBSA	46,563	01 Oct 00	30 Sep 13	6 mnths Jibar +1.8%	Floating
DBSA 103345-1	DBSA	600,000	17 Apr 09	30 Jun 29	6 mnths Jibar +2,54%	Floating
CALYON	CALYON	362,800	05 Sep 06	02 Jul 18	3 mnths Jibar less0.35%	Floating
NEDBANK R315m	NEDBANK	315,000	21 Apr 10	21 Apr 15	3 mnths Jibar +2.8%	Floating
NEDBANK 1b L121	NEDBANK	1,000,000	04 Mar 10	31 Mar 18	3 mnths Jibar +2.8%	Floating
ABSA R150m	ABSA	30,000	02 Aug 02	31 Aug 13	14.70%	Fixed
INVESTEC 2004 R100m	INVESTEC	150,000	19 Dec 02	20 Dec 12	12,27%	Fixed
RMB R95m	RMB	100,000	24 Dec 03	24 Dec 13	11.77%	Fixed
RMB R100m	RMB	95,000	23 Dec 99	30 nov 14	16.50%	Fixed
RMB R210m	RMB	100,000	22 Dec 99	30 nov 14	14.53%	Fixed
SCMB R200m	RMB	210,000	10 Dec 00	31 Dec 12	15.56%	Fixed
ABSA SPRINGFIELD	SCMB	200,000	19 Sep 03	30 Sep 18	BA Rate les 3.63%	Floating
DBSA 11984-11993	ABSA	4,900	29 Aug 85	31 Jul 15	8.90%	Fixed
DBSA 08250-1	DBSA	77,831	31 Dec 01	30 Jun 14	13.22%	Fixed
DBSA 09005-1	DBSA	7,570	31 Mar 02	31 Mar 14	10.00%	Fixed
DBSA 09337-1	DBSA	291,732	31 Mar 02	31 Mar 13	10.00%	Fixed
DBSA 09637-1	DBSA	29,756	31 Mar 02	30 Sep 14	10.00%	Fixed
DBSA 10295	DBSA	3,700	31 Mar 02	31 Mar 14	10.00%	Fixed
DBSA 12716	DBSA	1,760	31 Dec 01	30 Jun 16	10.00%	Fixed
DBSA 12717	DBSA	299	31 Dec 01	31 Dec 12	16.55%	Fixed
DBSA 12037	DBSA	554	31 Dec 01	31 Dec 12	16.55%	Fixed
DBSA 12038	DBSA	1,795	31 Dec 01	31 Dec 12	15.26%	Fixed
DBSA 12388	DBSA	420	31 Dec 01	31 Dec 12	15.26%	Fixed
DBSA 09726-1	DBSA	2,136	31 Dec 01	31 Dec 12	15.26%	Fixed
DBSA 11064-1	DBSA	2,872	31 Mar 02	30 Sep 14	12.00%	Fixed
DBSA 103345-2	DBSA	2,309	31 Mar 02	31 Mar 20	16.50%	Fixed
DBSA 103968-1	DBSA	200,000	17 Aug 09	30 Jun 29	6.75%	Fixed
COJ02	DBSA	250,000	31 Mar 11	30 Jun 26	-88.10%	Fixed
COJ03	BESA	1,000,000	30 Jun 04	30 Jun 16	11.90%	Fixed
COJ04	BESA	700,000	26 Apr 05	26 Apr 13	9.70%	Fixed
COJ05	BESA	1,733,000	05 Jun 06	05 Jun 23	9.00%	Fixed
COJ06	BESA	2,268,000	05 Jun 08	05 Jun 23	12.21%	Fixed
COJ07	BESA	900,000	09-Dec-08	05 Jun 18	10.82%	Fixed
Retail Bond Jozi03	BESA	850,000	23 Mar 11	23 Mar 21	10.78	Fixed
IGF IBM Loan 1	BESA	127,300	21 Sep 07	21 Sep 12	3 months Jibar +0.40%	Floating
IGF IBM Loan 2	IBM	71,054	01 Nov 09	01 Aug 14	11.14%	Fixed
IGF IBM Loan 3	IBM	13,775	01 Dec 09	01 Sep 14	11.11%	Fixed
IGF IBM Loan 4	IBM	18,042	01 Jan 10	01 Oct 14	10.95%	Fixed
IGF IBM Loan 5	IBM	10,497	01 Feb 10	01 Nov 14	11.03%	Fixed
IGF IBM Loan 6	IBM	8,601	01 Mar 10	01 Dec 14	10.78%	Fixed
IGF IBM Loan 7	IBM	12,188	01 Apr 10	01 Jan 15	10.72%	Fixed
IGF IBM Loan 8	IBM	14,413	01 May 10	01 Feb 15	10,37%	Fixed
IGF IBM Loan 9	IBM	9,770	01 Jun 10	01 Mar 15	10.35%	Fixed
NEDBANK R919,405m	IBM	13,655	01 Jul 10	01 Apr 15	10.26	Fixed
AFD R412m	NEDBANK	919,405	15 Jun 12	15 Jun 22	9.31%	Fixed
AFD R80,595m	AFD	412,000	11 May 11	15 May 26	7.46%	Fixed
	AFD	80,595	01 Jul 11	15 May 26	7.47%	Fixed

13,908,883

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE			
	2012	2011	2012	2011		
48. RISK MANAGEMENT (continued)						
Redemption of non derivative financial instruments (Continued)						
Loan name	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
DBSA 13541-1	10,111	10,111	10,111	-	-	53,080
DBSA 102761-1	25,000	25,000	25,000	25,000	25,000	312,500
DBSA 11073-1	1,362	681	-	-	-	-
DBSA 11073-2	4,049	2,024	-	-	-	-
DBSA 103345-1	30,000	30,000	30,000	30,000	30,000	360,000
CALYON	45,350	36,280	36,280	36,280	36,280	36,280
NEDBANK R315m	68,034	73,825	80,990	-	-	-
NEDBANK 1b	-	-	-	-	-	1,000,000
L121	-	30,000	-	-	-	-
ABSA R150m	150,000	-	-	-	-	-
INVESTEC 2004 R100m	15,054	8,152	-	-	-	-
RMB R95m	-	-	112,064	-	-	-
RMB R100m	-	-	112,256	-	-	-
RMB R210m	281,606	-	-	-	-	-
SCMB R200m	13,333	13,333	13,333	13,333	13,333	16,609
ABSA SPRINGFIELD	130	130	130	130	-	-
DBSA 11984-11993	10,305	11,717	-	-	-	-
DBSA 08250-1	925	1,023	-	-	-	-
DBSA 09005-1	41,208	-	-	-	-	-
DBSA 09337-1	3,389	3,736	2,026	-	-	-
DBSA 10295	161	178	196	216	-	-
DBSA 12716	28	-	-	-	-	-
DBSA 12717	51	-	-	-	-	-
DBSA 12037	159	-	-	-	-	-
DBSA 12038	37	-	-	-	-	-
DBSA 12388	189	-	-	-	-	-
DBSA 09726-1	346	389	212	-	-	-
DBSA 11064-1	119	140	164	191	225	932
DBSA 103345-2	10,000	10,000	10,000	10,000	10,000	134,117
DBSA 103968-1	-	-	-	-	-	250,000
COJ02	-	166,667	333,333	333,333	166,667	-
COJ03	700,000	-	-	-	-	-
COJ04	-	-	-	-	-	1,733,000
COJ05	-	-	-	-	-	2,268,000
COJ06	-	-	-	900,000	-	-
COJ07	-	-	-	-	-	850,000
Retail Bond Jozi03	127,300	-	-	-	-	-
IGF IBM Loan 1	18,121	20,247	5,423	-	-	-
IGF IBM Loan 2	3,514	3,925	1,051	-	-	-
IGF IBM Loan 3	4,473	4,989	2,706	-	-	-
IGF IBM Loan 4	2,602	2,905	1,576	-	-	-
IGF IBM Loan 5	2,132	2,373	1,285	-	-	-
IGF IBM Loan 6	2,821	3,272	2,693	-	-	-
IGF IBM Loan 7	3,335	3,853	3,162	-	-	-
IGF IBM Loan 8	2,261	2,612	2,143	-	-	-
NEDBANK R919,405m	59,262	64,891	70,419	77,377	84,924	562,531
AFD R412m	-	-	34,333	34,333	34,333	309,000
AFD R80,595m	-	-	6,716	6,716	6,716	60,446
DBSA09637-1	452	500	-	-	-	-
IGF IBM Loan 9	2,947	3,555	3,937	-	-	-
	1,640,166	536,508	901,539	1,466,909	407,478	7,946,495

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the CJMM's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimizing the CJMM's service delivery objectives. IFRS 7 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the Group.

Interest rate risk

This refers to the risk that the value of a financial instrument will change due to a change in i) the absolute level of interest rates; ii) in the spread between two rates; iii) in the shape of the yield curve or in any other interest rate relationship. CJMM's floating rate liabilities are exposed to interest rate risk in terms of both cash flow and fair values.

Interest Rate Fair Value Sensitivity Analysis

The fair values of the CJMM's floating rate liability portfolio are sensitive to interest rate changes. The fair values of these liabilities are based on projected cash flows calculated using market projected forward rates. The projected cash flows are then discounted using market implied discount factors. The table below shows how the fair values of floating rate liabilities change on the basis of the following assumptions:

- The base case interest rate is at current levels (0%)
- A two percent upward and one percent downward movement in interest rates Management generally expects interest rates to rise in the future.

Fair Value Sensitivity Analysis as at June 2012

Loan name	Institution	Nominal	Redemption	Issue date	Maturity date	Rate	Rate option
DBSA13541-1	DBSA	143,927	83,412	1-Oct-00	30-Sep-20	3 months Jibar + 1.46%	Floating
DBSA102761-1	DBSA	500,000	437,500	20-Aug-09	1-July-29	6 months Jibar + 2.85%	Floating
DBSA11073-1	DBSA	15,664	2,043	1-April-00	30-Sep-13	6 months Jibar + 1.8%	Floating
DBSA11073-2	DBSA	46,563	6,073	01-Oct-00	30-Sep-13	6 months Jibar + 1.8%	Floating
DBSA 103345-1	DBSA	600,000	510,000	17-Apr-09	30-June-29	6 months Jibar + 2.54%	Floating
CALYON	CALYON	362,800	217,680	5-Sep-06	2-Jul-18	3 months Jibar less 0.35%	Floating
NEDBANK R315m	NEDBANK	315,000	223,518	21-Apr-10	21-Apr-15	3 months Jibar + 2.8%	Floating
NEDBANK 1b	NEDBANK	1,000,000	1,000,000	4-Mar-10	31-Mar-18	3 months Jibar + 2.8%	Floating
SCMB 200m	SCMB	200,000	93,275	19-Sep-03	30-Sep-18	BA Rate less 3.63%	Floating
		3,183,954	2,573,501				

Loan name	Institution	Fair value sensitivity analysis to interest rate movement/shift						
		-1	-0.5	0	0.5	1	1.5	2
DBSA13541-1	DBSA	84,790	86,288	87,786	87,890	90,783	92,281	93,779
DBSA102761-1	DBSA	487,351	500,828	514,305	527,782	541,259	554,736	568,212
DBSA11073-1	DBSA	2,087	2,103	2,107	2,117	2,127	2,137	2,147
DBSA11073-2	DBSA	6,204	6,234	6,263	6,292	6,322	6,351	6,381
DBSA 103345-1	DBSA	557,520	572,954	588,387	603,821	619,254	634,688	650,121
CALYON	CALYON	213,443	214,521	215,599	216,677	217,755	218,833	219,911
NEDBANK R315m	NEDBANK	215,665	216,754	217,843	218,932	220,022	221,111	222,200
NEDBANK 1b	NEDBANK	1,146,474	1,152,264	1,158,054	1,163,844	1,169,635	1,175,425	1,181,215
SCMB 200m	SCMB	56,089	56,372	56,655	56,939	57,222	57,505	57,788
		2,769,623	2,808,318	2,846,999	2,884,294	2,924,379	2,963,067	3,001,754

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

Fair Value Sensitivity Analysis of Variable Rate Liabilities

The fair value sensitivity analysis of variable rate liabilities shows that a 2% increase in interest rates will increase the fair value of floating rate liabilities by R154.7million, and a 1% decrease in interest rates will decrease the value of floating rate liabilities by R77.3million

Interest Rate Cashflow Sensitivity Analysis

The Floating rate tables below shows the cash flow sensitivity analysis for floating rate liabilities. The sensitivity analysis is based on the following assumptions:

- The base case interest rate is at current levels
- A two percent upward and one percent downward movement in interest rates.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

Cash flow interest rate sensitivity analysis on variable financial liabilities as at June 2012

Loan name	Institution	Nominal	Redemption	Issue date	Maturity date	Rate	Rate option
DBSA 13541 -1	DBSA	143,927	83,412	1-Oct-00	30-Sep-12	3 months Jibar + 1.46%	Floating
		-	-		21-Dec-12		
		-	-		31-Mar-13		
		-	-		30-Jun-13		
		-	-		30-Sep-13		
DBSA 102761-1	DBSA	500,000	437,500	20-Aug-09	21-Dec-12	6 months Jibar + 2.85%	Floating
		-	-		30-Jun-13		
		-	-		31-Dec-13		
		-	-		30-Jun-14		
		-	-		31-Dec-14		
DBSA 11073-1	DBSA	15,664	2,043	1-Apr-00	30-Sep-12	6 months Jibar + 1.8%	Floating
		-	-		31-Mar-13		
		-	-		30-Sep-13		
DBSA 11073-2	DBSA	46,563	6,073	1-Oct-00	30-Sep-12	6 months Jibar + 1.8%	Floating
		-	-		31-Mar-13		
		-	-		30-Sep-13		
DBSA 103345-1	DBSA	600,000	510,000	17-Apr-09	31-Dec-12	6 months Jibar + 2.54%	Floating
		-	-		30-Jun-13		
		-	-		31-Dec-13		
		-	-		30-Jun-14		
		-	-		31-Dec-14		
CALYON	CALYON	362,800	217,680	5-Sep-06	28-Sep-12	3 months Jibar less 0.35%	Floating
		-	-		31-Dec-12		
		-	-		30-Mar-13		
		-	-		30-Jun-13		
		-	-		30-Sep-13		
NEDBANK R315m	NEDBANK	315,000	223,518	21-Apr-10	31-Dec-12	3 months Jibar + 2.8%	Floating
		-	-		28-Jun-13		
		-	-		31-Dec-13		
		-	-		30-Jun-14		
		-	-		31-Dec-14		
NEDBANK 1b	NEDBANK	1,000,000	1,000,000	4-Mar-10	28-Sep-12	3 months Jibar + 2.8%	Floating
		-	-		28-Mar-13		
		-	-		30-Sep-13		
		-	-		31-Mar-14		
		-	-		30-Sep-14		
SCMB 200m	SCMB	200,000	93,275	19-Sep-03	30-Sep-12	BA Rate less 3.63%	Floating
		-	-		31-Dec-12		
		-	-		31-Mar-13		
		-	-		30-Jun-13		
		-	-		30-Sep-13		
		3,183,954	2,573,501				

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

Cash flow interest rate sensitivity analysis on variable financial liabilities as at June 2012 (Continued)

Loan name	Institution	Interest rate movement/shift						
		-1	-0.5	0	0.5	1	1.5	2
DBSA 13541 -1	BESA	3,802	3,908	4,013	4,118	4,223	4,328	4,433
		3,716	3,818	3,920	3,920	4,124	4,226	4,328
		3,636	3,733	3,830	3,830	4,023	4,119	4,216
		3,615	3,710	3,804	3,804	3,993	4,088	4,182
		3,609	3,701	3,794	3,794	3,978	4,071	4,163
DBSA 102761-1	DBSA	28,766	29,869	30,972	32,075	33,177	34,280	35,383
		27,611	28,665	29,718	30,772	31,826	32,880	33,933
		27,778	28,818	29,858	30,897	31,937	32,977	34,017
		27,738	28,730	29,722	30,714	31,705	32,697	33,689
		27,954	28,931	29,908	30,885	31,861	32,838	33,815
DBSA 11073-1	DBSA	747	752	757	762	767	772	777
		723	726	730	733	736	740	743
		702	704	706	707	709	711	712
DBSA 11073-2	DBSA	2,219	2,235	2,250	2,265	2,280	2,295	2,311
		2,149	2,159	2,169	2,179	2,189	2,199	2,209
		2,087	2,092	2,097	2,102	2,107	2,113	2,118
DBSA 103345-1	DBSA	33,165	34,451	35,736	37,022	38,307	39,592	40,878
		31,839	33,066	34,293	35,521	36,748	37,975	39,203
		32,028	33,238	34,448	35,658	36,868	38,078	39,287
		32,000	33,153	34,306	35,459	36,611	37,764	38,917
		32,244	33,378	34,512	35,647	36,781	37,915	39,049
CALYON	CALYON	11,803	11,862	11,922	11,982	12,041	12,101	12,160
		11,652	11,711	11,770	11,828	11,887	11,946	12,005
		11,300	11,357	11,414	11,471	11,528	11,585	11,642
		11,328	11,385	11,442	11,500	11,557	11,614	11,671
		11,311	11,368	11,425	11,483	11,540	11,597	11,654
NEDBANK R315m	NEDBANK	37,455	37,644	37,833	38,023	38,212	38,401	38,590
		38,174	38,367	38,559	38,752	38,945	39,138	39,331
		38,934	39,131	39,327	39,524	39,721	39,917	40,114
		39,849	40,051	40,252	40,453	40,654	40,856	41,057
		40,675	40,880	41,086	41,291	41,497	41,702	41,908
NEDBANK 1b	NEDBANK	41,913	42,125	42,336	42,548	42,760	42,971	43,183
		40,307	40,510	40,714	40,917	41,121	41,325	41,528
		41,493	41,703	41,913	42,122	42,332	42,541	42,751
		41,969	42,181	42,393	42,605	42,817	43,029	43,241
		43,776	43,997	44,219	44,440	44,661	44,882	45,103
SCMB 200m	SCMB	4,512	4,535	4,558	4,581	4,604	4,626	4,649
		4,362	4,384	4,406	4,428	4,450	4,472	4,494
		4,190	4,211	4,232	4,253	4,274	4,295	4,317
		4,049	4,069	4,089	4,110	4,130	4,151	4,171
		3,902	3,922	3,942	3,961	3,981	4,001	4,021
		811,082	825,230	839,375	853,136	867,662	881,808	895,953

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

Hedging Interest Rate Risk

At the end of the third quarter of the 2010/11 financial year, Treasury entered into a 7 year fixed interest rate swap on the R1 billion floating rate Nedbank loan at a fixed rate of 11,66 NACS.

The view was that inflation had reached historic bottoms and an upward trend would soon follow. The anticipated increase in inflation would increase the interest payments on the liability in question.

Treasury continuously monitors inflation for any adverse downward movements which may result in the hedging strategy falling outside acceptable risk parameters, thereby rendering the strategy ineffective.

International accounting standards (IAS) 39 does not provide specific guidance on how hedge effectiveness tests for hedge qualification purposes should be performed. IAS 39.AG105 specifies that a hedge is normally regarded as effective only if (a) at inception and in subsequent periods,

The hedge is expected to be highly effective in achieving offsetting changes in fair value or cashflows attributable to the hedged risk during the period for which the hedge is designated, and (b) the actual results are within a range of 80-125 per cent. I further states that the expectation in (a) can be demonstrated in various ways.

The effectiveness of the hedge was measured (both the fair value and the cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument) by using the Variability-Reduction method.

Assessment of the actual effectiveness as at 30 June 2012 as per the method:

1. Variability-Reduction Method - 104 %

For both the previous and current year the assessment of the actual hedge effectiveness was within a range of 80-125 per cent and the results rendered the hedge relationship in the current financial period assessed as being effective. This implies that CJMM can continue with hedge accounting in the future financial periods and thus the swap can be recognized in the cashflow reserve in equity via other comprehensive income.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

Swap Cashflow Sensitivity

The table below shows how the cashflow resulting from the swap would respond to changes in interest rates assuming:

- The base case interest rate is at current levels
- A two percent upward and one percent downward movement in interest rates

Cash flow interest rate sensitivity analysis on the interest rate swap - SWAP on Nedbank R1bn

Settlement dates	Interest rate movement/shift						
	-1	-0.5	0	0.5	1	1.5	2
28 Sep 12	(15,626)	(15,607)	(14,001)	(15,570)	(15,551)	(15,532)	(15,513)
28-Mar-13	(21,283)	(18,855)	(16,437)	(14,069)	(11,709)	(9,372)	(7,057)
30-Sep-13	(21,070)	(18,696)	(16,371)	(14,078)	(11,833)	(9,629)	(7,464)
31-Mar-14	(18,630)	(16,445)	(14,323)	(12,249)	(10,234)	(8,273)	(6,363)
30-Sep-14	(16,599)	(14,553)	(12,577)	(10,670)	(8,827)	(7,047)	(5,326)
31-Mar-15	(14,868)	(12,987)	(11,187)	(9,453)	(7,795)	(6,203)	(4,676)
30-Sep-15	(12,482)	(10,770)	(9,138)	(7,587)	(6,107)	(4,697)	(3,352)
31-Mar-16	(10,105)	(8,583)	(7,146)	(5,780)	(4,489)	(3,266)	(2,107)
30-Sep-16	(8,346)	(7,000)	(5,735)	(4,543)	(3,422)	(2,365)	(1,368)
31-Mar-17	(6,643)	(5,479)	(4,393)	(3,370)	(2,415)	(1,520)	(680)
29-Sep-17	(5,029)	(4,035)	(3,106)	(2,247)	(1,443)	(693)	7
29-Mar-18	(3,502)	(2,677)	(1,913)	(1,204)	(546)	66	634
	(154,183)	(135,687)	(116,327)	(100,820)	(84,371)	(68,531)	(53,265)

From the above table we note that a 1% decrease in interest rates would decrease the casflow of the swap by R38 million.

Swap Fair Value Sensitivity

The table below shows how the fair value of the swap would respond to changes in interest rates assuming:

- The base case interest rate is at current levels
- A two percent upward and one percent downward movement in interest rates.

Cash flow interest rate sensitivity analysis on the interest rate swap - SWAP on Nedbank R1bn

Settlement dates	Interest rate movement/shift						
	-1	-0.5	0	0.5	1	1.5	2
29-Mar-18	(154,183)	(135,687)	(116,326)	(100,820)	(84,371)	(68,530)	(53,266)

On the basis of the above assumptions, a 1% change in interest rates will result in a 30% change in the value of the swap. There is a positive relationship between the swap value and interest rates, thus if interest rates increase, the value of the swap will increase.

Estimation of Fair Values

The fair value of financial instruments that are not traded in an active market (for example, trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the municipality is the current bid offer price. The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques.

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

To determine the fair values of floating rate instruments, the municipality uses market forward rates to estimate future interest and capital cashflows, and then utilises market implied discount rates to calculate their present values. To determine the fair values of fixed rate instruments, the municipality uses market implied discount factors to calculate their present values.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Fair Value Hierarchy

In terms of IFRS 7.27A, there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The levels are defined as follows.

Level 1

The fair values are based on quoted market prices (unadjusted) in active markets for identical instruments. In terms of the CJMM's liabilities, all bonds fall in this category as they are actively traded on the JSE/BESA.

Fair values of all financial liabilities as at 30 June 2012

Loan name	Institution	Nominal	Issue date	Maturity date	Rate	Rate option	Fair value
COJ 02	BESA	1,000,000	30-Jun-04	30-Jun-16	11.90%	Fixed	1,085,943
COJ 03	BESA	700,000	26-Apr-05	26-Apr-13	9.70%	Fixed	712,554
COJ 04	BESA	1,733,000	05-Jun-06	05-Jun-23	9.00%	Fixed	1,752,438
COJ 05	BESA	2,268,000	05-Jun-08	05-Jun-23	12.21%	Fixed	2,650,922
COJ 06	BESA	900,000	09-Dec-08	05-Jun-18	10.82%	Fixed	976,005
COJ 07	BESA	900,000	23-Mar-11	23-Mar-21	10.78%	Fixed	933,433
Retail Bond Jozi 03	BESA	127,300	21-Sep-07	21-Sep-12	3 months Jibar + 0,40%	Fixed	34,860
		7,628,300					8,146,155

The Level 1 Fair Value for the CJMM's liabilities was R8,1 billion as at 30 June 2012.

Level 2

Fair values are calculated using valuation techniques based on observable inputs either directly or indirectly other than level 1 inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data. All liabilities other than listed bonds (COJ02 to COJ07) fall into this category including the interest rate swap.

Fair value sensitivity analysis to interest rate movement/shift - SWAP on Nedbank R1bn

Settlement dates	Interest rate movement/shift						
	-1	-0.5	0	0.5	1	1.5	2
29-Mar-18	(154,183)	(135,687)	(116,326)	(100,820)	(84,371)	(68,530)	(53,266)

The Level 2 all-inclusive fair value of the swap stood at R-116.3 million as at the end of 30 June 2011.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

Fair values of all financial liabilities as at 30 June 2012

Loan name	Institution	Nominal	Issue date	Maturity date	Rate	Rate option	Fair value
DBSA 13541 -1	DBSA	159,241	31-Mar-02	30-Sep-20	3 months Jibar + 1.46%	Floating	87,786
DBSA 102761-1	DBSA	500,000	20-Aug-09	01-Jul-29	6 months Jibar + 2.85%	Floating	514,305
DBSA 11073-1	DBSA	12,259	01-Apr-00	30-Sep-13	6 months Jibar + 1.8%	Floating	2,107
DBSA 11073-2	DBSA	36,440	01-Oct-00	30-Sep-13	6 months Jibar + 1.8%	Floating	6,263
DBSA 103345-1	DBSA	600,000	17-Apr-09	30-Jun-29	6 months Jibar + 2.54%	Floating	588,387
CALYON	CALYON	362,800	05-Sep-06	02-Jul-18	3 Months Jibar less 0.35%	Floating	215,600
NEDBANK R315m	NEDBANK	315,000	21-Apr-10	21-Apr-15	3 months Jibar + 2.8%	Floating	217,843
NEDBANK R1b	NEDBANK	1,000,000	04-Mar-10	31-Mar-18	3 months Jibar + 2.8%	Floating	1,158,054
SCMB R200m	SCMB	200,000	19-Sep-03	30-Sep-18	BA Rate less 3.63%	Floating	56,655
L121	STD	30,000	31-Aug-02	31-Aug-13	14,70%	Fixed	34,560
ABSA R150m	ABSA	150,000	19-Dec-02	20-Dec-12	12,27%	Fixed	150,540
INVESTEC 2004 R100m	Investec	100,000	24-Dec-03	24-Dec-13	11,77%	Fixed	24,524
RMBR95m	RMB	95,000	23-Dec-99	30-Nov-14	16,50%	Fixed	144,021
RMBR100m	RMB	100,000	23-Dec-99	30-Nov-14	14,53%	Fixed	151,594
RMBR210m	RMB	210,000	10-Dec-00	31-Dec-12	15,56%	Fixed	296,186
ABSA SPRINGFIELD	ABSA	4,900	29-Aug-85	31-Jul-15	8,90%	Fixed	528
DBSA-11984 - 11993	DBSA	68,881	31-Dec-01	30-Jun-14	13,22%	Fixed	24,106
DBSA-08250-1	DBSA	6,635	31-Mar-02	31-Mar-14	10,00%	Fixed	2,084
DBSA-09005-1	DBSA	250,049	31-Mar-02	31-Mar-13	10,00%	Fixed	43,230
DBSA-09337-1	DBSA	26,330	31-Mar-02	30-Sep-14	10,00%	Fixed	9,885
DBSA-09637-1	DBSA	2,983	31-Mar-02	31-Mar-14	10,00%	Fixed	1,018
DBSA-10295	DBSA	1,568	31-Dec-01	30-Jun-16	10,00%	Fixed	820
DBSA-12716	DBSA	260	31-Dec-01	31-Dec-12	16,55%	Fixed	29
DBSA-12717	DBSA	483	31-Dec-01	31-Dec-12	16,55%	Fixed	54
DBSA-12037	DBSA	1,795	31-Dec-01	31-Dec-12	15,26%	Fixed	162
DBSA-12038	DBSA	362	31-Dec-01	31-Dec-12	15,26%	Fixed	39
DBSA-12388	DBSA	1,843	31-Dec-01	31-Dec-12	15,26%	Fixed	198
DBSA-09726-1	DBSA	2,578	31-Mar-02	30-Sep-14	12,00%	Fixed	1,051
DBSA-11064-1	DBSA	2,253	31-Mar-02	31-Mar-20	16,50%	Fixed	2,553
DBSA-103345-2	DBSA	200,000	17-Aug-09	30-Jun-29	6,75%	Fixed	175,793
DBSA-103968-1	DBSA	250,000	31-Mar-11	30-Jun-26	10,95%	Fixed	318,192
IGF IBM Loan 1	IBM	71,054	01-Nov-09	01-Aug-14	11,14%	Fixed	47,350
IGF IBM Loan 2	IBM	13,775	01-Dec-09	01-Sep-14	11,11%	Fixed	9,131
IGF IBM Loan 3	IBM	18,042	01-Jan-10	01-Oct-14	10,95%	Fixed	13,267
IGF IBM Loan 4	IBM	10,497	01-Feb-10	01-Nov-14	11,03%	Fixed	7,697
IGF IBM Loan 5	IBM	8,601	01-Mar-10	01-Dec-14	10,78%	Fixed	6,239
IGF IBM Loan 6	IBM	12,188	01-Apr-10	01-Jan-15	10,72%	Fixed	9,612
IGF IBM Loan 7	IBM	14,413	01-May-10	01-Feb-15	10,37%	Fixed	11,214
IGF IBM Loan 8	IBM	9,770	01-Jun-10	01-Mar-15	10,35%	Fixed	7,562
IGF IBM Loan 9	IBM	13,655	01-Jul-10	01-Apr-15	10,26%	Fixed	11,410
NEDBANK R919,405m	NEDBANK	919,405	15-Jun-12	15-Jun-22	9,31%	Fixed	1,034,233
AFD R412m	AFD	412,000	11-May-11	15-May-26	7,46%	Fixed	428,586
AFD R80,595m	AFD	80,595	01-Jul-11	15-May-26	7,47%	Fixed	80,886
		6,275,655					5,895,354

The Level 2 Fair Value for the CJMM's liabilities was R5,895 billion as at 30 June 2012.

The table below further shows Level 2 Fair Values of CJMM's ring-fenced long term investments, which stood at R700 million as at 30 June 2012.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

Fair value of long term Investments

Investment	Date	Credit Quality	Fair Value
RMB Sec Dep	30 Jun 12	F1+	34,140
RMB Amo Dep	30 Jun 12	F1+	97,737
RMB EMLC 1	30 Jun 12	F1+	92,852
RMB R248 SF	30 Jun 12	F1+	296,186
ABSA	30 Jun 12	F1+	149,882
SCMB LS	30 Jun 12	F1+	29,826
			700,623

Level 3

Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation inputs are not based on observable market data. As at 30 June 2012, The CJMM did not have any instruments falling under the level 3 category

Credit/Counterparty Risk

The Group deposits surplus funds with financial institutions to mitigate against the negative cost of carry and these funds are diversified around different investment type and institutions.

The credit limit exposure table below depicts all investments with various counterparties as at the 30 June 2012. Total investments were R 1,481 billion. The table also shows the credit limit approved per counterparty. Treasury constantly monitors the percentage limit utilized and warning signal levels are set at an investment with any counterparty above the 90% limit utilization

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE				
	2012	2011	2012	2011			
48. RISK MANAGEMENT (continued)							
Credit limit exposure report							
Counter party	ST Ratings	Approved Limit	Call Deposits	Term Deposits	Total Exposure	Available For use	% Limit Utilisation
ABSA	F1+.zaf	650,000	163,447	-	163,447	486,553	25,15%
RMB	F1+.zaf	500,000	1,205	-	1,205	498,795	0.24%
INVESTEC	F1.zaf	350,000	1,142	275,600	276,742	73,258	79,07%
NEDBANK	F1+.zaf	500,000	33,364	-	33,364	466,636	6,67%
STANDARD	F1+.zaf	500,000	1,217	-	1,217	498,783	0.24%
Total: Domestic banks		2,500,000	200,375	275,600	475,975	2,024,025	
CITIBANK	F1.intl	350,000	5,679	330,000	335,679	14,321	95,91%
DEUTSCHE BANK	F1+.intl	350,000	1,144	320,000	321,144	28,856	91,76%
CREDIT AGRICOLE - Acct closed	F1+.intl	350,000	-	-	-	350,000	0,00%
HSBC	F1+.intl	350,000	-	-	-	350,000	0,00%
Total: International banks		1,400,000	6,823	650,000	656,823	743,177	
SARB		500,000	-	-	-	500,000	0,00%
LAND BANK	F1+.zaf	350,000	31,187	-	31,187	318,813	8,91%
TCTA	F1+.zaf	350,000	11,047	-	11,047	338,953	3,16%
Total: Public sector		1,200,000	42,234	-	42,234	1,157,766	
CADIZ	NR	150,000	-	-	-	150,000	0,00%
CORONATION	NR	150,000	-	-	-	150,000	0,00%
RMB ASSET MANAGEMENT	F1+.zaf	300,000	-	-	-	300,000	0,00%
PSG	NR	150,000	-	-	-	150,000	0,00%
SANLAM INVESTMENT MANAGEMENT	F1.zaf	300,000	-	-	-	300,000	0,00%
STANLIB	F1+.zaf	550,000	290,234	-	290,234	259,766	52,77%
Total: Asset management firms		1,600,000	290,234	-	290,234	1,309,766	
Grand total: Investments		6,700,000	539,666	925,600	1,465,266	5,234,734	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

48. RISK MANAGEMENT (continued)

Funding

Details		Approved Limit	Total Utilised	Term Deposits	% Limit Utilisation
Overnight loan facility	ABSA	380,000	-	380,000	0.00%
		380,000	-	380,000	
Committed facility	CITIBANK	200,000	-	200,000	0.00%
		200,000	-	200,000	
Grand total - Funding		580,000	-	580,000	

Credit quality of Investments

CJMM has been placing investments with those entities with a short-term credit rating of F1+ and F1. F1 + indicates the strongest credit quality of the obligator, meaning the risk of default is minimal. For the current financial year, no investment was undertaken with those counterparties with a credit rating of less than F1 or no rating. The credit qualities of CJMM's investments as at 30 June 2012 are shown in the tables below:

Credit quality of Counterparties

Counterparty	Date	Fair Value
ABSA	30 Jun 12	F1+.zaf
RMB	30 Jun 12	F1+.zaf
INVESTEC	30 Jun 12	F1.zaf
NEDBANK	30 Jun 12	F1+.zaf
STANDARD	30 Jun 12	F1+.zaf
CITIBANK	30 Jun 12	F1.intl
DEUTSCHE BANK	30 Jun 12	F1+.int
HSBC	30 Jun 12	F1+.int
SARB	30 Jun 12	
LANDBANK	30 Jun 12	F1+.zaf
TCTA	30 Jun 12	F1+.zaf
CADIZ	30 Jun 12	NR
CORONATION	30 Jun 12	NR
RMB ASSET MANAGEMENT	30 Jun 12	F1+.zaf
PSG	30 Jun 12	NR
SANLAM INVESTMENT MANAGEMENT	30 Jun 12	F1.zaf
STANLIB	30 Jun 12	F1+.zaf

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
49. FRUITLESS AND WASTEFUL EXPENDITURE				
Reconciliation of fruitless and wasteful expenditure				
Opening balance	8,464	5,487	5,715	5,324
Fruitless and wasteful expenditure current year	1,144	2,932	112	208
Approved by Council or condoned	(837)	(138)	(7)	-
Fruitless and wasteful expenditure under investigation	(51)	183	(51)	183
Transfer to other debtors for verification	8,720	8,464	5,769	5,715

GROUP - 2012

1. Johannesburg City Parks
Interest on late payments made to suppliers.
Disciplinary steps/criminal proceedings : None
2. Johannesburg Roads Agency
Interest and penalties paid on late payment and submission of statutory returns (SDL and PAYE).
Interest charged by Telkom, Microsoft Ireland and AFHCO Property Management.
Disciplinary steps/criminal proceedings : None
3. Metropolitan Trading Company
Lease Payments made for VOIP and Wifi installations.
Interest paid on overdue accounts.
Disciplinary steps/criminal proceedings : None
4. Johannesburg City Power
Interest paid on late payment and submission of statutory returns (VAT and PAYE).
Disciplinary steps/criminal proceedings : None
5. Johannesburg Property Company
The penalties and interest reflected above relates to the 2011 financial year which incurred as result of underestimation of the second provisional tax payment. An appeal has been lodged with SARS to reverse these interest and penalties.
Disciplinary steps/criminal proceedings : None
6. Roodepoort Civic Theatre
Interest paid on late payment and submiss of statutory returns (VAT and PAYE) due to the resignation of the CFO.
Disciplinary steps/criminal proceedings : None
7. Johannesburg Tourism Company
This is interest paid to suppliers for late payments.
Disciplinary steps/criminal proceedings : None

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

49. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

GROUP - 2011

1. Johannesburg City Parks

Interest was raised for late payments.

Disciplinary steps/criminal proceedings : None

2. Johannesburg Development Agency

An email was sent to JDA purporting to be from the authentic supplier requesting changes to the existing banking details. It was later discovered after the funds were transferred that email was fraudulent.

Disciplinary steps/criminal proceedings : Employees who effected the change of banking details were issued with written warnings and the case has been reported to SAPS commercial crimes unit.

3. Johannesburg Roads Agency

Interest on late payment of accounts.

Disciplinary steps/criminal proceedings : None.

4. Johannesburg Metropolitan Bus Services (Proprietary) Limited

Various traffic fines was paid

Disciplinary steps/criminal proceedings : None

5. Metropolitan Trading Company (Proprietary) Limited

Interest was paid on overdue accounts. 98% of this was interest paid on the overdrawn sweeping account. This account was overdrawn because MTC experienced cash flow problems because of its inability to collect inter company debtors. The process issues that caused these problems were resolved in the last quarter of the financial year.

Disciplinary steps/criminal proceedings : None

6. Johannesburg Tourism Company

Interest levied on late payments

Disciplinary steps/criminal proceedings : None

8. The Johannesburg Zoo

The fruitless and wasteful expenditure relates to prepayment to the supplier for the supply and installation of the acrylic panels for the Temple of Ancient project. The supplier did not deliver in terms of the prepayment made. Legal action has been taken against the supplier to recover the amount paid. As at the date of issuing these financial statements, a forensic investigation was in progress.

Disciplinary steps/criminal proceedings : None.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

49. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

CORE - 2012

Office of the Speaker

Non-attendance of Conferences, Seminars and Training sessions by staff after the relevant bookings and payments has been made - R10,000.00.

Disciplinary steps/criminal proceedings : None.

JMPD

Internal Affairs was not represented at the Arbitration hearing Invoice No. 0235 dated 28/01/2009 for R2,200.00, Invoice No. 0459 dated 06/03/2012 for R3,240.00 and Invoice No. 0658 dated 06/03/2012 for R3,000.00.

Disciplinary steps/criminal proceedings : Copies of invoices given to Head of Internal Affairs to take necessary action.

Economic Development, Revenue and Customer Relations, Housing, Development Planning and Urban Management, Emergency Management Services

Interest charged on late payments - R103,038.00.

Disciplinary steps/criminal proceedings : Investigations have been made as to the cause of the problem and steps will be taken to prevent a recurrence in the future.

CORE - 2011

Office of the Speaker

Non-attendance of Conferences, Seminars and Training sessions by staff after the relevant bookings and payments has been made - R10,000.00.

Disciplinary steps/criminal proceedings : None.

Development Planning and Urban Management

Consulting fees for the provision of training programmes to the Department R39,200.00.

Disciplinary steps/criminal proceedings : Report submitted to Mayoral Committee for condonement.

Repairs to Fleet Africa Vehicle R14,793.54.

Disciplinary steps/criminal proceedings : Report submitted to Mayoral Committee for condonement.

Economic Development, Office of the Executive Mayor, Finance, Revenue and Customer Relations, Housing, Development Planning and Urban Management, Emergency Management Services, JMPD

Interest charged on late payments - R327,288.03.

Disciplinary steps/criminal proceedings : Investigations have been made as to the cause of the problem and steps will be taken to prevent a recurrence in the future.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
50. UNAUTHORISED EXPENDITURE				
Reconciliation of unauthorised expenditure				
Opening balance	142,148	-	48,498	-
Unauthorised expenditure current year	167,144	93,714	3,213	48,498
Approved by Council or condoned	(42,885)	(64)	-	-
Transfer to receivables for recovery	(168)	-	-	-
Unauthorised expenditure awaiting authorisation	51,710	48,498	-	-
	317,949	142,148	51,711	48,498

GROUP - 2012

1. Johannesburg Roads Agency

This is as a result of the deficit incurred by the entity at year end.

Disciplinary steps/criminal proceedings : None

2. Johannesburg Property Company

The above unauthorised expenditure mainly relates to the loss on disposal of assets, audit fees, and operating expenses which was not provided for on the revised budget.

Disciplinary steps/criminal proceedings : None

3. Johannesburg City Parks

The capital expenditure budget for the current year was exceeded by 3%.

Disciplinary steps/criminal proceedings : None

GROUP - 2011

1. Johannesburg Roads Agency

This is as a result of the deficit incurred by the entity at year end.

Disciplinary steps/criminal proceedings : None

2. Metrobus

Unauthorised expenditure could largely attributed to overspending in employee costs and contracted services.

Disciplinary steps/criminal proceedings : None

3. Metropolitan Trading Company

Unauthorised expenditure is largely be attributed to overspending in employee costs and contracted services.

Disciplinary steps/criminal proceedings : None

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

50. UNAUTHORISED EXPENDITURE (continued)

CORE - 2012

Emergency Management Service

Payments made to Fleet Africa for the leasing of vehicles, in the absence of sufficient budget R518,207.00

Disciplinary steps/criminal proceedings : The Gauteng Provincial Government has signed a memorandum of understanding with the COJ EMS so as to increase the budget of leased vehicles.

Infrastructure and Services Department

Payments to Contractors for Guarding of Municipal Properties - R48,437,864.95.

Disciplinary steps/criminal proceedings : The matter is still under investigation.

CORE - 2011

JMPD

Payments to Contractors for Guarding of Municipal Properties - R48,437,864.95.

Additional text

51. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

Opening balance	446,316	2,290	339,732	-
Irregular expenditure current year	348,568	456,195	235,529	339,732
Approved by Council or condoned	(115,178)	(12,169)	(141)	-
	679,706	446,316	575,120	339,732

GROUP - 2012

1. The Johannesburg Development Agency

Appointment of suppliers without following SCM process.

Disciplinary steps/criminal proceedings : None

2. The Johannesburg Market

Due to non-compliance identified in the prior years, irregular expenditure to the value of R10,613,999 has been carried forward or incurred in the current year. These are as a result of legacy contracts. Subsequent to the 2011 financial year a full compliance audit was conducted in the supply chain department to test the processes implemented. As indicated in the report, the consultants observed that steps were implemented to address short-comings identified in the external audit and by the entity itself. However, recommendations were made to further improve compliance. It was noted that the supply chain department structure is being filled and that the supply chain management processes are being aligned to best practices.

Disciplinary steps/criminal proceedings : None

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

3. Johannesburg Roads Agency

No prior approval obtained for change in scope of work.
Services rendered without a valid contract.
Contract has expired and work was undertaken.
Expenditure exceeded the appointed value of the contract.
Transgression of the Supply Chain procedures.
Section 32 appointment not approved by the Accounting Officer.

Disciplinary steps/criminal proceedings : None

4. Metrobus

Supply chain policies and procedures have not been adhered to.

Disciplinary steps/criminal proceedings : None

5. Metrotrading Company

Service Provider was appointed by the Project Manager. He then failed to pay the Service Provider. MTC settled the claim.

Disciplinary steps/criminal proceedings : Under investigation so appropriate steps can be taken.

6. Pikitup Johannesburg

This relates to the ICT contract that lapsed and running on a month-onmonth pending the pending the finalization of the new tender process. A new contract is now in place.

Disciplinary steps/criminal proceedings : None

7. Roodepoort City Theatre

Acting Allowances to the Corporate Services Manager, Technical Manager and Gradings for the Finance Officer and Reception/Computicket clerk. due to resignations of CFO. and Admin Manager. Soweto Theatre Opening Launch Expenses.

Disciplinary steps/criminal proceedings : None

8. Johannesburg City Parks

Acquisitions without 3 quotations, procurements without having followed tender processes and procurements without a signed contract in place.

Disciplinary steps/criminal proceedings : None

9. City Power Johannesburg

Payments were made to suppliers in contravention of declaration in terms of Supply Chain Management regulation 13.

Disciplinary steps/criminal proceedings : None

10. Johannesburg Property Company

Supply chain policies and procedures have not been adhered to.

Disciplinary steps/criminal proceedings : None

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

GROUP - 2011

1. Johannesburg Market

Based on the current system in place, irregular expenditure to the value of R50,237,904 was identified in the current year. A large portion of these breaches related mainly to a number of legacy contracts and arrangements awarded in the prior years and a few in the current year that did not comply with the requirements of the SCM policy. Although no documented evidence could be provided by management that certain processes prescribed by SCM Regulation 38 were followed, no evidence to the contrary could be found. Based on this and to be prudent an amount of R6,063,944 was classified as irregular expenditure as opposed to non-compliance. The system of identifying irregular expenditure is in a constant state of improvement so that in future all irregular and wasteful and fruitless expenditure will be identified and reported on.

Disciplinary steps/criminal proceedings : None

2. Metrobus

Supply chain policies and procedures have not adhered to.

Disciplinary steps/criminal proceedings : None.

3. Johannesburg Development Agency (Proprietary) Limited

The expenditure incurred was in contravention of the Supply Chain Management Policy, Regulation 36(1).

Disciplinary steps/criminal proceedings : The Bid Adjudication Committee's request for approval of this ratification was not approved by the Accounting Officer.

4. Metrotrading Company

No bid documentation, Awards to employees in service of the state, No quotations and Non compliance with SCM Policy

Disciplinary steps/criminal proceedings : Under investigation so appropriate steps can be taken.

5. Pikitup (Proprietary) Limited

This relates to the ICT contract that lapsed and running on a month-on-month pending the finalization of the new tender process. A new contract is now in place.

Disciplinary steps/criminal proceedings : None

6. City Power Johannesburg

Payments were made to suppliers in contravention of declaration in terms of Supply Chain Management regulation 13.

Disciplinary steps/criminal proceedings : None

7. Johannesburg City Parks

Acquisitions without 3 quotations, procurements without having followed tender processes and procurements without a signed contract in place.

Disciplinary steps/criminal proceedings : None

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

CORE - 2012

1. Multilingual : service acquired without contract in place - Ratification Approved, R141,215.00.
2. Events Galore : service incurred without valid order - Awaiting ratification R66,883.00.
3. Tim Dollar Cleaning Service : no valid contract - Awaiting ratification R52,150.00.
4. Butomi : procurement processes not followed (RFQ not done) - Awaiting ratification R14,475.00.

Disciplinary steps/criminal proceedings : None
5. Approval to Appoint a Service Provider to Supply Operational Uniforms for Emergency Services using quotations, Service Provider Fine Fit Uniforms and Overall CC, Link Reflective and Protective Designs CC, Simon Setuke Distributors CC, R9,775,275.30.
Reason
Emergency Management Services has been unable to procure and issue uniforms to employees over the past three years and the situation reached levels where employees were de-motivated, threatening industrial action and at times report to work in civilian clothes. The issue of the lack and non-provision of uniform had already been a subject of the media through some disgruntled employees and may be used as a basis by labour representatives to incite industrial action. It is on this basis that EMS management approached the City Manager and the Executive Adjudication Committee to allow the process to solicit "quotation process" on the basis of the submissions that have been received during the tender process as the process to re-advertise would be lengthy.
6. Development Planning and Urban Management Building Control, Service Provider JT Ross Properties Services (Pty) Ltd, Lease per month R31,747.00, Operating Cost R8,159.00, 12 Covered Parking R4,549.00, 3 Open Parking Bays R732.00 and Rates and Services R1,293.00.
Reason
The Department Planning & Urban Management has been leasing unit 3, 4A and 5A including 12 covered parking bays and 3 open parking bays situated at 16 street, Alphen Square North, Midrand for the past 3 years. The Department requested a deviation to continue to use/lease the premises as the public is aware of the location of the offices and it has been constructed to accommodate the need of the department.
7. Deviation from Supply Chain Management Processes Regarding the Extension of Contract No: A264 for the City of Johannesburg Website and News Agency During the Website Migration Project Implementation, Service Provider Dimension Data, (i) Ratification: Reg 36(1)(b) 6 August to 5 September R367,891.66
(ii) Deviation: Regulation 36(1)(v) September 2011 to February 2012 R1,839,458.30.
Reason
The current contract for the hosting of the City's website expired on 5 August 2011. The user department requested that the contract be extended to facilitate migration of the website to the City's CIOG office. Sufficient lead times are required to implement the website migration project. The required extension will allow for the procurement of the required infrastructure, installation and hand over the implementation of the project.
8. Authorisation for Procurement of Catering for 500 People at the Funeral of the Late Mrs Albertina Sisulu, Service Provider Lapa La Rona Catering, R345,556.80.
Reason
Urgent requirement, it was impractical for the department to go out on tender.
9. Department of Economic Development, Liberty Life, R3,108,840.48.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

10. Approval of Payment for the Service Provider: Events Galore, Service Provider Events Galore Oasis Initiative and Tsutsumani In Alexandra R1,401,118.44, Marlboro and Alexandra Techno-Hub R3,987,856.80.
Reason
(1) Quotations were solicited from a panel approved by the EAC: Proposal number A290C:Appointment of Consultants for the provisions of strategic marketing, administration on Events Management for the City of Johannesburg. The two companies recommended by the user department, are only awarded the items/services:
- Events Management
 - Brand Management
 - Communications
- (2) The department awarded project management to the service provider Events Galore who was not allocated/awarded this item in the panel.
11. Request to Approve Variation/Scope of Work: Gas Expansion Strategy for the City of Johannesburg, Service Provider SAHA International (Pty) Ltd R141,600.00.
Reason
The Central Adjudication Committee awarded RFP A390 to SAHA International (Pty) Ltd on 10 November 2010 to develop the strategy for the expansion of natural gas in the City. While conducting these two of the project which was scoped in the original appointment, the Energy Sector (IS) realized that the scope of the project was limited and confines itself only to natural gas. Upon evaluating the risk, cost and opportunity cost of not including other gases in the current strategy, the Energy Sector was of the opinion that the scope of contract be increased to cover other gases rather than confine narrow the assignment to natural gas alone. A decision was taken to have the service provider evaluate the scope change and its impact thereof, which resulted in the increase in the original pricing of R951,200.00 with an additional R141,600.00 hence the request for the deviation under Regulation 36(1)(a)(v).
12. Engaging a service provider without following supply chain management procurement process, Service Provider Ulwaza Protection Services, R86,251,84.
Reason
(1) There were councillors who were attacked and threatened to be attacked due to service delivery protests and a service provider was identified as a suitable service provider to undertake the risk assessment profile of two (2) of councillors of the City. Due to the urgency and sensitivity of the matter, it was therefore impractical or impossible for the City to go out for an open Bid process after the 2011 Municipal Elections.
13. Enterprise resource planning frontline support services, Service Provider, Dimension Data, R528,000,00.
Reason
During the transitional period for Contract: A387, previous service providers continued to provide services to the department even after the expiry of their contracts hence the request for the ratification.
14. Deviation from the Normal Procurement Processes for the Supply of Resources for a Call Centre, Service Provider EOH, R6,397,281.00.
15. Deviation from the Normal Procurement Processes for Enterprise Resource Planning Post Implementation Support and End-User Training, Service Provider EOH Mthombo (Pty) Ltd, R68,706,800.00.
Reason
The City entered into an agreement with EOH Mthombo (Pty) Ltd for the period 1 July 2010 to 30 June 2011 to render the Post Programme Phakama implementation support for the 1st and 2nd line ISU/CRM. The Contract came to an end on 30 June 2011 and there was a risk that the COJ SAP ISU/CRM end-users were not skilled enough to transcut on the SAP system without the assistance from the 1st line support consultants; hence the request for the extension of the contract of the service provider to continue to provide the specified specialist post implementation support for the 1st and 2nd line end user training.
16. Legal & Compliance, Service Provider Fem Power (a Division of the Workforce Group), R137,091.00.
Reason
The process to recruit and appoint a person in the position of City Manager was considered time consuming and the need existed to ensure a smooth transition, since the contract of the former City Manager was expiring at 30 September 2011. As at that time, there was no tender in place for the recruitment of senior executives in the City. The matter for the recruitment and appointment of the City Manager was considered special and urgent where it was impossible to follow the normal procurement process hence the request for deviation.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

17. Request for Extension of Contract of StratAlign/Tokiso for the Facilitation of the Seat Allocation Working Group Talks (Talks about Talks with the Potential Operators for Phase 1B of Rea Vaya, Service Provider, StratAlign/Tokiso R1,205,760.00.
Reason
The EAC of 12 November 2010 approved the appointment of StratAlign/Tokiso to facilitate the initial preparatory talks about talks process for the determination of the business modes between the City and potential affected operators. This extension was to facilitate the further preparatory talks for phase 1B and bearing in mind the sensitivities of these talks about talks. This service provider has the detailed understanding and knowledge of the industry and the BRT process. Further the parties were asked who they would feel comfortable with and requested these service providers hence the request for a deviation, as it would be impractical for the City to go out on tender as the taxi industry has identified their choice of a service provider.
18. Transportation, Service Provider Putco Properties (Pty) Ltd, R1,636,014.00.
Reason
During August 2009, the EAC authorised conclusion of a lease with Putco of its Nancefield bus depot for two years until 31 August 2011, pending construction of the Dobsonville Rea Vaya depot. As indications were that the Dobsonville depot would be ready by the end of April 2012 and that it would take about a month to move over from Nancefield, the EAC was prior to the expiry of the existing lease with Putco during July 2011 asked for permission to w.e.f 1 September 2011 extend it by 9 months until the end of May 2012 at the agreed annually escalated (9%) rent of R181,779.30, plus VAT, per month.
19. Renewal of Taxi Storage Contract for 48 Taxis with "Bohlokoa", Service Provider Bohlokoa Outdoor Advertising (Pty) Ltd, R171,000,00.
Reason
This is for the storage of mini bus taxis which was required prior to the mini bus taxis being disposed of. The service provider was initially sourced on open tender. However as the tender needed to be extended since the process of disposal to look longer than anticipated due to the fact that some taxis had problems with their operating licenses and others still had HP amounts owing. The Transport Department working with the taxi industry have been working on solutions for these problems but at the time of this EAC request, 48 taxis still needed to be stored. It was impractical for the department to go out on competitive bidding process to finalise the assignment already undertaken and awarded to the service provider.
20. Transportation, Learncorp, Afrigis and BPS Capital, R1,434,145.00.
Reason
In a Memorandum of Understanding ("MOU") between the Taxi Industry and the City, the former Executive Mayor committed the City to:
Provide the Taxi Industry with the human and material resources necessary for the industry to adequately and competently participate in the project.
Assist with resources that ensure adequate consultation of the Taxi Industry on all aspects of the project.
A similar Memorandum Of Agreement ("MOA") is to be signed with the present Executive Mayor and City Manager, wherein a similar commitment will be made.
In the above MOA, the terms and conditions under which the POA's are able procure their own technical support are set out, including that, while there is a deviation from normal procurement processes, all other City procurement and payment processes must be adhered to.
21. Transportation, FOT Consulting CC, R359,600.00.
Reason
This was not approved by the EAC.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

22. Transportation, Saha International SA (Pty) Ltd, R5,258,454.00.
Reason
Due to various delays in the implementation of the AFC system by TMT, inter alia the above-mentioned renegotiation of the AFC Main Agreement with TMT as a consequence of the Regulations promulgated by the national Department of Transport ("DoT"), Saha was unable to complete its agreed work scope at the time of the expiry on 18 August 2011 of its AFC Consultancy Services SLA with the City, which was previously extended from 2 to 3 years for the same reasons. It furthermore transpired that, once installation of the AFC System by TMT commences, professional assurance services would be required to ensure that the City is getting what is required by the NDOT regulations as Saha had assisted with the design of the AFC system and has the necessary institutional background and the procurement of another service provider capable of taking over from Saha would be too time consuming and cause even further delays, the extension was authorized by the EAC.
23. Chief Whip Office, Robby's Place Catering, R50,000.00.
Reason
No reasons provided.
24. Ratification of Actions of Department Community Development for Exceeding Value of the Carnival 2010 Programme and Request to Increase the Value, Service Provider Event Masters R172,532.95.
Reasons
(1) The Community Development (Directorate Arts/Culture) processed a call for proposal under panel approved by the City, panel for the provision of strategic marketing services project management, administrators and event management services to manage the implementation of the 2010 carnival event.
(2) However during the process of reconciling the invoices with payments made, it was established that the original budget of R2,000,000 has been exceeded by R172,532.95.
25. Corporate and Shared Services, Imbali Props 59 (Pty) Ltd, R6,720,300.00.
Reason
(1) The former Region 9 Head Office (now Region F) is located at Eureka House in Springfield for the past 9 years. The previous 3 year lease agreement expired on 28 February 2011 and the City entered into a month to month lease until end June 2011 to allow Facility Management to complete a feasibility study to evaluate the suitability of the facility for the continued occupation by the Region
(2) There are no other commercial buildings available within a radius of 5km from the current location. There are however suitable B grade facilities available within the CBS of Johannesburg but in most cases at high cost.
26. Planning Urban Management, Viking Pony Properties (Pty) Ltd, R301,251.00.
Reason
When the urban management model for the inner City was devised the quadrant approach was adopted. The Department region F faced complex challenges in its search for suitable office space to accommodate quadrant 1 and 2. After extensive research, suitable office space was identified at 137 Siverwright Avenue, new doornfontein to accommodate 20 staff members. If it would thus be impractical to undertake the entire exercise of identifying alternate office accommodation particularly with faults by management and maintenance having to take decision on the future of the region's corporate building which could impact on quadrant offices. It is therefore proposed that the lease agreement be extended for a period of twelve (12) months.
27. Extension for the Utilisation of the Sithole Human Capital, Service Provider, Sithole Human Capital R946,382.
Reason
Initial approval for work done was exceeded due to the amendment of the Strategy and this did not allow the department sufficient time to solicit additional funding and authorisation hence the request for deviation.
28. Transportation, Ernst & Young, R612,612.00.
Reason
No reasons provided.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

29. Extension of SAHA's AFC Consulting Services contract until installation of AFC System by TMT, Service Provider SAHA, R5,408,502.00.
Reason
This motivation was taken to the EAC to report on the necessity to renegotiate the TMT AFC tendered contract after the publication of the Automated Fare Collection regulations by the National Department of transport and to seek permission to commence. It also addressed the necessity to contract ABSA outside of the banking agreement for a period of three years.
30. Extension of SAHA's AFC Consulting Services contract until installation of AFC System by TMT, Service Provider SAHA R586,135.85.
Reason
This is the deviation including a scope adjustment and it was impractical for the department to go out on tender.
31. Extension of Taxi Storage contract for 53 taxis with Bohlokoa (Pty) Ltd, Service Provider, Bohlokoa Outdoor Advertising (Pty) Ltd R63,380.
Reason
This is a further deviation in respect of the above. The number increased because some taxis that were repossessed by the banks were returned after the City paid the outstanding HP requirements, hence the request for the ratification as the vehicles were already stored at the same venue by the same service provider.
32. Extension of procurement of protection services at the Erstwhile and the newly elected executive mayors residences Service Provider, Zungizile protection services R175,050.03, R350,100.06 and R83,357,16 and R66,120.00.
Reason
Contract to provide Security Services to the residence of the Erstwhile Executive mayor and new Mayor extended due to the hand over period and pending finalization of a new procurement process to appoint a new service provider.
33. Public Liason, Thuso group T/A Thuso exhibition, R3,000,000.00.
Reason
No reasons provided.
34. Finance, Hunter Van Ryneveld (Pty) Ltd, R3,796,656.00.
Reason
No reasons provided.
35. JMPD, Nkonki Incorporated, R7,299,000.00.
Reason
No reasons provided.
36. Community Development (library and information services), Momentum Property Investments (Pty) Ltd, R132,063.00, Midrand Business Park (Halfway House Library), R448,140.00, Killarney Mall Properties (Pty) Ltd (Killarney Library), R95,278.00, Malvern Plaza CC (Malvern Library), R121,710.00.
Reason
No reasons provided.
37. Housing Department, Urban Dynamics Gauteng, R32,324,488.00.
Reason
No reasons provided.
38. Public Liason, Gear House South Africa, R475,900.00, The Moving Billboards Picture Co, R175,000.00.
Reason
No reasons provided.
39. Community development (Library and information services), Universal Knowledge Software, R5,540,913.00.
Reason
No reasons provided.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

40. Appointment of a service provider for temporary staff for the Billing Management Department, Service Provider, Mandisa Personnel CC, R481,536.00.
Reason
When the procurement process to appoint a Recruitment Agency commenced, it was established that the contract expired and that Corporate and Shared Services (Human Resources Shared Services) commenced with the tender process but that the process was not finalised. Due to the lengthy process of finalising the tenders, awarding a contract as well as the urgency of dealing with the Auditor General matters, Revenue and Customer Relations Management made a decision to obtain three quotations from an expired contract hence the request for a ratification.
41. Payment of the Service Provider:Netgen for Upgrade of the City's Waste Information System during 2010/2011 Financial Year, Service Provider Netgen R184,942.00.
Reason
All procurement process followed, however there was an oversight from the user department to obtain the signature from the delegated official in terms of SCM delegations to approve the appointment and therefore the service provider was engaged without proper authority, hence the request for a ratification.
42. Corporate Shared and Services, CEZ Investment CC, R8,012,544.00.
Reason
No reasons provided.
43. Accommodation-Health Department, Region B, Auckland Park period 3 years, service provider, ACA Krans Trust R2,661,815.52.
Reason
The Health Department has established its offices at 35 Symons Road, Auckland Park over the period of 8 years and the public and the suppliers have been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
44. Appointment of Events Galore Once off payment, Service provider Events R53,547.00.
Reason
Service Providers scope of work extended to cover the emergencies that occurred as a result of demonstrations by communities.
45. Appointment of Technical Support to Phase 1A BRT Mini-Bus Taxi Operators Owned Investment Companies (TOIC's) Once off payment, Service Provider FOT Consulting R154,400.00.
Reason
Extension of the original scope of work done by FOT.
46. Appointment of Gil Penelosa from "8-80 Cities" to Conduct a series of "Street Alive" Workshops for Transport Officials, Key Stakeholders and Members of the Public. Once off payment, Service provider Mr Gil Penelosa R151,864.00.
Reason
The City's Transport department has adopted the "Streets Alive" programme as part of its goals of transforming the way transport programmes are implemented in communities.
The Street Alive programme is in line with the City's 2040 GDS strategy, which aims to transform Johannesburg into an African City that provides quality of life for it's citizens.
47. Accommodation - Shareholders Unit, Service Provider Kuper Leigh Property Management Pty Ltd R1,819,041.17,
Reason
The Shareholders Unit lease at Parktown was extended on a month to month basis for a period of 3 years whilst the department awaits the outcome of the institutional design.
48. Accommodation - Corporate and Shared Services, Service provider Life Properties R11,905,710.24,
Reason
The Finance Department lease at 66 Jorissen Street was extended on a month to month basis for a period of 12 months as the department was awaiting the consolidation strategy championed by Group Corporate and Shared Services.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

49. Approval of Payment of the Service Provider: Turncard Trading 111 (Pty) Ltd for Bruma Lake Bioremediation Project, Service Provider: Turncard Trading 111 (Pty) Ltd R199,785.00.
Reason
The Procurement Process relating to the advertisement of quotations on the Notice Board was followed however: The service provider was engaged without the appointment report being signed by Director SCM in terms of her SCM delegation, hence the request for a ratification.
50. Approval of Payment of the Service Provider, Kaleo Consulting, for the Facilitation of the GDS Environmental Week Session, Service provider Kaleo Consulting R96,843.00.
Reason
The GDS Co-Ordinating Committee through the Central Strategy Unit was mandated to source services for all department for the outreach process. However this could not materialise due to the short notice given and therefore individual departments were only advised to source their services directly. This was only after the consumption of such services. Hence the request for a ratification.
51. New Lease Agreement at Traduna Centre Braamfontein, service Provider Kovacs Investment R18,449,540.00.
Reason
In terms of the institutional Review Process (IRP), the Infrastructure Services Department and Environmental Management Services Department have integrated. This has resulted in the extension of the lease at Traduna being extended to accommodate the integration of the two departments. Hence the request for a deviation.
52. Baseline Increase: Current Microsoft Enterprise Agreement, Service Provider, Microsoft, R3,449,089.01.
Reason
Sole provider of Microsoft Software.
53. Approval of payment of the Service Provider, Manenzhe Hygiene Solutions, Service Provider, Manenzhe Hygiene Solutions, R72,000.00.
Reason
Revenue and Customer Relations Management utilised the services of Manenzhe Hygiene Solution from FMMU approved (Contract 144/08) Panel of Service Providers to provide services to the City of Johannesburg. This contract expired in March 2012 but the department continued to utilise the service provider for a period of three months (April to June), as these services could not be discontinued as it was going to pose a health risk to call centre staff and management.
54. Approval of Payment of Service Provider: Steiner Hygiene, Service Provider Steiner Hygiene R80,401.60.
Reason
Revenue and Customer Relations Management utilised the services of Steiner Hygiene from FMMU approved (Contract 176/08), which expired on the 31 September 2011. This service could not be discontinued as it was going to pose a health risk to call centre staff and management. Hence the ratification for approval of payment.
55. Request for subscribing to HIS Information & Insight (Global Insight) Pty and Quantec Research (Pty) Ltd Service Provider HIS Information & Insight (Pty) Ltd (Global Insight) R49,590.00 and Quantec Research (Pty) Ltd R69,084.00
Reason
Sole Provider of Regional Explorer (Rex) Database and EasyData.
56. Approval of Payment of Service Provider: Steiner Hygiene R151,044.00.
Reason
Community Development (Art Culture and Heritage) utilised the services of Steiner Hygiene from FMMU approved (Contract 176/08) Panel of Service Providers to provide Cleaning Services to the City of Johannesburg, that later expired and R&CRM informed FMMU but response was not clear whether the contract would be renewed by FMMU. This service could not be discontinued as it was going to pose a health risk to the museum staff and public, hence the ratification for approval of payment.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

57. Approval of Payment of the Service: Request to appoint Events Galore to Facilitate a Strategic Breakaway of the Private Office of the Executive Mayor 13-14, Service Provider Events Galore, R127,442.70.
Reason
The private Office of the Executive Mayor followed the normal procurement process in terms of soliciting three quotations from a approved panel, but however the adjudication report was not submitted to the Director: SCM for consideration/approval prior to the engagement of the supplier. Hence the ratification for approval of payment.
58. Ratification of Actions on contract 207/08: The Supply and Delivery of Weekday and Weekend Newspapers to the City. Service Provider Continent Transport Services R241,642.54.
Reason
Service were rendered after the expiry and within the transition to the new contract which came into effect in January 2012. the amount of R241 642.54 was for the services rendered in December 2011. Hence the ratification for approval of payment.
59. Approval of Payment of Printing for the Notifications to Property Owners of Supplementaries as printed in Supplementary Valuation roll 9 for the period, 2 January 2012 to 23 April 2012, Service Provider Mailtronic Direct Marketing CC R463,002.15.
Reason
The Sec 49 notification from the supplementary valuation Roll 9 needed in terms of urgency to be posted with the monthly statements, hence Mailtronic Direct Media cc, the current service provider for the posting of monthly statements was requested to include in those statements the section 49 notification. Unfortunately due to urgent nature of the requirement no price approval was obtained. Hence the ratification for approval.
60. Extension of the existing Lease Agreement for a further period of three years relating to Office Accommodation at 222 Smit Street, Braamfontein, Service Provider Broll Property Management Company R11,301,848.02.
Reason
The Housing Department has established its offices at 222 Smit Street, Braamfontein the public and the suppliers has been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
61. Extension of the existing Lease Agreement, Service Provider ACA Krans R314,094.51.
Reason
FMMU has established its offices at 222 Smit Street, Braamfontein the public and the suppliers has been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
62. Deviation and Ratification of actions of Community Development in Relation to the services and period of operation Service Provider Steiner Hygiene, R240,000.00.
Reason
The user department engaged the service provider under contract 176/08 approved by the city, however the contract expired in October 2011 and the user department continued to utilised the services of Steiner Hygiene from the period February to July 2012 as discountinuing these services would have posed a serious health risks.
63. Extension of the existing Lease Agreement, Service Provider Liberty Life Properties (Pty) Ltd R751,786.78.
Reason
The department had requested permission to reside in Jorissen Place from 1st January 2012 to 31 December 2012, being the period which an alternative accommodation would be sourced.

CORE - 2011

1. Condonation/Ratification Extension for the utilization of a Service Provider due expired contract (992/06), Mponegele Consultancy, R300,240.00.
Reason
Contract 992/06: Temporary Staff Employment Agency expired on 4 December 2008. A new Tender A350 was advertised but however its validity expired in December 2009. Since the expiry of Contract 992/06 the Department has been utilizing this contract from September 2008 to June 2010 without any authority.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

2. Ratification Engagement of a service provider without following the necessary Supply Chain Management Policy and Procedures, Sepolane Trading CC, R14,975.74.
Reason
Procurement processes and procedures were followed through advertising on the City's notice board but the recommended service provider. failed to deliver the required services on time and the department was compelled to use the previous expired contract without obtaining authority.
3. Adjustment of the contract amount for the provision of professional project management services for the management of Contract No.178/08 renovations to existing hospital facilities and 177/08 renovations and alterations of Casa Mia building, Profica Project Management Services, Casa Mia R5,284,869.68 and BBV Phase 2 R4,647,934.64.
Reason
Adjustment of professional fees due to the increase in the scope of work. Work already commenced without the department obtaining the necessary authority. Therefore the department's action be ratified.
4. The EAC's approval for payment of Malani Padayachee & Associates (Pty) Ltd (MPA Consulting Engineers) for the work performed-advice on effects of diversion on City of Johannesburg due to Gauteng Freeway Improvement Scheme, MPA Consulting Engineers, R30,000.00.
Reason
Procurement process was followed in terms of soliciting of quotations from the panel of service providers, however the service provider was engaged without an official order/report being signed by the delegated authority due to time constraints.
5. Ratification, Engaging a Service Provider without following the necessary Supply Chain Management Policies and Procedures:-

a)	MC Masilo Peace Communications,	R80,000.00
b)	Nyasha Management Consultants,	R160,000.00
c)	Pinky and Beauty Catering Services,	R11,475.00
d)	Impumelelo's Kitchen,	R11,475.00
e)	Kwapeng Construction and Services,	R14,875.00
f)	JZK Business Enterprise ,	R11,475.00
g)	Mapeteke Catering,	R11,475.00
h)	Mapeteke Catering,	R12,750.00
i)	Thabo M Designs,	R12,825.00
j)	Dinkwe Caterers,	R15,535.00
k)	Tiphineni Catering,	R14,875.00
l)	Kwapeng Construction & Services,	R17,750.00
m)	Mahlubandile Catering & Events,	R12,750.00

Reason
Procurement processes and procedure were followed through advertising on the City's notice board but the department engaged the service provider before the report was signed by the relevant authority, Director SCMU.Security Services
6. Acquisition of service provider to clean two vacant properties of builders rubble and remove loose bricks on pavements along the street, Elite Cleaners, R275,000.00.
Reason
The cleaning of the (IBC) was satisfactorily undertaken until the major influx of media arrived and the service provider was unable to respond to the increased numbers in terms of cleaning the toilets properly. On 7 June 2010 the service provider was called in and verbally warned. On the 15 June 2010. The Executive Director: 2010 Office was again contacted by FIFA who complained that the state of the toilets was shocking, and then in consultation with legal department, the contract was terminated and Soccer City cleaning company (Elite) took over the cleaning without the department following normal procurement process.
7. Approval of the payment of the service provider for Membership Fee, Gartner, R549,045.00.
Reason
Request approval for the payment of the services already rendered.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

8. Condonation of deviation from Supply Chain Management Procedures: Approval for appointment of Bohlokoa Outdoor Advertising (Pty) Ltd for the provision of the storage for the minibus-taxis removed from the Phase 1A starter service routes, Bohlokoa Outdoor Advertising (Pty) Ltd, R563,684.40 and R47,652.00.
Reason
The previous service provider Tirhani advised the City that their lease of the said premises where the 167 taxis were stored was about to lapse. Tirhani indicated that they have another storage facility in Linbro Park. It, however, transpired that moving the vehicles from Devland to Linbro Park would be too expensive as some needed to be towed or transported due to insufficient fuel, flat tyres, faulty brakes and/or inoperative batteries.
To remove the vehicles to a different facility is a logistical nightmare, considering that, whilst in storage, their batteries and tyres go flat and therefore Bahlokoa Outdoor Advertising (Pty) Ltd was appointed without following SCM process to store the vehicles. Sporting attire for JMPD Sport Team, Ria's Embroidery, R39.
9. Rental payment for 2010 FWC Branding of the cooling towers at Soccer City Stadiums, Industrial Zone Limited, R296,400.00.
Reason
The LOC as the custodian of FIFA branding requested the City to install and replace on all identified precincts along principal public routes all torn and damaged flags. The LOC has thus supplied the City with about 150 FIFA branded flags that require to be re-installed on M1 highway by 09 July 2010, therefore it was urgent to install these flags on time for the closing ceremony match at Soccer City on the 11th July 2010 and therefore quotations could not be solicited in compliance to SCM procedures.
10. Football for hope festival 2010 in Alexandra, Street Football World, R215,217.75.
Reason
Due to the additional recreational facilities available for the participants, a decision was taken by the LOC and FIFA to move the team Village from River Park to Queens High School. As a result the City will not be contributing to the labour to manufacture the furniture but will be contributing towards the cost of the bedding while Streetfootballworld to procure the temporary bridge and bedding as they already have existing contracts with the relevant service providers.
11. Deviation Enterprise Resource Planning Post Implementation Support and End-user Training and training material review and updating, EOH Hetu and UCS, R64,796,000.00.
Reason
EOH Hetu and UCS have been providing resources for the function since the inception of the programme.
It was not feasible nor cost effective to go out on tender now or extend IBM statement of work in its current format due to the steep rates and high mark up they levy of the resources. Direct contracting with the companies will save the City in excess of 35% of resources costs as there will be no third party make up hence EOH Hethu and UCS have been contracted as they have the required skill and capacity to provide the required services.
12. Ratification of payment to a service provider, deviate to continue utilize a contract for a further six months and authorization of payments for the months April, May and June 2010, Mponegele Consultancy, R515,200.00 and R193,200.00.
Reason
The department filled the vacancy of learnership project manager through a City contract for placement of personnel with a service provider for a period of six (6) months. The contract was extended in March 2010 for three (3) months as the incumbent was able to provide course for the new employees and learnership candidates. On extending the service level agreement, Mponegele Consultancy, contract with the City had gone past its appointment period it is therefore urgent to extend the contract for a period of six (6) months while the process is put in place to have the position filled on a full time basis.
13. Request for extension of contract period for Rea Vaya Bus Rapid Transport System probity services by Grant Thornton, Grant Thornton, R149,402.50.
Reason
Extension of scope of work for probity advisory services for BRT.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

14. Extension of the appointment of a service provider for the facilitation of signing of bus operating contract for phase 1A of the Rea Vaya BRT, Stratalign/Tokiso, R2,621,767.00.
Reason
The contract of a service provider expired on the 30th June 2010 and it will not be possible to move forward and finalize the outstanding matters without the services of the service provider as they provide a critical role of being an independent chair and facilitator for negotiations therefore it is urgent to extend the contract of stratalign/Tokiso.
15. Approval for the appointment of a service provider for provision of the storage for the Minibus-Taxis removal from the Phase 1A starter service route, Bohlokoa Outdoor Advertising (Pty) Ltd, R515,565.00.
Reason
Due to urgency it is important to appoint a service provider for a period of three (3) months to assist in the provision of the storage for the minibus-taxi because the contract of the previous storage facility had expired.
16. Appointment of a service provider to provide specialist legal support Dorljota taxi association for the formation of the trust company for the Rea Vaya Project, Modise Mabule Inc (Attorneys Labour and Commercial Practitioners, R143,000.00.
Reason
DORLJTA felt that the model of forming (TOICS) will not be suitable for them and requested the City to assist them to form a trust company of lawyers to help them form a trust. The City is about to finalize negotiations with the taxi industry and the transportation department does not have enough time to go on a tender for the appointment of specialist lawyers to help DORLJOTA to form a trust. As a way forward, DORLJOTA approved Modise Mabute Inc to assist them with formation of the trust.
17. Appointment of a service provider to provide technical support to the taxi industry for the finalization of bus operating contracts for phase 1A of the Rea Vaya, Fot Consulting, R1,500,000.00.
Reason
Good progress at negotiations between the City and the Taxi Industry has been made, negotiations are about to be finalized. (TOICS) have been formed for all associations except for DORLJOTA Taxi Association. For the City to wrap up negotiations and handover the Bus Operating Company to the Taxi Industry, some of the task needs to be finalized. It is anticipated that it will take about three (3) months to finalize all outstanding issues pertaining to Rea Vaya contracts and taxi industry will still need technical support, hence it is necessary to extend the contract of the service provider for a three months (1 July 2010 to September 2010).
18. Report for the Park-and- Ride and Park-and-Walk facilities that were hired during the simulation on the 24 and 27 May 2010, Nasrec Park-and-Ride, Nasrec Park-and Walk, Shareworld Park-and-Walk, Rand Show Park-and-Walk and Constitutional Hill, R353,640.00.
Reason
It was impractical for the Department of Transportation to go out on a competitive bidding process as the facilities were identified in terms of their location and suitability to operate as Park and Ride and Park and Walk for the 2010 Fifa World cup.
19. Report for the Constitutional Hill Park-and-Ride facility that was hired during the 2010 FIFA World Cup, Constitutional Hill, R786,500.00.
Reason
Constitutional Hill was the only suitable venue in terms of location for the Rea Vaya bus route and therefore normal procurement processes could not be followed, the negotiations with Constitutional Hill were concluded a few weeks before the event of the 2010 Fifa World Cup.
20. Request for Approval to Deviate from Normal Supply Chain Management Procedures to Extend the Appointment of FOT Consulting to Provide Technical Support to the Taxi Industry During the Rea Vaya Transition Period, FOT, R1,150,000.
Reason
On the 23rd August 2010 the City finalised Rea Vaya negotiations and signed the final agreement with the taxi industry paving the way for taxi operators to take over the Bus Operating Company from Clidet (Interim Bus Operating Company). This agreement was signed after complex negotiations with the taxi industry. As part of the Executive Mayor's undertaking, the City has been providing technical support to the taxi industry through FOT Consulting. The contract of FOT Consulting would have come to an end on the 30th of September 2010 hence the deviation to extend the contract to conclude these negotiations.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

21. Extension of Services of Eyethu/ITS JV by Virtue of Tender A379, Eyethu Events and ITS Engineers JV , R1,768,750.00.
Reason
On 16 April 2010 tender A379 was awarded to Eyethu Events and ITS Engineers JV. The contract had additional services such as pedestrian bridge over the dangerously busy road adjacent to the Soccer City. However it was at the last minute found that additional pedestrian fencing, security and crowd control officer were indeed required leading up to the Rea Vaya stations at Ellis Park Soccer City. There was no longer time left to put out a bid for the additional services or to explore the provision of an alternativeservice provider to provide the services since all other arrangements were finalised with Eyethu Events and ITS Engineers JV during the last week before the Soccer World Cup opening match at Soccer City hence the request for a Ratification.
22. Extension of Contract number Trans 001/02/07 for a period of 15 months to offer specialised coaching services for the MMC: Transportation, MIS Vidal T/a Wellspring, R228,000.00.
Reason
MIS Vidal T/a Wellspring was appointed initially on 23 May 2007 under contract number Trans 001/02/07 to provide specialised coaching services to the MMC Transportation. Due to continuity the service provider contract is further extended to complete the whole programme.
23. Facilitation of Preparatory Talks (Talks about Talks) with Potential Operations for Phase 1B of Rea Vaya, to Agree on a Suitable Model to be used for Phase 1B Contracts, Stratalign/Tokiso, R416,000.00.
Reason
Transportation Department has completed negotiations with taxi operators for phase 1A of the Rea Vaya. All affected operators have formed taxi operating companies to take over Rea Vaya operations from Clidet. As part of the preparation of Phase 1B, several stakeholders were engaged to try to agree on the model to be used for Phase 1B of the Rea Vaya. From this discussions it became clear that different stakeholders have divergent views about the model and based on this all parties felt that there was a need for a facilitated process to try to agree on the model and most of the stakeholders felt that Tokiso should be appointed to facilitate this engagement. Tokiso is preferred because they already have experienced with Phase 1A negotiations and they have been successful in facilitating the signing of Phase 1A contract hence the request for a deviation.
24. Motivation to Purchase Equipment and Call Centre Furniture Installed at 28 Harrison by Sibize for Gauteng Shared Services Centre (GSSC), Sibize, R888,050.00.
Reason
The Executive Adjudication Committee at its meeting of 28 May 2010 approved the lease of 28 Harrison Street Building as it has been identified as a suitable site for the Unified Customer Contact Centre (UCCC). The identified building was once used as a Call Centre for GSSC and has all the required infrastructure, furniture that can be utilised by the City hence the request for deviation to procure this infrastructure from Sibize who were running the call centre on behalf of GSCC which contract has been terminated and they were vacating the building on 20 September 2010. Five other quotations were solicited from service providers on the City's contract, contract 103/08 for benchmarking purposes and all the service providers' pricing for the infrastructure and IT related equipment were exceptionally very high as apposed to the price offered by Sibize which was the lowest and included all the items required by the City.
25. Proposed Extension of the Contract for the Appointment of MTN Service Provider for Cellular Phone Provision, MTN, To be determined after a month, R8,000,000.00.
Reason
Contract A186 Provision for Cellular Phone Services was awarded to MTN with effect from 1 January 2007 ending 31 July 2010. The ratification and deviation for the extension of the MTN contract is due to the change over and porting of lines from MTN to Vodacom which would only occur once all the City's contractual obligations with MTN have been satisfactory resolved.
26. Procurement Processes and Proposed Extension of Lease and for Additional Parking Bays to Accommodate Various City Departments at the CJ Cronje Building, City property administration (PTY) LTD, R4,123,287.00 and R714,780.00.
Reason
The former Region 8 now Region F head office is located at the CJ Cronje building in Johannesburg. The original three year lease expires 30 November 2010 and the Region has requested to continue to occupy the premises for a further period of three years hence the deviation.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

27. Motivation for extra funds to pay Gondwana Environmental Services for the management of the City's Air Quality Monitoring stations and related data services, Gondwana, R140,725.40.
Reason
Contract A222 was awarded to Gondwana Environmental Solutions for an amount of R1,752,066 including VAT for a period of three years starting from April 2007 ending June 2010. However the department omitted to include in the contract services such as minor repairs and maintenance of faulty equipment including the meteorological sensors and analyzers, which were deemed to be consumables and were to be separately catered for by the City hence the request for ratification for the amount of R140,725.40 to pay the service provider for the related services rendered.
28. Ratification of the services rendered by the supplier and final payment for the sourcing strategy (new IT Contract), Gartner, R180,576.00.
Reason
The Executive Adjudication Committee on the 29 February 2007, approved the Master Consulting contract with Gartner Ireland Ltd for a period of 12 months ending 20 March 2009. On January 2009, the then CIO concluded a Sourcing Strategy for the City's new IT contract with Gartner Consulting Ltd totaling R528,000.00 exclusive of VAT. A total of R421,343.70 has to date been paid and the R180,576.00 is for the last deliveries. The service provider could not complete the required services as per the relevant sourcing strategy before the contract termination on 30 March 2009, hence the request for the ratification.
29. Extension of Temporary Appointment of Dimension Data SA as a Result of Unforeseen Circumstances in the Bid Evaluation, Adjudication and Award Processes and a Requirement for Due Diligence and Transitioning in respect of New Proposal Number A387 – Outsourcing of ICT Services, Dimension Data SA, On the same rates as per contract A117, R159,908,103.04.
Reason
Contract A117 was awarded to Masana Technologies for a period of five years ending in 2010. Unfortunately Masana Technologies entered into a voluntary liquidation in 2009 and the City had no alternative but to urgently arrange for a take over the contract by Dimension Data and IBM for a period of 12 months ending September 2010. The contract for Dimension Data was further extended by the Executive Adjudication Committee 1 October 2010 for a further period of two months until 30 November 2010 and thereafter continuing on a month to month basis with a 30 days notice period for termination until the finalisation of the appointment of service providers for the new contract number A387.
30. Appointment of a Service Provider for the 2011 and 2012 Joburg open including budget and expenditure, Trinergy, R1,000,000.00.
Reason
The City had a one year contract with Navitude (Pty) Ltd as subsidiary company of the SAIL Group now called Trinergy Group to manage the Joburg open 2011. With the City having rights to host the Joburg open up to 2015 it is important that there is a continuation on delivering the same standards if not better than previously demonstrated with the 2010 tournament. The main reason for not going out on a competitive bidding process is due to the fact that the scope is limited in golfing industry in relation to the management of major golfing tournaments. Trinergy has an extensive market track record of experience in managing international golfing tournaments across the country.
31. Extension of lease agreement to accommodate development planning and urban management quadrant offices, Murray an Roberts Properties Services (Pty) Ltd, R287,455.08.
Reason
On the 17 September 2007, the Executive Adjudication Committee approved the lease for Development Planning & Urban Management, for office space for 137 Sivewright Avenue, New Doornfontein, for a period of 3 years ending September 2010. When the Urban Management model was revised, it introduced the Quadrants 1 & 2 and this deviation for the extension of the initial lease is meant to accommodate the Quadrants as the Quadrants Multi-disciplinary Task Team (MDTT) already operates in this building.
32. Motivation for ED: ISD to Sign a New Two Year Lease Agreement with Broll from 01 October 2010 to September 2012, Broll, R545,313.84 per month excluding VAT.
Reason
A deviation was approved by the Executive Adjudication Committee at its meeting of 29 March 2007 for ISD to enter into a three year lease agreement with the owners of 125 Simmonds Street ending September 2010. ISD further request to occupy the building for a further period of 24 months hence the deviation.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

33. Continuation of a maintenance Contract for Digital High Speed Copiers, Pambili Document Solutions, R7,000,000.00 for a period of three years.
Reason
Extension of existing contract prior to the commencement of the new contract.
34. Winding down on the MTN Contract and porting to Vodacom Service Provider, MTN, R24,770,391.65 for the period 1 December 2010 to 31 March 2011.
Reason
An extension was required to enable the City to settle all issues including porting with the existing service provider and the suspension of lines would have had an adverse effect on service delivery. Porting is a process outside the control of the City, MTN or Vodacom and controlled by a third party (ICASA) This process could take longer than anticipated.
35. Ratification of the actions of officials from the Transportation department for appointing a service provider without following normal SCM procurement process, Ka Lethabo Trading and Logistic CC, R322,500.00.
Reason
The City had to prepare for the removal and transfer of the scrapped Minibus Taxis to the scrapping site within the first week of January. Due to the holiday season and the unavailability of many service providers, the short period of time within which the scrapping process was to be completed, the City had to make an urgent appointment of a vehicle towing service provider who was prepared to do the work within the 5 days period. The Department could not obtain prior approval to engage the service provider hence a request for condonation of their actions was submitted to the Accounting officer.
36. Ratification of the actions of officials from the Transportation department for appointing a service provider without following the normal SCM procurement process, Taxi Scrapping Administrator (Pty) Ltd, R494,959.00.
Reason
The taxis to be scrapped had been in storage for a period of over a year and needed to be towed to the Taxi scrapping Administrator site which would have cost over R4 Million. It was therefore decided to scrap the taxis closer to where they were stored in order to minimize the cost. The Taxi Scrapping Administrator (Pty) Ltd needed to be paid for the provision of offsite mobile machines, labour and equipments. The Department could therefore not obtain prior approval to engage the service provider hence the request for condonation.
37. Deviation from the normal SCM policy and procedure to appoint a service provider to provide specialist legal support to Victimized operators participating in the Rea Vaya phase 1A bus operating contract, Leonard Singer Attorneys, R1,800,000.00.
Reason
On 3 February 2011, the Mayoral committee approved a four-pillar strategy to be adopted by the City to assist taxi operators who have been victimized, and as a result are unable to operate their vehicles, because of their involvement in the phase 1A bus operating contract. The appointment of legal counsel on behalf of the victimized operators was included in this mayoral committee approval. The victimized operators wanted to nominate their own service provider, and this was considered desirable, since the City wanted to avoid any potential conflict of interest situation that could have arisen as a result of the appointment of legal counsel chosen by the City. The appointment of the service provider was urgent, because the City was paying compensation to victimized operators, and urgent legal steps needed to be taken to move towards the reinstatement of the victimized operators. The appointment was also considered appropriate as the service provider was one who had been nominated by various groups in the taxi industry, and was considered to be the sole provider of the services required to be rendered.
38. Deviation from normal procurement policy and procedures :Renewal of a maintenance Agreement for the Rea Vaya Station Doors, Dorman South Africa (PTY)Ltd, R618,165.00.
Reason
Dorman and Sandpalm were the original suppliers of the Rea Vaya station glass sliding and steel roller-shutter doors, who also guarantee the doors. As the functioning of the stations depends largely on the functioning of its doors, the doors have to function optimally at all times, which requires ongoing maintenance and repair. Pending the appointment of a contractor to take responsibility for the maintenance of all aspects of the stations, maintenance SLA's were in the interim concluded by the City with Dorman and Sandpalm directly, which contracts expired at the end of January 2011. Permission was sought from the EAC to extend the contracts with Dorman and Sandpalm until the end of May 2011, where after they would be taken over by the station maintenance contractor.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

39. Deviation from the normal SCM policy and procedures for the appointment of a service provider to implement a joint billing call centre solution, EOH, R13,145,245.00.

Reason

Billing "challenges" were experienced within R&CRM. EOH was at that stage involved with the Billing Systems; enhancements; configurations and billing developments to address system challenges post Phakama implementation. EOH therefore had the necessary system knowledge, business knowledge and all necessary background to assist the City with the Billing challenges. Furthermore In order to ensure to the continuity and completion of work in progress a deviation was requested to appoint EOH as the preferred business partner.

40. Ratification of the actions of officials from the office of the CIO for appointing a service provider without following the normal SCM policy and procedures :-

a)	Di Data-Completion of projects Jan to March 2011	-	R6,901,500.00
b)	Di Data-Telkom Jan to March 2011	-	R193,500.00
c)	Fastrack- SAP Business Consulting	-	R326,800.00
d)	Highveld PFS-SAP Business Consulting	-	R258,000.00
e)	Sysma-Software for MPD EMS	-	R172,000.00
f)	Micotel-SAP Tech Programme Manager	-	R251,280.00
g)	MtechSA-SLA for tevonis, COJ technical environment	-	R640,000.00
h)	Eben Jacobs-management for technical environment	-	R159,300.00
i)	Moiloa-PM bucket Consultant	-	R666,500.00
j)	Blue Biason Basis Support	-	R290,250.00
k)	Motheo Consultants-Pick it ip-Blue Pencil	-	R1,440,500.00

Reasons

Due to the fact that tender A392 was adjudicated during February 2011 when critical ICT services necessary for the operations had to continue within COJ and those services were not covered by tender A387 or A392. A further month (March 2011) was requested as implementation of A392 took longer than anticipated and these critical services were requested from the service providers indicated.

41. Extension of the existing lease agreements at 222 Smith Street :-

a)	Housing building	-	R3,749,009.00
b)	Parking	-	R300,960.00
c)	OCIO building	-	R2,078,676.00
d)	Parking	-	R184,680.00
e)	Additional parking at Parkode	-	R594,000.00

Reasons

1. The OCIO & Housing departments have established themselves at 222 Smit Street for efficient service delivery
2. The rental negotiated with the landlord was favorable and cheaper than the other rental space available for similar accommodation in Braamfontein.
3. 222 Smit street is next to the Park station and convenient for its staff etc.
4. Close proximity to Metro Building (about 200 metres) and operational efficiency
5. The cost and time for set-up of new accommodation for operational requirements would amount to additional expenses and costs.

Therefore it was impractical to go out on a competitive bidding process for any other building as this building meets all the requirements of the two departments.

42. Deviation report for the appointment of Hamilton Hydraulic Services for the repairs of specialized equipments, Hamilton Hydraulic Services, R505,467.12.

Reason

Quotations were solicited for strip and repair various specialized equipments used for rescue purposes and generating power from various service providers for EMS's The other service providers contacted had other engagements and therefore could not respond to the request for quotations, whereas Hamilton Hydraulic Services had ample space and storage to hold on to the equipment. The service provider also happens to be a sole provider for the equipment. It was thus impractical to go out on Tender.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

43. Ratification of the actions of JMPD Officials for failure to comply with the provisions of the SCMU in respect of the appointment of a service provider to finalize disciplinary matters, Mthobembeni and Associates, R371,125.00.
Reason
The service provider was appointed to prosecute JMPD Officers who obstructed the free way On 25 June 2008. The Service Provider has been used by the City in the past in similar cases and that prompted the Acting Chief of Police to appoint the service provider as he thought that they have a contract with the City. Hence the request for the ratification. The Deviation request relates to the extension of the mandate of the service provider to finalize those cases as it would be impractical to go out on tender to get a new service provider to finalize the cases.
44. Ratification of the actions of officials from the Health Department for appointing a service provider without following the normal SCM policy and procedures, Impilonhle Trading and Projects, R68,791.25.
Reason
Region B health Department requested various quotations from service providers on the City Database to provide quotes for protective clothing. Impilonhle Trading Projects was found to comply with all the specification as required and that their price was the most reasonable. The department however contravened Section 19.2.5 of the City's Supply Chain Management Policy (splitting of requirement with the sole intention of circumventing any of the procurement mechanism listed is not allowed in the SCM policy) in that they have requested 14 Quotations from the service provider totaling R68,791.26 as opposed to consolidating all these requirements and advertising them on the Notice Board as per the MFMA Regulations. The Region was of the impression that individual invoices from each clinic were less than R30,000 and therefore they can be dealt with in terms of soliciting quotations under R30,000.
45. Appointment of a service provider to construct the City Of Johannesburg Metro's Computable General Equilibrium (CGE) Model, University of Johannesburg, R1,100,000.00.
Reason
DED solicited quotations from three High Education Institutions namely, Wits University, University of Johannesburg and University of South Africa to construct the City's Metro Computable General Equilibrium(CGE) Model as the City has signed a MOU with these Institutions.
46. Ratification for payment of outstanding account for Arch Chemicals (Pty) Ltd, Arch Chemicals (Pty) Ltd, R631,200.00.
Reason
The service provider was appointed to maintain the chemical dosing system at all municipal swimming pools as they are the sole providers of the chemical dosing system. When the initial appointment was about to expire the department called for tenders to determine if there were new players in the industry. The same service provider was the only company that responded to the tender and the tender was only evaluated and approved four months after its expiry and there were invoices for the four months that need to be paid hence the request to ratify the actions of officials from Community Development were submitted.
47. Renewal of lease for Blackheath and Malvern Libraries without following the normal SMU policy and procedures :-
a) Momentum Property Investment (PTY) Ltd-Blackheath Library - R344,027.67
b) Momentum Property Investment (PTY) Ltd-Blackheath Library - R162,021.12
Reason
The Libraries have been operational in these locations for more than 9 years and have established these premises as their base.It was therefore impractical to go out on a competitive bidding process due to the accessibility and location of these libraries since they have established themselves there for longer periods.
48. Ratification of the actions of officials from the Community Development department for appointing a service provider without following SCM policy and procedures :-
a) Elite Cleaning Services - R396,104.90
b) Malvern Plaza CC - R155,921.00
c) Malvern Library - R100,595.56
Reason
The contract went beyond its legal deadline whilst the process of appointing a new contractor who is on the Panel of Contractors was in the process of being finalized.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

51. IRREGULAR EXPENDITURE (continued)

49. Deviation from the normal SCM policy and procedures in the appointment of a service provider in relation to the payment of the sponsorship, ATP & ITF, R6,000,000.00.

Reason

The Department attained approval from Mayoral Committee to purchase the rights to the tournament and the approval from the EAC to appoint the service provider but not the mechanism through which the payment is going to be made. Hence the deviation to request an approval to pay the amount through The Sponsorship Company.

52. IN-KIND DONATIONS AND ASSISTANCE

Pikitup Johannesburg received 350 concrete bins from COGTA worth R148,750.00.

Johannesburg Property Company received assets from the parent municipality worth R483,000.00.

The Johannesburg Zoo received donations from various individuals and corporates worth R210,423.00

Health and Social Development received the following:

- Refreshments for women's fun walk donated by ABI Coke worth R15,000.00.
- Tea, milk and coffee donated by Nestle worth R2,500.00.
- Fruits worth R800.00, donated by Joburg Market.
- Ablution facilities worth R680.00 donated by Supreme Toilets.

Human Development received the following:

- Food and financial support of staff donated by Immaculate Night Shelter, R10,000.00.
- Catering of fruits, juice, toothpastes, toothbrush and transport for a Children's event, amounting to R81,000.00, donated by Dental Health SA.
- Cereals, vegetables, fruits, bread and non - perishables worth R3,500.00 donated by Food Bank SA.
- Donation of a OVC Camp by Sports and Recreation worth R4,000.00.
- 4 piece lounge suite and clothing donated by the Union of Jewish amounting to R4,000.00.
- Plates, towels, slippers and gowns, donated by Fairway Hotel in Randburg, amounting to R2,000.00.
- Laptop worth R6,000.00, donated by Dimension Data.
- Appliances for the clubhouse competition (54cm TV, Microwave, Mini Radio), worth R2,000.00 donated by A.A Wholesalers.
- Food and blankets worth R2,000.00 donated by Twilight Children.
- Food to the amount of R5,000.00 by Woolworths - Killarney.
- Bread and food donated by Rosebank Union, R2,000.00.
- Every child's birthday refreshments donated by ABI Coke, R30,000.00.
- T - shirts donated by Pambili and Mkhonza, R52,000.00.
- Cakes worth R6,500.00 donated by Daitso.
- Gifts worth R12,000.00 donated by Digital Invent and Mjayeli Security.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

52. IN-KIND DONATIONS AND ASSISTANCE (continued)

- Sweets, chocolates and biscuits worth R1,000.00 donated by Food Bank.
- Music CDs worth R9,000.00 donated by Ulrico.
- Entertainment (Winnie Khumalo and Mzambiya) donated by Universal Record Company, R20,000.00.
- Ice cream worth R3,500.00 donated by KULFI (Lenasia).
- 100 tickets for the Cinderella show, donated by the Joburg Theatre, worth R25,000.00.
- 300 tickets donated by Joburg Zoo for senior citizens to visit the Zoo, R1,020.00.
- 700 grocery packs for senior citizens christmas donated by the CEO of Dreamteam Trading 333, R126,000.00.
- 1000 vegetable packs for senior citizens christmas party hamper, donated by the Joburg Market, R15,000.00.
- 34 scarves and hat combo for senior citizens christmas party donated by Joburg City Parks, R1,360.00.
- School uniforms worth R6,000.00 donated by Snappers and Jet - Midrand.
- Cooked lunch for day care for the aged worth R2,000.00, donated by Meals on Wheels.
- Venue, toiletries and non - perishables, donated by the Food Bank and Sports and Recreation worth R2,400.00.
- French polony donated by Alex Butchery, R350.00.
- Catering donated by Dr. Ishmail, R300.00.
- Sewing Machinery to the value of R100,000.00 donated by Crown Gold Recoveries (Pty) Ltd.
- Food donation for the Phiri day care centre, donated by Dikgabane Primary School governing body, R50,000.00.
- Clothing to be used at Tladi skills centre donated by Best Men Foundation (NPO), R200,000.00.
- 70 vegetable packs and fruit packs for the International Women's Day celebration in Region A, B, D and Migrant unit amounting to R7,000.00 donated by the Joburg Market.
- Vegetables worth R2,000.00 donated by the Joburg Fresh Produce.
- Food, blankets and clothing worth R4,000.00 donated by the Bryanston Methodist Church.
- Clothing and assistance of payments donated by His People worth R2,500.00.
- Refreshments worth R30,000.00 donated by ABI Coke.
- Catering donated by Impilo College worth R15,000.00.
- Rolls and bread worth R600.00 donated by Fournos Bakery Southgate.
- Altrek Sports Complex donated by Sports and Recreation to the amount of R2,300.00.
- Catering for training on parenting and toy making in Diepsloot donated by Hope Worldwide, R3,000.00.
- Accredited training of 100 ECD facilities on Inclusion worth R300,000.00 donated by the Inclusion Support Services in partnership with ABSA and the Southern African Association for Learning & Educational Differences.

Libraries and Information Services received the following:

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

52. IN-KIND DONATIONS AND ASSISTANCE (continued)

- 1210 books received, but only 660 were usable. Donation to the amount of R42,900.00 made by various schools for JCL friends.
- 21 sets of 20 titles donated by Bhaktivendata Book Trust worth R56,700.00.
- 81 books for prizes towards the scuffle program donated by Books Only, R12,625.00.
- Books donated towards the opening of the Johannesburg City Library by Katherine Munroe, R270.00.
- Books (set of world books and books for young adult reference) donated towards the opening of the Johannesburg City Library by the United States Information Services, R24,405.00.
- Children and adult books worth R71,250.00 donated by La Salle Primary School.
- Adult and children fiction books donated by Macmillan Publishers, R756,630.00.
- Books donated by the Sandton Friends (Exclusive) worth R9,618.20.
- Books donated by the Randburg Friends (Estoril) worth R5,000.00.
- Books donated by the Riverpark Friends (Exclusive) worth R3,125.20.
- Books donated by the Parkview Friends (Exclusive) worth R53,542.20.
- Books donated by the Linden Friends (Exclusive) worth R10,527.68.
- Books donated by the Bryanston Friends (Exclusive) worth R4,018.50.
- Adults' and childrens' books donated by various libraries worth R400,555.00.

Sports and Recreation received the following:

- 1 permanent volunteer at Ivory Park North Community Hall - Cleaning 5 days a week, donated by Sgezamadolobha Community project to the amount of R1,500.00.
- 2 permanent volunteers at Rabie Ridge Community Hall - Cleaning 5 days a week donated by Sgezamadolobha Community project to the amount of R1,500.00
- Filling of 2 potholes and replacing 1 wooden door at parkhurst recreation to the tune of R10,700.00 donated by Greg.
- 1 advertising board for Spanish dancing donated by Nan Roberts Estates, R500.00.
- Renovation of Ladies Bathroom, painting of passage, replace 1 gum pole and fixing of a burst pipe at Roosevelt park Recreation Centre, donated by Graham Gymnastics, R9,300.00.
- Fixing urn at Roosevelt park recreation by Ian de Waal worth R300.00.
- Repaired parking lights, changed relay contractor, replaced ballast and faulty detector at the Danie van Zyl Recreation Centre, donated by Herman van der Merwe worth R3,500.00.
- Painting and installing of mirrors in the boxing hall at the Danie van Zyl Recreation Centre, donated by Gert Strydom worth R1,500.00.
- Painting burglar doors and walls of the nursery school at the Danie van Zyl Recreation Centre, donated by Dorothy Adams, R1,500.00.
- 2 pool tables, 10 soccer balls, 4 table tennis bats and ball set, 1 soccer table, etc. at the Riverlea Recreation Centre, donated by DRD mining amounting to R20,000.00.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

52. IN-KIND DONATIONS AND ASSISTANCE (continued)

- 2 by 20 litre paint donated by Eniro Parks worth R1,100.00.
- Donation of groceries at the Paterson Park Recreation Centre worth R1,290.00. Donation made by Teddy Bear Clinic, Antalis, Lynne Morgan, Cartoon Candy and JC Bakery.
- Donation of stage lights, emergency lights and other repairs amounting to R1,100.00, donated by Friends of Jabula Recreation Centre.
- Outreach : Math lessons for 1 child amounting to R7,480.00 donated by Elsie van Solen (KipMcGrath).
- Studio 2 paint, vacuum cleaner, vacuum bags, etc donated by the Friends of Ernest Allmann Recreation Centre to the amount of R46,226.80.
- KOI fish food worth R1,440.00 donated by Manor Gallery to the Norscot Manor Recreation Centre.
- 2 platters of food donated by Rose Johnson, R600.00.
- Two volunteers from CWP, one at Marlboro hall and the other at Eastbank hall amounting to R1,000.00. Donation made by Community Works Programme.
- 2 interns donated by the Gauteng provincial Dept. of Sport and Recreation, Arts and Culture and Heritage worth R3,000.00.
- 25-30 kg meat every week (sometimes twice a week) donated to Lenasia Ext. 7 Recreation Centre by Khans Butchery, R1,000.00.
- Money for training senior citizens once a week at the Protea South MPCC amounting to R100.00 daily. Donation made by Shape-Up Gym.
- Food, fruits and vegetables for senior citizens at the Don Matemann Recreation Centre, donated by Pick and Pay, R1,000.00.
- Boxing kit with punching bags for the Boxing Club at the Don Matemann Recreation Centre. Donation to the amount of R8,000.00 made by Booyens Boxing Club.

Environmental Management received the following:

- Flight costs towards C40 CITIES Conference held in Basel, attended by Barney Kgope, donated by C40 Global Energy Basel, R7,563.47.
- Reimbursement of flight costs towards a workshop held in Korea, attended by Linda Phalatse, donated by Iclei Unisdr, R11,749.41.

Health Department received the following:

- A wheelchair received from Roodepoort Rotary Club worth R1,000.00.
- A walker received from Roodepoort Rotary Club worth R500.00.
- A pair of crutches received from Roodepoort Rotary Club worth R500.00.
- 100 tablet counting trays worth R1,000.00 donated by Aspen Pharmacare.
- Fruits worth R1,500.00 donated by the Fresh Produce Market.
- Flowers worth R350.00 donated by Multi Flora.
- 2 Childrens play areas donated by Momentum worth R4,000.00.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

52. IN-KIND DONATIONS AND ASSISTANCE (continued)

- Defy 20 litre microwave donated by Old Mutual worth R800.00.
- Portable vegetable garden boxes for the Alexandra community donated by the Food and Agriculture Organisation of the United Nations worth R75,000.00.
- Active plasma kit worth R15,293.00 donated by Glucose Machines and Roche Diagnostics.
- Samsung celeron laptop donated by Broadcast HIV Africa worth R2,999.00.
- Evavirenz worth R1,182,080.00 donated by Aarum Institute.
- Tenofovir worth R1,511,680.00 donated by Aarum Institute.
- Abacavir worth R480,000.00 donated by Aarum Institute.
- Electric oven donated by Edgar Adams worth R499.00.

Johannesburg Metropolitan Police Department received the following:

- 5 x HP Box sets donated by Traffic Management Technologies, totalling R40,000.00.
- 5 x 19 inch LG Monitors donated by Traffic Management Technologies, totalling R7,500.00.
- 2 x Television sets donated by Cosira International (PTY) Ltd, totalling R2,400.00.
- 1 x Washing Machine donated by Cosira International (PTY) Ltd, totalling R2,200.00.
- 1 x KIC Fridge donated by Cosira International (PTY) Ltd, totalling R3,600.00.
- 1 x Phillips Fridge donated by Cosira International (PTY) Ltd, totalling R1,800.00
- 5 x Dogs donated by various donors worth R2,500.00.
- 6 x Horses donated by various donors worth R160,000.00

A register of all donations and assistance is available for inspection at the registered office.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
53. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
Contributions to organised local government				
Council subscriptions	9,800	9,500	9,800	9,500
Amount paid - current year	(9,800)	(9,500)	(9,800)	(9,500)
	-	-	-	-
Audit fees				
Opening balance	3,724	1,721	3,289	775
Current year audit fee	37,454	27,200	19,408	12,720
Amount paid - current year	(33,517)	(21,562)	(21,142)	(10,206)
Amount paid - previous years	(5,151)	(3,635)	-	-
	2,510	3,724	1,555	3,289
PAYE and UIF				
Opening balance	57,054	42,623	49,061	35,514
Current year payroll deductions	1,031,555	950,161	657,897	609,855
Amount paid - current year	(971,948)	(892,876)	(607,196)	(560,794)
Amount paid - previous years	(56,059)	(42,854)	(49,061)	(35,514)
	60,602	57,054	50,701	49,061
Pension and Medical Aid Deductions				
Opening balance	78,851	68,487	78,931	67,373
Current year payroll deductions and council contributions	1,470,914	1,324,137	1,113,175	977,328
Amount paid - current year	(1,382,217)	(1,211,519)	(1,025,181)	(898,397)
Amount paid - previous years	(78,878)	(102,254)	(78,931)	(67,373)
	88,670	78,851	87,994	78,931
VAT				
VAT receivable	78,513	113,682	73,046	110,433
VAT payable	(841,525)	(709,942)	-	-
	(763,012)	(596,260)	73,046	110,433

VAT output payables and VAT input receivables are shown in note .

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

53. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012. All amounts are disclosed in Rands and not rounded to the nearest thousand.

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Matladi JM	-	125	125
Radebe MT	1,747	17,066	18,813
Dyodo P	516	1,656	2,172
Pretorius LR	774	5,518	6,292
Valentine ML	249	579	828
Nkoane MM	58	15,075	15,133
	3,344	40,019	43,363

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

53. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2011. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cooper JL	1,300	6,937	8,237
Dyodo P	456	3,205	3,661
Gcabashe BTS	410	2,600	3,010
Gwebu JS	-	23,238	23,238
Kekana L	194	1,259	1,453
Landis R	2,176	13,275	15,451
Lemao SJ	1,839	5,403	7,242
Maimane MA	1,182	2,607	3,789
Maisha NP	1,310	1,116	2,426
Maluleke MF	2,218	4,626	6,844
Masemola MP	1,083	160	1,243
Matladi JM	-	125	125
Matlou MG	1,860	3,328	5,188
Mbatha IN	972	3	975
Mgcina SE	938	718	1,656
Mncwabe MH	6,555	256	6,811
Mnisi MS	1,051	9,911	10,962
Makoko F	2,035	18,567	20,602
Motsumi LI	148	894	1,042
Mthombeni SB	4,007	1,589	5,596
Netnow DM	5,221	301,863	307,084
Nhose JL	58	2,173	2,231
Nkhasi G	2,051	11,755	13,806
Ravid M	2,779	7,107	9,886
Sethole PE	1,341	11,799	13,140
Sikweqa Q	-	4	4
Stewart PLL	10,579	11,390	21,969
Tseleli ET	652	7,689	8,341
Tshabalala J	4,666	1,433	6,099
Twala YA	437	195	632
Valentine ML	92	155	247
Valentine ML	268	598	866
Van Der Merwe MT	-	3,802	3,802
Vondo FC	89	1,617	1,706
Weir PEH	2,173	53,745	55,918
	60,140	515,142	575,282

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
53. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)				
During the 2012 year the following Councillors' had arrear accounts outstanding for more than 90 days.				
30 June 2012	Highest outstanding amount > than 90 days	Total (Rands)	Comments	
Bittkau R	6,355	16,675	Arreas 90+days	
Cooper JL	7,736	9,241	Arreas 90+days	
Dewes DS	5,416	7,479	Salary deduction	
Dewes DS	2,874	4,774	Salary deduction	
Dewes DS	14,234	23,134	Salary deduction	
Dube EA	33	1,794	Arreas 90+days	
Dyodo P	3,925	4,290	Salary deduction	
Dyodo P	1,656	2,172	Arreas 90+days	
Gcabashe BTS	2,656	3,077	Salary deduction	
Gudlhuza SP	30,022	33,363	Arreas 90+days	
Gwebu JS	23,238	23,238	Salary deduction	
Jane DK	2	1,187	Arreas 90+days	
Kekana L	1,281	1,471	Salary deduction	
Kubayi RM	3,509	3,974	Salary deduction	
Landis R	14,597	16,901	Salary deduction	
Lemao SJ	6,219	8,240	Arreas 90+days	
Louw MA	229	1,475	Arreas 90+days	
Mafokwane MM	1,176	4,575	Arreas 90+days	
Maimane MA	708	7,179	Arreas 90+days	
Maimane MA	1,169	2,704	Arreas 90+days	
Maisha NP	855	2,191	Arreas 90+days	
Maluleke MF	7,049	8,861	Salary deduction	
Masemola MP	1,223	2,183	Salary deduction	
Masemola MP	922	2,280	Salary deduction	
Matladi JM	125	125	Arreas 90+days	
Matlou MG	779	2,784	Arreas 90+days	
Mbatha IN	455	1,384	Arreas 90+days	
Mgcina SE	1,365	2,234	Salary deduction	
Mncwabe MH	1,919	8,846	Arreas 90+days	
Mnisi MS	10,719	11,763	Salary deduction	
Matohane-Mtubu TA	191	246	Arreas 90+days	
Motha MS	1,190	1,233	Arreas 90+days	
Motsumi LJ	954	1,112	Salary deduction	
Mshayisa W	167	225	Arreas 90+days	
Mthombeni SB	2,497	6,652	Salary deduction	
Mthombeni SB	5,399	8,920	Salary deduction	
Mulaudzi MS	802	1,637	Arreas 90+days	
Ndlela NM	1,728	2,689	Arreas 90+days	
Netnow DM	302,496	308,207	Salary deduction	
Nhose JL	2,178	2,267	Arreas 90+days	
Nkhasi G	12,637	14,794	Arreas 90+days	
Nkoane MM	20,724	22,039	Arreas 90+days	
Nkqayi ZE	397	1,439	Arreas 90+days	
Nodikane NP	2,914	3,460	Arreas 90+days	
Pretorius LR	5,518	6,292	Arreas 90+days	
Radebe MT	33,066	40,839	Arreas 90+days	
Rakosa PM	9,178	10,290	Salary deduction	
Raphata AM	2,300	3,312	Arreas 90+days	
Ravid M	8,093	9,969	Arreas 90+days	
Seefort CM	1,657	7,697	Arreas 90+days	
Sethole PE	13,234	14,638	Salary deduction	
Sibanyoni LP	73	405	Arreas 90+days	
Sikweqa Q	4	4	Arreas 90+days	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
53. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)				
Stewart PS	2,230		8,446	Salary deduction
Sun YH	17		5,671	Arreas 90+days
Thomo JJ	3		45	Arreas 90+days
Tseleli ET	6,285		6,948	Arreas 90+days
Tshabalala L	859		859	Arreas 90+days
Tshabalala J	3,024		8,579	Arreas 90+days
Tshabalala J	5,126		10,246	Arreas 90+days
Tsobane MM	11,090		12,148	Arreas 90+days
Twala YA	632		1,392	Salary deduction
Valentine ML	182		308	Arreas 90+days
Valentine ML	579		828	Arreas 90+days
Valentine ML	777		1,069	Arreas 90+days
Van Der Merwe MT	3,802		3,802	Salary deduction
Van Der Molen AC	119		2,162	Arreas 90+days
Vondo FC	1,848		1,942	Salary deduction
Waja Z	128		4,929	Arreas 90+days
Weir PEH	55,213		58,459	Arreas 90+days
Zondi BD	2,557		12,995	Arreas 90+days
	674,314		828,788	-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
53. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)				
During the 2011 year the following Councillors had arrear accounts outstanding for more than 90 days.				
30 June 2011	Highest outstanding amount > 90 days	Total (Rands)	Comments	
Bailey LR	1,830	2,951	Salary deduction	
Bailey LR	1,566	2,732	Salary deduction	
Bittkau R	5,792	15,685	Arrears 90+days	
Bovu BD	168	168	Arrears 90+days	
Cooper JL	6,937	8,237	Arrears 90+days	
Dewes DS	28,931	36,651	Salary deduction	
Dewes DS	34,572	43,774	Salary deduction	
Dewes DS	5,717	7,361	Arrears 90+days	
Dewes DS	84	1,231	Arrears 90+days	
Dewes DS	18,512	26,186	Arrears 90+days	
Dewes DS	5,619	9,676	Salary deduction	
Dhlomo AN	2,459	2,623	Query on account	
Dlamini TJ	54,181	62,618	Query on account	
Dlamini TJ	4,399	5,598	Salary deduction	
Dyodo P	3,205	3,661	Arrears 90+days	
Gcabashe BTS	2,600	3,010	Arrears 90+days	
Gwebu JS	23,238	23,238	Arrears 90+days	
Kekana L	1,259	1,453	Arrears 90+days	
Khanyi CJ	1,528	2,708	Salary deduction	
Landis R	13,275	15,451	Arrears 90+days	
Lemao SJ	5,403	7,242	Arrears 90+days	
Lichaba DL	7,627	9,195	Salary deduction	
Louw MA	262	1,827	Arrears 90+days	
Lutya RN	2,085	2,506	Salary deduction	
Machaba TEL	687	1,313	Query on account	
Mahlangu JP	5,745	6,398	Salary deduction	
Maimane MA	2,607	3,789	Arrears 90+days	
Maisha NP	1,116	2,426	Arrears 90+days	
Maluleke MF	4,626	6,844	Arrears 90+days	
Masemola MP	160	1,243	Arrears 90+days	
Matladi JM	125	125	Arrears 90+days	
Matlou MG	3,328	5,189	Arrears 90+days	
Mbasela JV	1,104	6,587	Arrears 90+days	
Mbatha IN	23	503	Arrears 90+days	
Mgcina SE	718	1,655	Arrears 90+days	
Middlemas-White	541	569	Arrears 90+days	
Mkhize DS	3,703	4,849	Salary deduction	
Mncwabe MH	256	6,811	Arrears 90+days	
Mnisi MS	9,911	10,961	Arrears 90+days	
Moepi NR	25	150	Arrears 90+days	
Mohlala NP	9,276	35,085	Arrears 90+days	
Mokoena A	1,253	1,253	Arrears 90+days	
Mokoko F	18,567	20,602	Arrears 90+days	
Monareng OE	576	576	Arrears 90+days	
Motsumi LJ	894	1,042	Arrears 90+days	
Msiza SB	377	6,871	Arrears 90+days	
Mthalane P	90	154	Arrears 90+days	
Mthombeni SB	1,589	5,596	Arrears 90+days	
Mtshali EV	191	633	Arrears 90+days	
Netnow DM	301,863	307,084	Arrears 90+days	
Nhose JL	2,173	2,231	Arrears 90+days	
Nkhasi G	11,755	13,805	Arrears 90+days	
Nyambe AT	1	54	Arrears 90+days	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE		
	2012	2011	2012	2011	
53. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)					
Phakathi TZ	5,051	9,722			Query on account
Putsoa A	9,460	11,560			Salary deduction
Radebe C	9,639	10,711			Salary deduction
Ramakhula MS	206	206			Salary deduction
Ravid M	7,107	9,886			Arrears 90+days
Sabbagh ST	21,686	30,395			Query on account
Sabbagh ST	34,426	40,606			Query on account
Seboyane MA	1,026	1,664			Arrears 90+days
Seefort CM	10,274	17,690			Arrears 90+days
Sethole PE	11,799	13,139			Arrears 90+days
Sikweqa Q	4	4			Arrears 90+days
Stewart PLL	11,390	21,968			Arrears 90+days
Tseleli ET	7,689	8,341			Arrears 90+days
Tshabalala J	1,433	6,099			Arrears 90+days
Twala YA	195	632			Arrears 90+days
Valentine ML	598	866			Arrears 90+days
Valentine ML	155	247			Arrears 90+days
Van Der Merwe MT	3,802	3,802			Arrears 90+days
Vondo FC	1,617	1,706			Arrears 90+days
Weir PEH	53,745	55,918			Arrears 90+days
	805,831	995,342			-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

In terms of Section 36 (2) of the supply chain management regulation,

1. Procurement of Early Flood Warning System, Service Provider, The South African Weather Services, R192,935.80.
Reason
The South African Weather Services is the sole provider for the Early Food Warning System.
2. Supply and delivery of Protective Clothing: EMS Disaster Management Section, Sercive Provider Tshwarella ka Thata R101,093.30
Reason
The requirements were advertised on the notice board as required by the SCM Policy. A company by the name of Divas Trading Enterprise was recommended initially, however it was discovered that they did not submit samples and were then disqualified and the second complying service provider Tshwarella was recommended but however was engaged prior to the report being signed/authorised.
3. Appointment of a Service Provider, Service Provider REN-FORM, R95,190.00.
Reason
The Departmental tender A290 could not be utilized as supplies on that tender could not be used due to their previous none delivery.
4. Increase the tender amount of Tender A358, R6,000,000.00
Reason
The amount allocated to Tender A358 was appropriate for the Public Liaison Department only. Due to the successful management of the branding at events and campaigns, other departments tapped into this contract. The launch of the GDS2040 Outreach Programme, led to the limit of R9,000,000.00 being reached before the expiry date. The Public Liaison Department planned for all the projects for the 2011/2012 fiscal including the 125 years, plus remaining branding, stand building and associated projects between November 2011 and March 2012. The celebration for Joburg have an additional amount of R6,000,000.00 hence the request to increase the tender A358 value in order for the Department to undertake its remaining projects and at the same time initiate a new tender process.
5. Request for Approval of Payment for the Discovery 702 Walk the Talk Event for 2011, Service Provide Primedia Broadcasting R44,890.49
Reason
Primedia broadcasting is the sole provider for the 702 Walk the Talk.
6. Launch of the growth and Development Outreach Programme: Payment of deposit for venue and catering, Service Provider The Forum Company R275,019.82.
Reason
Due to tight time lines in connection with the GDS Outreach Programme, it was impractical to follow the normal procurement process in securing the venue; hence the request for the deviation was requested.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

7. Appointment of a Task Team to support Clusters in Translating Joburg 2040 to implementation Service Provider
- Ms Leticia Greylin
 - Mr Roland Hunter
 - Mr Ralph Mathekg
 - Dr Sandra Musengi-Ajulu
 - Dr Mzukisi Qobo
 - Dr Bridget Ssamula
 - Dr Marinda Schoonraad
 - Dr Christopher Malikane
- R2,000,000.00.
Reason
Strategic planning ("translating strategy into implementation") requires a certain degree of expertise and experience and in most cases these expertise are not easily accessible to local government. These experts will serve as a "nerve centre" and provide policy/programmatic input to support the work of various Clusters. The composition of a Task Team includes the individuals/experts who have done an extensive work in the public and private sector (in the continent, nationally and locally) in various areas ranging from macro-economic policy, political economy, economic development and entrepreneurship, water management, climate change, local government finance, local governance and research, transport planning, housing and urban planning, public safety and crime prevention (abridged professional profile for each task team is attached herewith). Hence the request for a deviation from normal procurement process was requested to secure the service of these experts.
8. Extension of the Scope of Work for Contract No. A192 for the provision of Technical and Operational Services associated with the Macro Surveillance Closed Circuit Television CCTV System of the City of Johannesburg, R5,297,186.72.
Reason
The deviation request was submitted due to the fact that JMPD experienced unforeseen challenges in finalising the phase 2 of the expression of interest. 17 bids were received, 15 qualified in terms of the regulatory requirements, then 1 bidder qualified in terms of the requirements and the 14 were disqualified because they did not have letters of commitment from credible guarantors prepared to bind themselves to a performance guarantee on behalf of the service provider, as this was required in terms of the bid document and is deemed essential for contract risk management purposes. It then followed that the Bid Evaluation Committee had only one bid which was fully compliant which provided difficulty in terms of whether the Bid Evaluation Committee should:
- Relax any criteria
 - Cancellation/re-invite
 - Proceed to evaluate,
- hence the request to extend the current contract to finalise the evaluation process in respect of the single complying bidder.
9. Extension of Rental Agreement with the current vendor for Office Accommodation and Facilities at 86 Juta Street, Service Provider Phomella Property Investments (Pty) Ltd
Ratification: July-August 2011 R1,135,984.98.
Deviation: September-December 2011, R1,135,984.98.
Reason
The current lease agreement with the service provider expired in June 2011. The deviation was on request to extend the lease agreement for office accommodation for a period of six months.
10. Provide KNOWHOW Support for the period January 2010 to 31 December 2011, Service Provider Bridge People & Technology R1,571,210.00 and R560,000.00.
Reason
The contracts for these services were sourced in terms of the contract with Masana, who were paying licence fees on behalf of the City to Bridge People and Technologies. Since the liquidation of Masana, these amounts were not paid and the City required the license for SAP productivity hence the request for ratification.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

11. Supply of Resources for a Call Centre Solution, Service Provider, Call Centre Solution
R6,397,281.00 (Resource Services)
R80,000.00
R1,650,000.00 (IT Infrastructure)
Reason
EOH is involved with the Billing Systems, Enhancement, Configuration and Billing Development to address system challenges. EOH is ahead of any configuration and development that is currently work in progress, post Phakama implementation, and therefore has the necessary system knowledge, business knowledge as well as the necessary background required to assist the City. In view of the above and to ensure the continuity and completion of work in progress it would be to the benefit of the City to utilise EOH as the preferred service provider to supply the City with resources in order to assist with the Call Centre challenges and also to procure the required software and hardware infrastructure from TSS, hence the request for a deviation, as EOH was already on site working on the billing crisis.
12. Enterprise Resource Planning for Exceeding the Value for EOH Mthombo (Pty) Ltd and request to increase the value Service Provider EOH Mthombo (Pty) Ltd, R16,648,239.00.
Reason
The City of Johannesburg entered into an agreement with EOH Mthombo (Pty) Ltd for the period 1 July 2010 to 30 June 2011, to render the Post Implementation Support for Programme Phakama solution for the 1st and 2nd line SAP IS-U and SAP CRM support to the value of R50,000,000.00 (excluding VAT). The nature and scope of the service provided by EOH transferred from Programme Phakama into Support were documented in the Statement of Work. The Statement of Work also referred to services to be rendered in terms of the business requirements as identified from time to time. During the Support engagement, CoJ required EOH to perform additional R&CRM business related task as well as performing the normal SAP support and build new functionality configuration into the SAP Application. These business related tasks were in addition to the normal support functions budgeted for in the Scope of Work. These additional tasks were absolutely necessary as part of system stabilisation and were not pre-planned activities nor were they foreseen. Most of the additional or unforeseen work came about as a result of Auditor General's requests for information which led to writing of additional reports and queries which were not standard in SAP as implemented in the City. Hence the request for a ratification as the original approved amounts was exceeded by R16,648,239.00.
13. Request Contingency amount on provision of validation service for voluntary carbon standard Rea Vaya (BRT) Johannesburg, Service Provider Palmer Development Group (PDG), R96,458.16.
Reason
During the appointment of the service provider the contract value was R447,507.00, but due to the fluctuating currency exchange rate between the Swiss Franc and the Rand, the Department had to access the contingency amount of 15% which is R71,626.00, for the provision of validation service for voluntary carbon standard, however the contingency fee was also exceeded by R96,458.16.
14. Payment of Stratalign/Tokiso for services rendered to the city as facilitators of the Rea Vaya Phase 1A negotiation Service Provider, Stratalign/Tokiso R80,175.00.
Reason
Extension of a scope of work. The service provider was already on site therefore it was impractical to go out on tender. Hence the request for ratification.
15. Utilisation of the services of the South African Football Association in Johannesburg (SAFA JOBURG) for Mayoral Cup 2011 in the City of Johannesburg. Service Provider South African Football Association Johannesburg (SAFA Joburg) R35,000.00.
Reasons
SAFA sole provider for the administration and officiating of the SAFA Joburg.
16. Appointment of a contractor for the storage and moving of books and other items for the Johannesburg City Library and the registration of the storage company as once off supplier on the supplier data base. Service Provider, Office Removals R340,079.20.
Reason
Contractor not appointed by the City but appointed by the service provider, who was renovating the library hence the request for the deviation.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

17. Payment of service provider appointed for Preliminary Design Reports under Panel of Service Providers A225 Beyond Contract Period, R1,186,820.79 and R572,857.97.
Reason
Work could not be completed in time in terms of the contract period, due to the fact that JRA's reports were still outstanding and this resulted in the delay of work by consultants, who could only complete the work once JRA has submitted their comments, hence the ratification as no work/payment was to have been done post the contract period.
18. Payment of a service provider for the forensic restitution, Service Provider Forensic, Restitution (Pty) Ltd R5,463,00
Reason
Due to the urgency of the matter in relation to the disciplinary process that was underway, the user department only solicited one quotation from the database as opposed to three quotations for the services of a forensic investigator, hence the request for the deviation.
19. Approval of a Lease Agreement with the company Motani Industries and Sound Exchange CC, Service Provider Motani Industries (Pty) Ltd, R145,466.28.
Reason
The Alexandra Renewal Programme has established its offices at 65 Andries Street, Wynberg from long ago and the public has been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
20. Removal of unsafe signage structures, Service Provider Ernst Pienaar and Thembane Cleaning Services R24,624.00, R25,536.00 and R5,928.00.
Reason
Urgent engagement of a service provider to remove illegal signage that were dangerously situated and could endanger the lives of the public, hence the request for ratification.
21. Extension of Mandate for Forensic Investigation at EMS, Service Provider, Pricewaterhouse Coopers Advisory Services (Pty) Ltd R164,968.00.
Reason
Joburg Risk and Advisory Services (JRAS) appointed an external service provider, Pricewaterhouse Coopers Advisory Services (Pty) Ltd in August 2010 to conduct a forensic investigation at EMS. The services of Pricewaterhouse Coopers Advisory Services (Pty) Ltd for this investigation was procured at a cost of R404,073.24 excluding VAT. After completion of the above investigation further allegations of the mismanagement of assets were reported and needed to be investigated and be covered by the initial scope. A quotation for the above extended mandate in the amount of R164,968.00 excluding VAT and disbursements was obtained from Pricewaterhouse Coopers Advisory Services (Pty) Ltd. Hence a request for a deviation was requested to extend the mandate of the service provider to cover the new allegations in their investigation as they were busy with the initial investigation at the same department.
22. Over-expenditure and Payment of the Final Invoice for Rea Vaya BRT System Probity Services by Grant Thornton R184,238.10 and R76,349.73
Reason
On the 28 May 2008, the Central Adjudication Committee awarded a contract to Grant Thornton to provide probity services on the BRT project. A reconciliation of all awards and the total expenditure to end of contract period has been prepared and based on the reconciliation; there is an over – expenditure totalling R76,349.73, hence the request for the ratification.
23. Extention of SAHA'S AFC Consulting Services contract until Installation of Rea Vaya Phase 1A AFC System by TMT Service Provider R5,994,637.85.
Reason
Due to delays in installation of AFC system, the Consultant could also not timely complete its oversight, testing and certification functions, which can only be finalised once the AFC system has been operationalised.
24. Revenue and Customer Relations Management, Service Provider Alexandra Sankopano Trust (NGO), R22,250.00.
25. Office of the GFO, Price water house coopers, R5,000,000.00.
26. Community Development (Arts, Culture and heritage), Kwazi Khali Trading and entertainment CC, R59,800.00.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

27. Corporate and shared services, Zungizile protection services, R175,050.00.

THE JOHANNESBURG MARKET

1.	Sole supplier deviations	R1,569,782.00.
2.	Single source deviations	R1,295,962.00.
3.	Historical Contracts	R489,968.00.
4.	Extension of contracts	R3,026,335.00.
5.	Sensitive/High risk procurement	R166,687.00.
6.	Multi Source deviations	R497,536.00.
7.	Emergency deviations	R1,021,079.00.
8.	Unavoidable deviations	R180,952.00.

JOHANNESBURG SOCIAL HOUSING COMPANY

1.	Price Waterhouse Coopers	R158,804.00.
2.	Tremendous Pot Plant hire	R6,058.00.
3.	Simon Mvubu	R30,000.00.

JOHANNESBURG ROADS AGENCY

1.	Emergency repairs to Silver Lane low level bridge - Eyethu Translodge, PH Bagale, R245,649.00.
2.	Emergency repair to the JRA's main entrance - Johannesburg Roller Doors, R7,425.00.
3.	Emergency embarkment to the William Nicole bridge - Development and Consulting, R964,912.00.
4.	Emergency repair with sand bag wall due to flooding in Orlando West - Well Earned Trading, R4,385,965.00.
5.	Emergency repair to Crownwood bridge - Rainbow / Kyasa, R877,193.00.
6.	Emergency repairs due to flooding in Kelland - Lettam Building, R464,035.00.
7.	Emergency procurement of protective gear for the employees as a result of the employees striking - Kwa-Zulu Uniforms, Megaphase, Mohoco Trading, Rob Wyly, Bidserv T/A G Fox, Mughwena Trading, Butsane Trading, R3,356,493.00.

METROTRADING COMPANY

1.	Deviation from the normal procurement processes (Exceptional Cases), R1,810,103.00.
2.	Emergency, R29,374.00.
3.	Emergency (only one supplier responded), R703,267.00.

JOHANNESBURG PROPERTY COMPANY

1.	JPC Corporate DVD	R230,000.00.
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City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

2. Office Refurbishment R1,189,068.00.

PIKITUP JOHANNESBURG

1. Maintenance of equipments R183,480.00.

2. Security services R44,080.00.

3. Hiring of trucks R107,603.00.

4. Advertising R33,972.00.

5. Consulting and advisory R167,157.00.

6. Repairs and Maintenance R313,348.00.

7. Catering R2,750.00.

CITY POWER JOHANNESBURG

1. Ndou Cleaning Services contract was extended by 3 months, from November 2011 to 31 January 2012 and the contract value also increased by R2,500,000.00.
2. Powertech Transformers were appointed to replace failed substations over the period, 08 June 2012 to 12 June 2012 valued at R580,066.00.
3. Actom was appointed to replace failed substations over the period 8 June 2012 to 12 June 2012 valued at R2,470,000.
4. Primedia was appointed to provide communication channels for Revenue step change project amounting to R1,600,785.00.
5. Clickatell was appointed to provide Sms credits for emergency related queries to restore power valued at R41,400.00.
6. Emergency services was procured from ABB to replace 88kV circuit breakers at Orlando substation, contract valued at R1,005,180.00.
7. Strike Technologies was appointed to ensure that existing Enermax and Enermax+ meters are successfully incorporated into the AMR system valued at R182,799.00.
8. Elster A1700 and EDM1 meters modems were procured from Billing Online amounting to R1,381,409.00.
9. 10 Laptops, 20 Desktops and 2 printers were procured for the metering management system from Everest PD valued at R472,000.00.
10. African Olive Trading was appointed to install protection relays at Randburg and Midrand substations amounting to R710,937.00.
11. Powertech IST contract was extended for the period of 12 months for protection relays and control cable replacement at Kelvin Power Station, the contract value also increased by R4,495,328.00.
12. Actom Power Transformers contract was extended by 12 months in inspection and replacement of transformers damaged parts and double handling of transformers as the transformers were delivered at Reuven premises and contract value also increased by R905,457.00.
13. F.I.T Component CC was appointed to provide NEMA 1800VA photocells valued at R160,238.00.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
14.	Edison Jehomo Power was appointed for the inspection service of Kelvin/Delta/Westfield 88 transmission lines valued at R32,027.00.			
15.	TM Engineering was appointed to provide repairing services on vacuum pumps amounting to R20,728.00.			
16.	Wimann Trading provided repairing services on current transformers amounting to R18,950.00.			
17.	Digsilent Buyisa was contracted to supply Digsilent software valued at R144,640.00.			
18.	Metrohm SA provided repairing services on 684 KF Coulometers, amounting to R62,295.00.			
19.	Baymont Feild Services was appointed to replace a stolen earthing, valued at R37,351.00.			
20.	Capital Air was appointed to provide a helicopter to inspect the transmission lines amounting to R15,640.00.			
21.	Southern Africa Fault Location provided repairing services on UL7 Geophone and LCD monitors amounting to R10,470.00.			
22.	FESS (Pty) Ltd was appointed to provide repairing services on 4 fire water pumps amounting to R61,124.00.			
23.	Associated Chemicals was appointed to supply Hydranal Coulomat CG laboratory chemicals valued at R14,715.00.			
24.	Budget Waste was appointed to provide cleaning services on a gasket failure amounting to R54,640.00.			
25.	SA Tech Craft System was appointed for the service and sharpening of power tool blades amounting to R14,529.00.			
26.	Rapid Spill Response was appointed to follow up on rehabilitation of soil and clean up an oil spill on transformers amounting to R73,740.00.			
27.	Xavier Innovative Security was appointed for repairing services on locking mechanisms and the installation of Vimba locking mechanisms amounting to R14,752.00.			
28.	Budget Waste was appointed for the disposal of PCB contaminated stones amounting to R83,000.00.			
29.	Xavier Innovative Security was appointed for repairing services on locking mechanisms and the installation of Wimba locking mechanisms at Xavier off ramp amounting to R21,363.00.			
30.	Verotest was appointed for repairing services on AC Hypotonic equipment amounting R23,280.00.			
31.	Verotest provided repairing services on Seba equipment amounting to R17,325.00.			
32.	TM Engineering was appointed to provide a major service on vacuum pumps amounting to R46,000.00.			
33.	Impact Energy was appointed to provide annual PQ recorder rentals amounting to R31,800.00.			
34.	Instrument Transformers Technologies provided repairing services on Gas Turbines amounting to R11,000.00.			
35.	Drizit Environmental provided cleaning services on spilled oil from damaged transformers amounting to R12,580.00.			
36.	Sheshisa Cash Loan t/a Cable Safe was appointed to supply cable safe anti - theft products valued at R98,610.00.			
37.	Static Power provided repairing services on battery chargers for Static Power Substations amounting to R68,290.00.			
38.	Actom was appointed to supply Actom 3 Core Current Transformers valued at R19,044.00.			
39.	Verotest provided repairing services on equipment amounting to R10,397.00.			
40.	Farad provided repairing services on a ripple transmitter at Eldorado Park substation amounting to R90,078.00.			

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

41. Silicon Engineering was appointed to supply 50 HBL Nicad batteries at various substations valued at R17,550.00.
42. Matla TPM provided repairing services on UPS systems at SCADA departments amounting to R19,803.00.
43. HV Test providing repairing services on two Bauer HV tests amounting to R17,803.00.
44. Lubri-Tech Marketing was appointed for repairing services amounting to R49,955.00.
45. SA Fault Location was appointed for repairs and maintenance services amounting to R40,606.00.
46. Verotest was appointed to provide repairing services on Seba cable ID machines and 25kv pressure testers amounting to R17,822.00.
47. Diesel Electric Services was appointed to replace injector pumps on standby generators amounting to R10,036.00.
48. Roxtec Africa was appointed to supply and install Roxtec cable sealing products amounting to R75,349.00.
49. Verotest was appointed to provide repairing services on SEBA testers amounting to R19,825.00.
50. Inter Southern Power Maintenance was appointed to provide repairing services on bushing amounting to R10,258.00.
51. Inter Southern Power Maintenance was appointed to replace Bucholz relay on transformer No. 2 valued at R15,140.00.
52. Inter Southern Power Maintenance was appointed for repairing services on radiator oil leaks at Mulbarton.
53. SABC Group sales and marketing was appointed to provide air time to broadcast messages to customers amounting to R345,000.00.
54. SG Convenience was appointed to supply canteen goods valued at R193,629.00.
55. Simba was appointed to supply canteen goods valued at R33,612.00.
56. The Citizen was appointed to provide communication services amounting to R72,336.00.

JOHANNESBURG CITY PARKS

1. Purchase order number PO028830 for the purchase of computer software was made to Microsoft South Africa (Pty) Ltd for the amount of R656,232.46 as they are the sole provider of such software.
2. Purchase order number PO024841 was made to Leka Plant Hire for the amount of R3,880.00 for the emergency removal of a tree.
3. Purchase order number PO024840 was made to Leka Plant Hire for the amount of R3,880.00 for the emergency removal of a tree.
4. Purchase order number PO024653 for supply of micro-organism brewing and stock was made to Chris Swanepoel for the amount of R26,813.00 as they are the sole provider.
5. Purchase order number PO024652 for supply of micro-organism brewing and stock was made to Chris Swanepoel for the amount of R26,814.00 as they are the sole provider.
6. Purchase order number PO025127 for supply of Emgro SAEM was made to Chris Swanepoel for the amount of R27,747.60 as they are the sole provider.
7. Purchase order number PO025125 for supply of Emgro SAEM was made to Chris Swanepoel for the amount of R18,247.60 as they are the sole provider.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

- Purchase order number PO025126 for supply of Emgro SAEM was made to Chris Swanepoel for the amount of R25,247.60 as they are the sole provider.
- Purchase order number PO028199 for supply of ingredients was made to Chris Swanepoel for the amount of R25,842.00 as they are the sole provider.
- Purchase order number PO028200 for supply of brewing tank was made to Chris Swanepoel for the amount of R26,813.00 as they are the sole provider.
- Purchase order number PO033070 for procurement of EMgro was made to Chris Swanepoel for the amount of R25,842.00 as they are the sole providers of such product.

JOHANNESBURG TOURISM COMPANY

- Lack of required quotations as per Supply Chain Policy and Procedures transaction amounting to R96,290.17 relating to re-print of tourism materials and brochures.
- Procurement from the sole service provider transactions amounting to R243,478.31.
- Procurement from a supplier that has secured a contract with another organ of state amounting to R390,993.37.
- Suppliers not paid within 30 days of receipt of invoice amounted to R55,859.57.

JOHANNESBURG WATER

- Emergencies – R22,673,000.00.
- Sole suppliers – R19,372,000.00.
- Impracticality – R62,414,000.00.

THE JOHANNESBURG ZOO

- Tax Clearance Certificates not supplied - R265,716.00.
- Declarations to declare interest not submitted – R207,217.00.
- Procurement without 3 quotations – R29,163.00.

JOHANNESBURG THEATRE

- Acquisition of sets, lighting equipment, paintings, props and costumes for the 2011 pantomime - costs R301,000.00 (special work of art, specification would be difficult to compile).
- Acquisition of sets, sound costs and design, lighting equipment, painting, props, special effects and costumes for the 2012 pantomime - costs R500,000.00 (special work of art, specification would be difficult to compile).
- Acquisition of sets, building, set painting, stage properties, special effects and/or hire of costumes, hire of lighting and sound equipment for the production of Andrew Lloyd Webber's Starlight Express in 2013 – costs for 2011/12 R280,848.00.
- Acquisition of services from marketing partners/special barter arrangements for the individual productions presented at Joburg Theatre for the 2011/12 - costs R1,596,152.00. It is impractical and impossible to follow official procurement processes because of the complexity of the process of identifying and negotiation with appropriate partners in order to reach the best possible savings of costs for the theatre.
- Continental Outdoor (Billboards) - R1,978,098.00.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

6. DWR Distribution (Le Maitre Haze/Smoke Machine; LSC Haze Machine Fluid; Repair of Robe fixtures; DF 50 Haze Fluid) - R42,240.00.
7. Electrosonic (Jem Martin DMX Splitter; versalight LED RGB high power PAR643w) - R29,830.00.
8. Schindler Lifts (OEM - Maintenance) - R328,383.00.
9. Show Ads (negotiate the best possible discounts for the live entertainment industry in the newspapers) - R1,041,427.00.
10. Sennheiser Electrosonic (MK E2 EW Gold Microphones) - R24,119.00.
11. Pastel Software - R2,598.00.
12. Prosound (Pty) Ltd (Compact Headset) - R10,563.00.
13. ICAS Employee and Organisation Enhancement Services (Counselling) - R3,306.00.
14. Roto Rooter Africa (Plumbing) - R3,026.00.
15. Finware Consulting (Pastel software installer) - R17,846.00.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

55. HEDGING ACTIVITIES

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for a 11.66% fixed interest rate.

Swap Details

Trade Date :	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1,000 (million)
Fixed Rate:	11.66%
Payable:	Semi- annual

The swap was designated as a cash flow hedge in accordance with IAS 39.88 and the actual hedge relationship was measured as 100% effective as it was between the effective range of 80%- 125% and thus the full portion of the loss on the hedging instrument shall be recognized in other comprehensive income in the statement of financial performance.

The hedge effectiveness was assessed using the following method:

- Variability Reduction Method 104%

Note that the SWAP value presents the clean fair value as at 30 June 2012. (All inclusive price less any SWAP interest accrual outstanding)

SWAP market-to-market as at 30 June 2012

Opening Balance	(41,976)	-	(41,976)	-
Effective (loss) / gain	(66,138)	(41,976)	(66,138)	(41,976)
	(108,114)	(41,976)	(108,114)	(41,976)
Interest expense recognised in the statement of financial performance during the financial period	31,944	8,190	31,944	8,190

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

56. CASH MANAGEMENT

During the 2012 financial year the City of Johannesburg had cash losses due to fraudulent activities amounting to R 0,497 million (2011 : R 6,165 million). The losses incurred involve both internal fraud by staff members and bankings made which were never credited to our bank account. Management is in the process of prosecuting personnel implicated in fraudulent activities and/or in dereliction of duty. The process of recovering losses incurred through fraudulent activities by staff will follow the outcome of the disciplinary process now underway. The process of recovering deposits not credited (long-outstanding deposited) had been commenced. The gross losses for the year amounted to:

During May 2012 the City had cash losses in the Building Control Section as a result of fraudulent receipts being issued in respect of building plans. The losses incurred involve both internal fraud by staff members and external parties who had produced fraudulent receipts. An internal investigation have was initiated which resulted in officials being suspended and later arrested. The process of recovering losses incurred through fraudulent activities by staff will follow the outcome of the disciplinary process now underway. The gross losses for the year amounted to R 9,489 million. There were no such losses in the previous year.

Total gross losses	9,986	83,320
Recoveries	-	(16,382)
	9,986	66,938

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

57. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

GROUP - 2012

	Original budget	Adjusted budget (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Property rates	4,979,582	4,979,582		4,979,582	5,539,477	(559,895)	111 %	111 %
Service charges	17,891,221	17,717,077	(94)	17,716,983	18,601,300	(884,317)	105 %	104 %
Rental of facilities and equipment	190,885	193,049	(146)	192,903	189,374	3,529	98 %	99 %
Interest received	1,131,005	1,163,154		1,163,154	480,264	682,890	41 %	42 %
Income from agency services	426,661	446,956		446,956	194,642	252,314	44 %	46 %
Fines, licenses and permits	252,732	332,772		332,772	436,139	(103,367)	131 %	173 %
Government grants	6,989,082	7,475,109	60,630	7,535,739	6,266,556	1,269,183	83 %	90 %
Other revenue	1,622,851	2,181,333	708	2,182,041	1,800,267	381,774	83 %	111 %
Gains on disposal of assets	-	264		264	128,854	(128,590)	48,808 %	- %
Total revenue (excluding capital transfers and contributions)	33,484,019	34,489,296	61,098	34,550,394	33,636,873	913,521	97 %	100 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

57. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Adjusted budget (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Employee related costs	(6,868,127)	(7,037,135)	21,909	(7,015,226)	(7,098,305)	83,079	101 %	103 %
Remuneration of councillors	(97,880)	(100,910)	884	(100,026)	(98,291)	(1,735)	98 %	100 %
Depreciation, amortisation and impairment losses	(1,590,011)	(1,589,282)	(866)	(1,590,148)	(1,866,288)	276,140	117 %	117 %
Finance costs	(2,268,466)	(2,264,304)	(183)	(2,264,487)	(1,606,887)	(657,600)	71 %	71 %
Allowance for impairment of current receivables	(1,723,445)	(1,754,748)	-	(1,754,748)	(2,181,500)	426,752	124 %	127 %
Repairs and maintenance	(594,455)	(578,471)	(1,017)	(579,488)	(468,300)	(111,188)	81 %	79 %
Bulk purchases	(10,727,279)	(10,297,784)	-	(10,297,784)	(10,147,417)	(150,367)	99 %	95 %
Contracted services	(2,212,152)	(2,975,518)	(77,772)	(3,053,290)	(2,306,512)	(746,778)	76 %	104 %
Grants and subsidies paid	(2,462,397)	(2,623,012)	(60,868)	(2,683,880)	(132,957)	(2,550,923)	5 %	5 %
Loss on disposal of assets	(353)	(376)	-	(376)	(76,663)	76,287	20,389 %	21,718 %
General expenses	(3,834,649)	(4,228,044)	57,146	(4,170,898)	(3,645,630)	(525,268)	87 %	95 %
Total expenditure	(32,379,214)	(33,449,584)	(60,767)	(33,510,351)	(29,628,750)	(3,881,601)	88 %	92 %
Surplus/(Deficit)	1,104,805	1,039,712		1,040,043	4,008,123	(2,968,080)	385 %	363 %
Transfers recognised - capital	2,259,029	2,075,936		2,075,936	1,273,830	802,106	61 %	56 %
Contributions recognised - capital and contributed assets	442,410	424,423		424,423	148,887	275,536	35 %	34 %
Surplus (Deficit) after capital transfers and contributions	3,806,244	3,540,071		3,540,402	5,430,840	(1,890,438)	153 %	143 %
Fair value adjustments	-	-		-	(23,996)	23,996	- %	- %
Share of deficit of associate accounted for under the equity method	-	-		-	(70)	70	- %	- %
Loss on non-current assets held for sale or disposal groups	-	-		-	(300)	300	- %	- %
Taxation	(295,486)	(281,963)		(281,963)	(448,294)	166,331	159 %	152 %
Surplus/(Deficit) for the year	3,510,758	3,258,108		3,258,439	4,958,180	(1,699,741)	152 %	141 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

57. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Adjusted budget (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources								
Sources of capital funds								
Transfers recognised - capital	2,259,029	2,075,936		2,075,936	1,273,830	802,106	61 %	56 %
Public contributions and donations	442,410	424,423		424,423	194,642	229,781	46 %	44 %
Borrowing	1,000,000	1,000,000		1,000,000	2,138,023	(1,138,023)	214 %	214 %
Internally generated funds	20,760	248,844	332	249,176	-	249,176	- %	- %
Total sources of capital funds	3,722,199	3,749,203	332	3,749,535	3,606,495	143,040	96 %	97 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

57. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

CORE - 2012

	Original budget	Adjusted budget (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Property rates	4,979,582	4,979,582		4,979,582	5,539,477	(559,895)	111 %	111 %
Service charges	897,025	982,222		982,222	918,271	63,951	93 %	102 %
Rental of facilities and equipment	61,450	62,720		62,720	73,107	(10,387)	117 %	119 %
Interest received	999,134	994,570	12,000	1,006,570	1,120,464	(113,894)	111 %	112 %
Income from agency services	150,102	185,102		185,102	194,642	(9,540)	105 %	130 %
Fines, licenses and permits	252,732	332,772		332,772	436,139	(103,367)	131 %	173 %
Government grants	4,542,170	4,973,188	60,630	5,033,818	6,266,556	(1,232,738)	124 %	138 %
Other revenue	866,884	1,035,160	468	1,035,628	1,033,517	2,111	100 %	119 %
Gains on disposal of assets	-	-		-	126,478	(126,478)	- %	- %
Total revenue (excluding capital transfers and contributions)	12,749,079	13,545,316	73,098	13,618,414	15,708,651	(2,090,237)	115 %	123 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

57. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Adjusted budget (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Employee related costs	(3,952,603)	(4,013,715)	13,615	(4,000,100)	(4,116,777)	116,677	103 %	104 %
Remuneration of councillors	(97,880)	(100,910)	884	(100,026)	(98,291)	(1,735)	98 %	100 %
Depreciation, amortisation and impairment losses	(539,153)	(571,456)		(571,456)	(1,604,943)	1,033,487	281 %	298 %
Finance costs	(1,504,141)	(1,504,284)	(183)	(1,504,467)	(1,607,282)	102,815	107 %	107 %
Allowance for impairment of current receivables	(955,063)	(955,308)	(82)	(955,390)	(440,560)	(514,830)	46 %	46 %
Repairs and maintenance	(129,915)	(126,742)	(1,404)	(128,146)	(106,260)	(21,886)	83 %	82 %
Contracted services	(958,642)	(1,377,865)	(79,945)	(1,457,810)	(1,294,867)	(162,943)	89 %	135 %
Grants and subsidies paid	(2,462,397)	(2,623,012)	(60,868)	(2,683,880)	(2,618,744)	(65,136)	98 %	106 %
Loss on disposal of assets	-	(23)	-	(23)	(69,377)	69,354	301,639 %	- %
General expenses	(1,899,880)	(2,041,207)	67,216	(1,973,991)	(2,156,571)	182,580	109 %	114 %
Total expenditure	(12,499,674)	(13,314,522)	(60,767)	(13,375,289)	(14,113,672)	738,383	106 %	113 %
Surplus/(Deficit)	249,405	230,794		243,125	1,594,979	(1,351,854)	656 %	640 %
Transfers recognised - capital	1,906,313	1,713,762		1,713,762	1,129,213	584,549	66 %	59 %
Contributions recognised - capital and contributed assets	31,345	43,266		43,266	148,404	(105,138)	343 %	473 %
Surplus (Deficit) after capital transfers and contributions	2,187,063	1,987,822		2,000,153	2,872,596	(872,443)	144 %	131 %
Fair value adjustments	-	-		-	(23,996)	23,996	- %	- %
Loss on non-current assets held for sale or disposal groups	-	-		-	(300)	300	- %	- %
Surplus/(Deficit) for the year	2,187,063	1,987,822		2,000,153	2,848,300	(848,147)	142 %	130 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand

57. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Adjusted budget (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources								
Sources of capital funds								
Transfers recognised - capital	1,906,313	1,713,762		1,713,762	1,129,213	584,549	66 %	59 %
Public contributions and donations	31,345	43,266		43,266	148,404	(105,138)	343 %	473 %
Borrowing	310,600	365,425		365,425	614,876	(249,451)	168 %	198 %
Internally generated funds	14,760	242,794	332	243,126	-	243,126	- %	- %
Total sources of capital funds	2,263,018	2,365,247	332	2,365,579	1,892,493	473,086	80 %	84 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

58. RELATED PARTIES

Relationships

CORE

Other members of the group

The City of Johannesburg Metropolitan Municipality
 City Housing Company (Pty) Ltd
 City of Johannesburg Property Company (Pty) Ltd
 City of Johannesburg Metropolitan Municipality
 City Power Johannesburg (Pty) Ltd
 Johannesburg City Parks
 Johannesburg Development Agency (Pty) Ltd
 Johannesburg Metropolitan Bus Services (Pty) Ltd
 Johannesburg Roads Agency (Pty) Ltd
 Johannesburg Tourism Company
 Johannesburg Water (Pty) Ltd
 Metropolitan Trading Company (Pty) Ltd
 Pikitup Johannesburg (Pty) Ltd
 Roodepoort City Theatre
 The Johannesburg Civic Theatre (Pty) Ltd
 The Johannesburg Fresh Produce Market (Pty) Ltd
 The Johannesburg Zoo

Related party balances

Amounts included in Loans,

Trade and other receivables regarding related parties

City Power Johannesburg (Pty) Ltd	3,074,564	4,491,120
City of Johannesburg Property Company (Pty) Ltd	10,628	12,440
Johannesburg City Parks	11,309	51,784
Johannesburg Development Agency (Pty) Ltd	-	2
Johannesburg Metropolitan Bus Services (Pty) Ltd	197,043	108,601
Johannesburg Roads Agency (Pty) Ltd	291,120	144,463
Johannesburg Social Housing Company (Pty) Ltd	76,850	51,353
Johannesburg Tourism Company	6,797	20,461
Johannesburg Water (Pty) Ltd	3,310,449	3,110,192
Kelvin Power (Pty) Ltd	62,136	76,717
Metropolitan Trading Company (Pty) Ltd	96,899	104,671
Pikitup Johannesburg (Pty) Ltd	401,846	297,131
Roodepoort City Theatre	1,284	1,829
The Johannesburg Civic Theatre (Pty) Ltd	737	563
The Johannesburg Fresh Produce Market (Pty) Ltd	183,685	191,729
The Johannesburg Zoo	8,764	6,184
	7,734,111	8,669,240

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
58. RELATED PARTIES (continued)				
Amounts included in Loans, Trade and other payables regarding related parties				
City Power Johannesburg (Pty) Ltd			1,879,488	462,778
City of Johannesburg Property Company (Pty) Ltd			68,594	-
Johannesburg City Parks			298,146	63,032
Johannesburg Development Agency (Pty) Ltd			185,313	266,498
Johannesburg Metropolitan Bus Services (Pty) Ltd			31,739	817
Johannesburg Roads Agency (Pty) Ltd			108,976	135,533
Johannesburg Social Housing Company (Pty) Ltd			69,345	55,217
Johannesburg Tourism Company			18,056	11,218
Johannesburg Water (Pty) Ltd			431,091	260,719
Metropolitan Trading Company (Pty) Ltd			132,442	43,253
Pikitup Johannesburg (Pty) Ltd			265,605	138,838
Roodepoort City Theatre			-	749
The Johannesburg Civic Theatre (Pty) Ltd			38	260
The Johannesburg Fresh Produce Market (Pty) Ltd			31,686	54,824
The Johannesburg Zoo			11,677	17,233
			3,532,196	1,510,969

Related party transactions

Revenue from related parties

City Power Johannesburg (Pty) Ltd	357,144	523,163
City of Johannesburg Property Company (Pty) Ltd	2,633	4,969
Johannesburg City Parks	30,014	10,517
Johannesburg Development Agency (Pty) Ltd	689	1,083
Johannesburg Metropolitan Bus Services (Pty) Ltd	5,282	16,901
Johannesburg Roads Agency (Pty) Ltd	28,753	23,977
Johannesburg Social Housing Company (Pty) Ltd	12	1,846
Johannesburg Tourism Company	-	275
Johannesburg Water (Pty) Ltd	473,280	222,397
Johannesburg Zoo	3,254	406
Metropolitan Trading Company (Pty) Ltd	1,843	1,110
Pikitup Johannesburg (Pty) Ltd	25,565	35,495
The Johannesburg Civic Theatre (Pty) Ltd	8,290	-
The Johannesburg Fresh Produce Market (Pty) Ltd	32,879	1,973
	969,638	844,112

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
58. RELATED PARTIES (continued)				
Subsidies paid to MOEs				
Johannesburg City Parks			457,182	469,596
The Johannesburg Civic Theatre (Pty) Ltd			26,818	25,000
Johannesburg Development Agency (Pty) Ltd			24,110	21,637
Johannesburg Metropolitan Bus Services (Pty) Ltd			293,919	291,841
Johannesburg Roads Agency (Pty) Ltd			445,300	439,693
Johannesburg Social Housing Company (Pty) Ltd			17,764	16,794
Johannesburg Tourism Company			39,917	31,616
Johannesburg Zoo			42,793	40,370
Metropolitan Trading Company (Pty) Ltd			51,775	45,293
Pikitup Johannesburg (Pty) Ltd			1,076,356	925,110
Roodepoort City Theatre			9,853	9,375
			2,485,787	2,316,325
Capital Expenditure				
City Power Johannesburg (Pty) Ltd			14,274	52,934
Johannesburg Water (Pty) Ltd			48,329	129,110
Pikitup Johannesburg (Pty) Ltd *			38,635	25,743
			101,238	207,787
Operating Expenditure				
City Power Johannesburg (Pty) Ltd			230,091	154,683
City of Johannesburg Property Company (Pty) Ltd			84,645	3,000
Johannesburg City Parks *			32,000	45,004
Johannesburg Development Agency (Pty) Ltd			3,806	744
Johannesburg Metropolitan Bus Services (Pty) Ltd			-	708
Johannesburg Roads Agency (Pty) Ltd			3,158	5,894
Johannesburg Social Housing Company (Pty) Ltd *			3,392	11,278
Johannesburg Tourism Company *			-	56
Johannesburg Water (Pty) Ltd			1,949	342,463
Metropolitan Trading Company (Pty) Ltd			2,861	510
Pikitup Johannesburg (Pty) Ltd *			25,565	99,734
Roodepoort City Theatre *			-	38
The Johannesburg Civic Theatre (Pty) Ltd *			5,923	-
The Johannesburg Fresh Produce Market (Pty) Ltd			7,752	23,054
The Johannesburg Zoo *			140	548
			401,282	687,714
Related party fleet transactions				
Trade and other receivables				
Johannesburg Water (Pty) Ltd			34,868	28,861
Johannesburg City Parks			21,566	17,703
City Power Johannesburg (Pty) Ltd			29,765	24,598
Pikitup Johannesburg (Pty) Ltd			93,162	79,053
Johannesburg Roads Agency (Pty) Ltd			11,371	9,047
			190,732	159,262

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011
58. RELATED PARTIES (continued)				
Trade and other payables				
Johannesburg Water (Pty) Ltd			34,868	28,861
Johannesburg City Parks			21,566	17,703
City Power Johannesburg (Pty) Ltd			29,765	24,598
Pikitup Johannesburg (Pty) Ltd			93,162	79,053
Johannesburg Roads Agency (Pty) Ltd			11,371	9,047
			190,732	159,262
Other revenue				
Johannesburg Water (Pty) Ltd			6,006	9,037
Johannesburg City Parks			3,862	5,489
City Power Johannesburg (Pty) Ltd			5,167	7,623
Pikitup Johannesburg (Pty) Ltd			14,109	21,170
Johannesburg Roads Agency (Pty) Ltd			2,324	3,092
			31,468	46,411
Contracted services				
Johannesburg Water (Pty) Ltd			6,006	9,037
Johannesburg City Parks			3,862	5,489
City Power Johannesburg (Pty) Ltd			5,167	7,623
Pikitup Johannesburg (Pty) Ltd			14,109	21,170
Johannesburg Roads Agency (Pty) Ltd			2,324	3,092
			31,468	46,411

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2012	2011	2012	2011

59. CHANGE IN ESTIMATE

Property, plant and equipment

In terms of GRAP 17, the depreciation method applied to assets shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed pattern.

This resulted in a reduction of useful life of property, plant and equipment and an increase in the accumulated depreciation in the current financial year. The useful life adjustment amounted to R14,3 million and depreciation also decreased by R55,6 million. The average remaining useful life of property, plant and equipment increased by 3 months from 36 months to 39 months.

Intangible assets

In terms of GRAP 102, the amortisation period and the amortisation method for intangible assets with a finite useful life shall be reviewed at least at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern.

This resulted in an extension of useful life of intangible assets and a reduction in the accumulated amortisation in the current financial year. The net impact amounted to a R9,2 million reduction in amortisation. The average remaining useful life of intangible assets increased by 2 months from 11 months to 13 months.