



**a world class African city**

CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY  
GROUP ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## General Information

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### 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) (1 JUNE 2011 - 28 FEBRUARY 2013)  
Christine Walters (Transportation) (1 MARCH - 30 JUNE 2016)  
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) (1 JUNE 2011 - 31 DECEMBER 2012)  
Anton Selepe (1 JANUARY - 30 JUNE 2016)

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## General Information

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### 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 CHIEF FINANCIAL OFFICER

Gerald Dumas

### REGISTERED OFFICE

Metropolitan Centre,  
Loveday Street,  
Johannesburg  
2001  
Telephone:  
+27 (0)11 407 - 6111  
Facsimile:  
+27 (0)11 339 - 5704

### POSTAL ADDRESS

P O Box 1049  
Johannesburg  
2000

### BANKERS

ABSA Bank Limited (Till March 2013)  
Standard Bank (Since April 2013)

### 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 2013

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# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

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### 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 2013

## **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.

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**Municipal Manager**

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand thousand	Note(s)	GROUP		CORE	
		2013	2012	2013	2012
<b>ASSETS</b>					
<b>Current Assets</b>					
Inventories	3	354,210	322,774	119,852	114,188
Loans to Municipal Entities	4	-	-	906,089	805,774
Other financial assets	5	38,851	263,170	38,851	263,170
Current tax receivable		9,187	2,343	-	-
Finance lease receivables	6	-	-	34,485	26,589
Trade and other receivables	7	1,287,668	962,746	1,872,388	1,007,186
Receivables from non-exchange transactions	8	8,421	55,206	-	46,580
VAT receivable	9	154,008	121,433	143,845	104,381
Consumer debtors	10	4,736,253	5,236,407	863,898	706,688
Other financial assets at fair value	11	619,778	744,433	619,364	806,512
Cash and cash equivalents	12	5,401,310	2,236,035	5,193,519	2,042,517
		<b>12,609,686</b>	<b>9,944,547</b>	<b>9,792,291</b>	<b>5,923,585</b>
<b>Non-Current Assets</b>					
Zoo animals	13	16,872	17,878	-	-
Investment property	14	1,327,823	1,312,101	1,283,757	1,265,421
Property, plant and equipment	15	41,456,734	39,276,393	25,663,725	25,046,016
Intangible assets	16	516,028	704,308	220,635	430,680
Heritage assets	17	519,135	549,256	517,542	547,663
Investments in Municipal Entities	18	-	-	152,113	152,113
Investment in joint ventures	19	31,691	31,575	-	-
Investment in associates	20	15,847	13,737	-	-
Loans to Municipal Entities	4	-	-	5,256,977	5,436,953
Other financial assets	5	284,317	429,209	284,317	429,209
Deferred tax	21	23,563	20,744	-	-
Finance lease receivables	6	-	-	114,116	97,275
Consumer debtors	10	36,483	45,391	36,483	45,391
Other financial assets at fair value	11	1,972,106	1,725,338	1,972,106	1,725,338
		<b>46,200,599</b>	<b>44,125,930</b>	<b>35,501,771</b>	<b>35,176,059</b>
<b>Total Assets</b>		<b>58,810,285</b>	<b>54,070,477</b>	<b>45,294,062</b>	<b>41,099,644</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand thousand	Note(s)	GROUP		CORE	
		2013	2012	2013	2012
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Loans and borrowings	23	625,164	1,523,336	624,610	1,522,804
Current tax payable		3,659	5,185	-	-
Finance lease obligation	24	43,602	44,796	36,138	38,845
Trade and other payables	25	8,689,319	6,911,996	8,388,322	5,723,675
VAT payable	9	577,670	695,245	-	-
Obligations arising from conditional grants and receipts	26	1,485,280	811,775	1,431,250	802,480
Provisions	27	63	16,691	-	15,219
Deferred income	29	11,384	12,102	-	-
Financial liabilities at fair value	30	9,609	8,212	9,609	8,212
Consumer deposits	31	6,819	5,887	-	-
		<b>11,452,569</b>	<b>10,035,225</b>	<b>10,489,929</b>	<b>8,111,235</b>
<b>Non-Current Liabilities</b>					
Project Funds payable	32	5,640	10,026	-	-
Loans and borrowings	23	11,398,520	11,277,553	11,381,478	11,259,017
Finance lease obligation	24	334,247	368,381	330,864	359,462
Retirement benefit obligation	28	1,865,790	1,789,466	1,863,909	1,808,066
Deferred tax	21	1,181,732	1,091,449	-	-
Provisions	27	548,890	615,255	20,000	20,000
Deferred income	29	88,462	98,380	51,804	54,444
Financial liabilities at fair value	30	67,020	109,237	67,020	109,237
Consumer deposits	31	430,974	457,494	26,402	15,688
		<b>15,921,275</b>	<b>15,817,241</b>	<b>13,741,477</b>	<b>13,625,914</b>
<b>Total Liabilities</b>		<b>27,373,844</b>	<b>25,852,466</b>	<b>24,231,406</b>	<b>21,737,149</b>
<b>Net Assets</b>		<b>31,436,441</b>	<b>28,218,011</b>	<b>21,062,656</b>	<b>19,362,495</b>
<b>NET ASSETS</b>					
Reserves					
Hedging reserve		(54,928)	(94,065)	(54,928)	(94,065)
Accumulated surplus		31,491,369	28,312,076	21,117,584	19,456,560
<b>Total Net Assets</b>		<b>31,436,441</b>	<b>28,218,011</b>	<b>21,062,656</b>	<b>19,362,495</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand thousand	Note(s)	GROUP		CORE	
		2013	2012	2013	2012
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Income from agency services		225,790	206,288	199,813	194,642
Interest received		596,092	452,752	1,073,414	1,043,247
Licences and permits		958	803	958	803
Other income	34	1,518,003	1,703,847	752,488	1,050,876
Rental facilities and equipment		249,702	195,134	84,985	73,107
Reversal of impairment	35	-	-	-	4,961
Sale of housing stock		6,973	14,693	6,973	14,693
Service charges	36	18,637,057	18,519,159	1,028,899	910,591
<b>Total revenue from exchange transactions</b>		<b>21,234,575</b>	<b>21,092,676</b>	<b>3,147,530</b>	<b>3,292,920</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	37	6,059,915	5,412,614	6,048,825	5,412,614
<b>Transfer revenue</b>					
Fines		320,336	435,336	320,336	435,336
Government grants	38	6,753,530	7,540,386	6,669,341	7,395,769
Public contributions, Donated and contributed property, plant and equipment		2,842	148,404	2,842	148,404
<b>Total revenue from non-exchange transactions</b>		<b>13,136,623</b>	<b>13,536,740</b>	<b>13,041,344</b>	<b>13,392,123</b>
<b>Total revenue</b>		<b>34,371,198</b>	<b>34,629,416</b>	<b>16,188,874</b>	<b>16,685,043</b>
<b>Expenditure</b>					
Employee related costs	39	(7,452,963)	(6,876,153)	(4,271,763)	(4,116,777)
Remuneration of councillors	40	(110,411)	(98,291)	(110,411)	(98,291)
Depreciation and amortisation	41	(2,014,730)	(1,788,354)	(1,385,346)	(1,281,459)
Impairment losses	42	(20,858)	(10,013)	(51,500)	(248,410)
Finance costs		(1,496,028)	(1,598,414)	(1,478,186)	(1,598,706)
Allowance for impairment of current receivables	43	(2,370,760)	(2,191,637)	(785,315)	(447,300)
Repairs and maintenance		(683,685)	(478,998)	(139,002)	(106,260)
Bulk purchases	44	(11,072,179)	(10,147,417)	-	-
Contracted services	45	(1,925,754)	(1,976,545)	(1,189,208)	(1,226,868)
Grants and subsidies paid	46	(153,955)	(132,957)	(2,776,211)	(2,618,744)
Cost of housing sold		(9,856)	(21,408)	(9,856)	(21,408)
General Expenses	47	(4,033,971)	(4,047,131)	(2,560,205)	(2,166,649)
<b>Total expenditure</b>		<b>(31,345,150)</b>	<b>(29,367,318)</b>	<b>(14,757,003)</b>	<b>(13,930,872)</b>
<b>Operating surplus</b>		<b>3,026,048</b>	<b>5,262,098</b>	<b>1,431,871</b>	<b>2,754,171</b>
(Loss)/gain on disposal assets		23,401	55,263	40,357	60,598
Fair value adjustments	48	146,810	91,759	162,699	110,095
Share of (deficit)/surplus of associate accounted for under the equity method		2,226	(70)	-	-
		<b>172,437</b>	<b>146,952</b>	<b>203,056</b>	<b>170,693</b>
<b>Surplus before taxation</b>		<b>3,198,485</b>	<b>5,409,050</b>	<b>1,634,927</b>	<b>2,924,864</b>
Taxation		45,289	429,720	-	-
<b>Surplus for the year</b>		<b>3,153,196</b>	<b>4,979,330</b>	<b>1,634,927</b>	<b>2,924,864</b>
<b>Attributable to:</b>					
Owners of the controlling entity		3,153,196	4,979,330	1,634,927	2,924,864

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
<b>GROUP</b>				
<b>Balance at 01 July 2011</b>		<b>(26,033)</b>	<b>23,978,732</b>	<b>23,952,699</b>
Changes in net assets				
Capitalisation Adjustment		(68,032)	-	(68,032)
Unbundling of land		-	115,380	115,380
Net revenue (expenditure) recognised directly in equity		(68,032)	115,380	47,348
Surplus for the year		-	4,979,330	4,979,330
Total recognised revenue and expenditure for the year		(68,032)	5,094,710	5,026,678
Assets under construction		-	(761,366)	(761,366)
Total changes		(68,032)	4,333,344	4,265,312
Opening balance as previously reported		(94,065)	28,246,203	28,152,138
Adjustments				
Prior year adjustments	52	-	65,873	65,873
<b>Balance at 01 July 2012 as restated</b>		<b>(94,065)</b>	<b>28,312,076</b>	<b>28,218,011</b>
Changes in net assets				
Capitalisation adjustment		39,137	-	39,137
Unbundling of land		-	26,097	26,097
Net revenue (expenditure) recognised directly in equity		39,137	26,097	65,234
Surplus for the year		-	3,153,196	3,153,196
Total recognised revenue and expenditure for the year		39,137	3,179,293	3,218,430
Total changes		39,137	3,179,293	3,218,430
<b>Balance at 30 June 2013</b>		<b>(54,928)</b>	<b>31,491,369</b>	<b>31,436,441</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
<b>CORE</b>				
<b>Balance at 01 July 2011</b>		<b>(26,033)</b>	<b>17,177,682</b>	<b>17,151,649</b>
Changes in net assets				
Capitalisation Adjustment		(68,032)	-	(68,032)
Unbundling of land		-	115,380	115,380
Net revenue (expenditure) recognised directly in equity		(68,032)	115,380	47,348
Surplus for the year		-	2,924,864	2,924,864
Total recognised revenue and expenditure for the year		(68,032)	3,040,244	2,972,212
Assets under construction		-	(761,366)	(761,366)
Total changes		(68,032)	2,278,878	2,210,846
Opening balance as previously reported		(94,065)	19,379,996	19,285,931
Adjustments				
Prior year adjustments	52	-	76,564	76,564
<b>Balance at 01 July 2012 as restated</b>		<b>(94,065)</b>	<b>19,456,560</b>	<b>19,362,495</b>
Changes in net assets				
Capitalisation adjustment		39,137	-	39,137
Unbundling of land		-	26,097	26,097
Net revenue (expenditure) recognised directly in equity		39,137	26,097	65,234
Surplus for the year		-	1,634,927	1,634,927
Total recognised revenue and expenditure for the year		39,137	1,661,024	1,700,161
Total changes		39,137	1,661,024	1,700,161
<b>Balance at 30 June 2013</b>		<b>(54,928)</b>	<b>21,117,584</b>	<b>21,062,656</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

Figures in Rand thousand	Note(s)	GROUP		CORE	
		2013	2012	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Sale of goods and services		27,021,576	26,636,278	8,446,119	8,246,027
Grants		6,753,530	7,540,386	6,669,341	7,395,769
Interest income		439,815	328,044	974,138	969,355
		<b>34,214,921</b>	<b>34,504,708</b>	<b>16,089,598</b>	<b>16,611,151</b>
<b>Payments</b>					
Employee costs		(7,452,963)	(6,876,153)	(4,271,763)	(4,116,777)
Suppliers		(17,627,185)	(19,826,247)	(5,090,010)	(7,382,368)
Finance costs		(1,496,028)	(1,598,414)	(1,478,186)	(1,598,706)
Taxes on surpluses		(45,289)	(429,720)	-	-
		<b>(26,621,465)</b>	<b>(28,730,534)</b>	<b>(10,839,959)</b>	<b>(13,097,851)</b>
<b>Net cash flows from operating activities</b>	49	<b>7,593,456</b>	<b>5,774,174</b>	<b>5,249,639</b>	<b>3,513,300</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	15	(4,142,467)	(3,555,720)	(1,907,547)	(1,737,156)
Proceeds from sale of property, plant and equipment	15	220,125	140,356	115,449	139,395
Purchase of investment property	14	(234)	(26,390)	(234)	(26,235)
Purchase of other intangible assets	16	(80,488)	(30,815)	(1,914)	(5,135)
Purchases of heritage assets	17	(1,241)	-	(1,241)	-
Non-current assets held for sale		-	3,233	-	-
Investments made		-	(672,852)	-	(555,321)
Investments redeemed		108,430	175,558	108,430	175,558
Purchase of zoo animals	13	(766)	(39)	-	-
(Increase)/decrease in non current receivables		(10,331)	(19,403)	69,330	240,519
<b>Net cash flows from investing activities</b>		<b>(3,906,972)</b>	<b>(3,986,072)</b>	<b>(1,617,727)</b>	<b>(1,768,375)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of borrowings		703,000	1,000,208	703,000	1,000,208
Proceeds from borrowings		(1,020,184)	(376,074)	(1,020,184)	(376,074)
Repayment of provisions		-	(355,226)	-	(355,226)
Movement in consumer deposits		(25,588)	11,560	10,714	11,576
Finance lease payments		(35,328)	(381,417)	(31,305)	(385,976)
Finance lease receipts		-	-	(24,737)	(123,864)
Project funds		(4,386)	(5,692)	-	-
Repayment of post retirement benefits		(137,040)	(139,765)	(116,715)	(115,741)
Financial liabilities at fair value		(1,683)	(749)	(1,683)	(749)
<b>Net cash flows from financing activities</b>		<b>(521,209)</b>	<b>(247,155)</b>	<b>(480,910)</b>	<b>(345,846)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,165,275</b>	<b>1,540,947</b>	<b>3,151,002</b>	<b>1,399,079</b>
Cash and cash equivalents at the beginning of the year		2,236,035	695,088	2,042,517	643,438
<b>Cash and cash equivalents at the end of the year</b>	12	<b>5,401,310</b>	<b>2,236,035</b>	<b>5,193,519</b>	<b>2,042,517</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>GROUP</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	20,166,322	(348,997)	<b>19,817,325</b>	18,637,057	<b>(1,180,268)</b>	
Rental facilities and equipment	219,694	31,362	<b>251,056</b>	349,589	<b>98,533</b>	1
Income from agency services	468,927	56,471	<b>525,398</b>	225,790	<b>(299,608)</b>	2
Licences and permits	592	-	<b>592</b>	958	<b>366</b>	3
Sale of housing stock	-	-	<b>-</b>	6,973	<b>6,973</b>	4
Other income	1,193,056	304,463	<b>1,497,519</b>	1,513,212	<b>15,693</b>	
Interest received	330,668	14,138	<b>344,806</b>	607,878	<b>263,072</b>	5
<b>Total revenue from exchange transactions</b>	<b>22,379,259</b>	<b>57,437</b>	<b>22,436,696</b>	<b>21,341,457</b>	<b>(1,095,239)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	5,969,165	(100,000)	<b>5,869,165</b>	6,059,915	<b>190,750</b>	
Government grants	7,150,386	252,689	<b>7,403,075</b>	6,753,530	<b>(649,545)</b>	
<b>Transfer revenue</b>						
Public contributions, Donated and contributed property, plant and equipment	470,326	(92,031)	<b>378,295</b>	2,842	<b>(375,453)</b>	
Fines	370,176	20,040	<b>390,216</b>	320,336	<b>(69,880)</b>	6
<b>Total revenue from non-exchange transactions</b>	<b>13,960,053</b>	<b>80,698</b>	<b>14,040,751</b>	<b>13,136,623</b>	<b>(904,128)</b>	
<b>Total revenue</b>	<b>36,339,312</b>	<b>138,135</b>	<b>36,477,447</b>	<b>34,478,080</b>	<b>(1,999,367)</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>Expenditure</b>						
Employee related cost	7,598,293	158,956	<b>7,757,249</b>	7,452,963	<b>(304,286)</b>	
Remuneration of councillors	129,119	(13,812)	<b>115,307</b>	110,411	<b>(4,896)</b>	
Depreciation and amortisation	1,880,379	(52,767)	<b>1,827,612</b>	2,014,730	<b>187,118</b>	7
Impairment loss/ Reversal of impairments	-	-	-	20,858	<b>20,858</b>	
Finance costs	1,589,062	(4,784)	<b>1,584,278</b>	1,504,484	<b>(79,794)</b>	
Allowance for impairment of current receivables	2,050,289	(154,918)	<b>1,895,371</b>	2,370,760	<b>475,389</b>	8
Repairs and maintenance	702,149	16,340	<b>718,489</b>	683,685	<b>(34,804)</b>	
Bulk purchases	11,856,276	(436,722)	<b>11,419,554</b>	11,072,179	<b>(347,375)</b>	
Contracted Services	2,878,764	107,962	<b>2,986,726</b>	1,897,565	<b>(1,089,161)</b>	9
Grants and subsidies paid	22,123	161,463	<b>183,586</b>	153,955	<b>(29,631)</b>	10
Cost of housing sold	-	-	-	9,856	<b>9,856</b>	
General Expenses	3,187,524	392,996	<b>3,580,520</b>	4,157,486	<b>576,966</b>	11
<b>Total expenditure</b>	<b>31,893,978</b>	<b>174,714</b>	<b>32,068,692</b>	<b>31,448,932</b>	<b>(619,760)</b>	
<b>Operating surplus</b>	<b>4,445,334</b>	<b>(36,579)</b>	<b>4,408,755</b>	<b>3,029,148</b>	<b>(1,379,607)</b>	
Gain on disposal of assets and liabilities	(106)	15	<b>(91)</b>	23,401	<b>23,492</b>	
Fair value adjustments	-	-	-	146,810	<b>146,810</b>	
Share of (deficit)/surplus of associate accounted for under the equity method	-	-	-	2,226	<b>2,226</b>	
	<b>(106)</b>	<b>15</b>	<b>(91)</b>	<b>172,437</b>	<b>172,528</b>	
<b>Surplus before taxation</b>	<b>4,445,228</b>	<b>(36,564)</b>	<b>4,408,664</b>	<b>3,201,585</b>	<b>(1,207,079)</b>	
Taxation	460,745	(14,676)	<b>446,069</b>	45,289	<b>(400,780)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>3,984,483</b>	<b>(21,888)</b>	<b>3,962,595</b>	<b>3,156,296</b>	<b>(806,299)</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

Management considers 10% or more of variance as material. A detailed discription of the variances is provided below

Reference:

1. The revenue from licenses and permits increased by 62% in the current financial year due to an increase in applications for trade licenses and resident's permits to open day care centers. This line item is driven by public demand.
- 2.
3. The revenue from licenses and permits increased by 62% in the current financial year due to an increase in applications for trade licenses and resident's permits to open day care centers. This line item is driven by public demand.
4. The revenue amount from sale housing stock was not budgeted for in the current year. Initially the amount was uddgeted for as rental income of which is was later discovered that the units are sold under an instalment sales greement which in terms of the revenue statndard is should be treated as an outright sales when the ISA is effective.
5. The variance is as result of a higher positive cash balance than anticipated. The following contributed to the higher nterest received:USDG funding received quarterly in advance and savings in bulk purchases.
6. The fines income is under budget by 18%. The variance is due to the following: A Service Level Agreement between JMPD and RTMC has not yet been signed and the RTIA have not been complying to the enforcement orders which has resulted in a drop in the payments of fines. The other contributing factor for the decrease in the fine revenue was due to the Post Office strike from February 2013 to April 2013.
7. The depreciation is over budget. The variance was as results of Capitalization of Assets Under Construction in the current year, which are subsequently depreciated depending on the capitalization date.
8. The debt impairment increased compared to budget. The variance is due to an increase in the provision for bad debts resulting from an increase in the debtors in the 180 days category which is attributed to the poor current economic conditions.
9. Contracted Services is under budget and the under expenditure is mostly related to the following departments:
  - Transportation Department – The under expenditure is mostly related to the delay in the completion of Phase 1B of the Rea Vaya BRT project;
  - Revenue Department – The under expenditure is related to a saving on expenditure on the revenue step change project;
  - Corporate Services – The under expenditure is related to a saving on IT costs; and • City Power – The decrease in the capacity charge (lease costs) due to lower units purchased from Kelvin Power.
10. The stands anticipated to be ready for implementation during the year were not ready due to some communities demanding to be employed in excess of the agreed quota which would have negatively affected our budget and/or complaining about the rates of pay as well as the size of the units being constructed
11. The general expenses are over budget mainly due to following: increase in softtware, consulting services, double increase in advertising and printing & stationary

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>CORE</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1,087,829	(43,988)	<b>1,043,841</b>	1,037,727	<b>(6,114)</b>	
Rental facilities and equipment	65,317	62,370	<b>127,687</b>	84,985	<b>(42,702)</b>	1
Interest received	1,027,101	(51,258)	<b>975,843</b>	1,073,389	<b>97,546</b>	
Income from agency services	203,840	1,626	<b>205,466</b>	199,813	<b>(5,653)</b>	
Licences and permits	592	-	<b>592</b>	958	<b>366</b>	2
Transfers recognised - capital contributions	30,261	6,637	<b>36,898</b>	2,842	<b>(34,056)</b>	
Sale of housing stock	-	-	-	6,973	<b>6,973</b>	3
<b>Total revenue from exchange transactions</b>	<b>2,414,940</b>	<b>(24,613)</b>	<b>2,390,327</b>	<b>2,406,687</b>	<b>16,360</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	5,969,165	(100,000)	<b>5,869,165</b>	6,048,825	<b>179,660</b>	
Government grants	6,646,138	202,162	<b>6,848,300</b>	6,669,341	<b>(178,959)</b>	
<b>Transfer revenue</b>						
Fines	370,176	20,040	<b>390,216</b>	320,336	<b>(69,880)</b>	4
Other revenue	950,739	(151,446)	<b>799,293</b>	757,048	<b>(42,245)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>13,936,218</b>	<b>(29,244)</b>	<b>13,906,974</b>	<b>13,795,550</b>	<b>(111,424)</b>	
<b>Total revenue</b>	<b>16,351,158</b>	<b>(53,857)</b>	<b>16,297,301</b>	<b>16,202,237</b>	<b>(95,064)</b>	



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>Expenditure</b>						
Employee Related costs	4,320,621	(21,172)	<b>4,299,449</b>	4,271,763	<b>(27,686)</b>	
Remuneration of councillors	129,119	(13,812)	<b>115,307</b>	110,411	<b>(4,896)</b>	
Depreciation and amortisation	1,231,214	(7,364)	<b>1,223,850</b>	1,385,348	<b>161,498</b>	5
Impairment loss/ Reversal of impairments	-	-	-	51,500	<b>51,500</b>	6
Finance costs	1,536,996	(3,804)	<b>1,533,192</b>	1,478,186	<b>(55,006)</b>	
Allowance for impairment of current receivables	878,121	(227,076)	<b>651,045</b>	785,315	<b>134,270</b>	7
Repairs and maintenance	166,822	6,301	<b>173,123</b>	138,970	<b>(34,153)</b>	8
Contracted Services	1,395,890	89,014	<b>1,484,904</b>	1,174,439	<b>(310,465)</b>	9
Grants and subsidies paid	2,582,043	226,481	<b>2,808,524</b>	2,776,211	<b>(32,313)</b>	
Cost of housing sold	-	-	-	9,856	<b>9,856</b>	
General Expenses	2,067,608	201,829	<b>2,269,437</b>	2,560,500	<b>291,063</b>	10
<b>Total expenditure</b>	<b>14,308,434</b>	<b>250,397</b>	<b>14,558,831</b>	<b>14,742,499</b>	<b>183,668</b>	
<b>Operating surplus</b>	<b>2,042,724</b>	<b>(304,254)</b>	<b>1,738,470</b>	<b>1,459,738</b>	<b>(278,732)</b>	
(Loss) gain on disposal of assets	(3)	(33)	<b>(36)</b>	40,357	<b>40,393</b>	
Fair value adjustments	-	-	-	162,699	<b>162,699</b>	11
	<b>(3)</b>	<b>(33)</b>	<b>(36)</b>	<b>203,056</b>	<b>203,092</b>	
<b>Surplus before taxation</b>	<b>2,042,721</b>	<b>(304,287)</b>	<b>1,738,434</b>	<b>1,662,794</b>	<b>(75,640)</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

Management considers 10% or more of variance as material. A detailed discription of the variances is provided below

Reference:

1. The revenue from licenses and permits increased by 62% in the current financial year due to an increase in applications for trade licenses and resident's permits to open day care centers. This line item is driven by public demand.
2. The revenue from licenses and permits increased by 62% in the current financial year due to an increase in applications for trade licenses and resident's permits to open day care centers. This line item is driven by public demand.
3. The revenue amount from sale housing stock was not budgeted for in the current year. Initially the amount was udgeted for as rental income of which is was later discovered that the units are sold under an instalment sales greement which in terms of the revenue statndard is should be treated as an outright sales when the ISA is effective.
4. The fines income is under budget by 18%. The variance is due to the following: A Service Level Agreement between JMPD and RTMC has not yet been signed and the RTIA have not been complying to the enforcement orders which has resulted in a drop in the payments of fines. The other contributing factor for the decrease in the fine revenue was due to the Post Office strike from February 2013 to April 2013.
5. The depreciation is over budget 13%. The variance was as results of Capitalization of Assets Under Construction in the current year, which are subsequently depreciated depending on the capitalization date.
6. Impairments are accounting entries which are not budgeted for.
7. The debt impairment increased by 22% compare to budget. The variance is due to an increase in the provision for bad debts resulting from an increase in the debtors in the 180 days category which is attributed to the poor current economic conditions.
8. Repairs and maintenance is under budget by 20%. The under spending of the budgeted amount is related to supply chain management delays experienced in the current year in appointing the contractors for various department.
9. The contracted services are under budget by 21%. The under spending is mainly related to delays experienced in the implementation of the BRT project. The other factor was due to general decrease in consultation, expiry of fleet contract and IT costs.
10. The general expenses are over budget by 12% mainly due to the following: Settlement of contingent liability, double increase in advertising and printing & stationary.
11. Fair value adjustments are accounting entries which are not budgeted for.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1. Statement of compliance

#### Basis of Preparation and Presentation

The Group Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) and the Municipal Finance Management Act (MFMA) 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.

### 1.1 Consolidation

#### Basis of consolidation

Consolidated group annual financial statements are the group annual financial statements of the group presented as those of a single entity.

The consolidated group annual financial statements incorporate the group annual financial statements of the core and all controlled entities, including special purpose entities, which are controlled by the core.

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 shareholder loans, are included in the consolidated group 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. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments 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 the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The group annual financial statements of the core and its shareholder loans used in the preparation of the consolidated group annual financial statements are prepared as of the same reporting date.

When the reporting dates of the core and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional group annual financial statements as of the same date as the core unless it is impracticable to do so. When the group annual financial statements of a controlled entity used in the preparation of consolidated group annual financial statements are prepared as of a reporting date different from that of the core, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the core's group annual financial statements. In any case, the difference between the reporting date of the controlled entity and that of the core shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the group annual financial statements of the shareholder loans to bring their accounting policies in line with those of the core.

All 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.1 Consolidation (continued)

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.

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.

Distributions received from an investee reduce the carrying amount of the investment.

The most recent available group 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, group annual financial statements as of the same date as the group annual financial statements of the group unless it is impractical to do so.

When the group 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 group 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.

The group's group annual financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

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 core 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 Standards of GRAP on Financial Instruments 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 the fair value on initial recognition as a financial asset in accordance with the Standards of GRAP on Financial Instruments.

#### Interests in joint ventures

A joint venture is a binding arrangement whereby the group and other parties are committed to undertake an activity that is subject to joint control, that is the agreed sharing of control over an activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.2 Significant judgements and sources of estimation uncertainty

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

Significant judgements include:

#### **Useful lives of waste water, water networks and other non-current assets**

The company's management determines the estimated useful lives and related depreciation charges for the waste water, water networks and other non-current assets. This estimate is based on industry norms. Management will adjust the depreciation charge where the useful lives of these assets have changed from previous estimates. Due to the nature of assets acquired from the City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement, the cost of re-assessing the useful lives of these assets will outweigh the benefits. Furthermore, the impact on the financial statements will be insignificant and therefore management have not re-assessed the useful lives of these assets.

#### **Financial instruments at amortised cost**

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

#### **Allowance for slow moving, damaged and obsolete stock**

Management makes an estimate of the selling price and direct cost to sell to determine the net realisable value of inventory items.

#### **Fair value estimation**

The fair value of financial instruments traded in active markets 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 are 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 cash-generating units and individual 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. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for cash-generating units and individual assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Provisions are raised and management determines an estimate based on the information available.

Provisions are measured at management's 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.

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

#### Expected manner of realisation for deferred tax

Deferred tax is provided for on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 21 – Deferred tax.

#### Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

#### 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.

#### Effective interest rate

The Group uses the CJMM borrowing market rate as a basis for discounting financial instruments.

### 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.3 Investment property (continued)

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.

#### Cost model

##### Initial Recognition

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

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

##### Subsequent Measurement.

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 using the straight-line basis over the useful life of the property, which is as follows:

Item	Useful life
Property - Buildings	30 years

Land is not depreciated.

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.

#### Cost Model.

##### Initial Measurement.

Property, plant and equipment is initially measured at cost.

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 through a non-exchange transaction, its cost is its fair value as at date of acquisition.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.4 Property, plant and equipment (continued)

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.

Subsequent Measurement.

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

Items of Zoo animals are recognised as assets when it is probable that:

- . the company controls the asset as a result of past events;
- . it is probable that future economic benefits or service potential associated with the asset will flow to the company; and
- . the fair value or cost of the asset can be measured reliably.

Animals are accounted for in terms of GRAP 17. The majority of animals are received as donations and transfers from other similar institutions for no consideration or from procreation. These assets are recorded at a deemed cost, and are depreciated accordingly.

Market determined prices or values are not available for certain animals due to lack of market because they are not commodities, as well as restrictions on trade of exotic animals which precludes the determination of a fair value.

The Johannesburg Zoo also acquires animals through supply chain processes and this newly acquired animals are carried at cost less accumulated depreciation and any impairment losses. the offspring of newly acquired animals shall be recorded at a deemed cost and will also be depreciated accordingly.

Property, plant and equipment with the exception of land are depreciated on the straight line basis over their expected useful lives to their estimated residual values as follows:

<b>Item</b>	<b>Average useful life</b>
Buildings	5- 50 years
• Plant and equipment	10 - 85 years
Furniture and fittings	6 - 20 years
Motor vehicles	4 - 17 years
Office equipment	3 - 10 years
Computer equipment	2- 10 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	
• Recreational Facilities	20 - 30 years
• Security	5 years
Other	
• Dogs and horses	5 - 7 years



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.4 Property, plant and equipment (continued)

Bins and containers	5 years
	16 - 36 years
Landfill Site	
Specialised vehicles	
Library books	10 years
Emergency equipment	5 - 15 years
Leasehold improvements	3 -5 years
Zoo animals	
• Amphibia	4- 16 years
• Arachnida	2 - 20 years
• Aves	4 - 64 years
• Mammalia	6 -64 years
• Pisces	1- 35 years
• Reptilia	7 -80 years
• Insecta	4 years
Signage	
Specialised vehicles	
• Buses	10- 30 years
Leased infrastructure	
• Leased property	5 -20 years

### 1.5 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

#### Cost Model..

#### Initial Measurement.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost.

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

#### Subsequent Measurement.

Heritage assets are carried at cost less accumulated impairment losses.

Heritage assets are not depreciated.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.5 Intangible assets (continued)

#### Derecognition

The group derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

#### Transitional provision

The group changed its accounting policy for heritage assets in CORE - 2013. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the group is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts. The transitional provision expires on 30/06/2015.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where heritage assets are acquired through a transfer of functions, the group is not required to measure the heritage assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires in terms of Directive 2, the group need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with.

### 1.6 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.

Cost Model.

#### Initial Recognition.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, 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.

#### Subsequent Recognition.

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.6 Intangible assets (continued)

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.

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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
Computer software, internally generated	indefinite
Computer software	2 - 12 years
Operating software	3 - 7 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.

### 1.7 Investments in Municipal Entities

#### CORE group annual financial statements

In the municipality's separate group 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, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

### 1.8 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.

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

- Amortised cost; and
- Cost.

Financial assets at amortised Cost

Non-derivative financial assets are initially measured at fair value plus any directly attributable transactional costs. Subsequent to initial measurement, these assets are measured at amortised cost using the effective interest rate method, less any impairment losses

Cash and cash equivalents

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.8 Financial instruments (continued)

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.

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.

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 financial asset at amortised costs. 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.

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 method.

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.

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 and 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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.8 Financial instruments (continued)

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.

Other than designated through profit and loss

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.

### 1.9 Tax

#### Current tax assets and liabilities

The tax currently payable is based on taxable income for the year. Taxable income differs from surplus as reported in the statement of financial performance because it includes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible..

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are recognised in net assets if the tax relates to items that are credited or recognised in the same or a different period, to net assets.

### 1.10 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.10 Leases (continued)

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The group recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

#### 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.

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.

#### 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.

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

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, 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 are measured at the lower of cost and net realisable value where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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.

Current replacement cost is the cost the group incurs to acquire the asset on the reporting date.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.11 Inventories (continued)

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the group.

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 or current replacement cost 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 or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Impairment

The municipality assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the asset. If the resulting estimate of the recoverable amount or recoverable service amount is lower than the carrying amount, the asset is written down to the recoverable amount as impairment loss.

The Impairment loss is recognised as an expense.

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years..

A reversal of an impairment loss for an asset shall be recognised immediately in surplus or deficit.

#### **Impairment of cash-generating assets.**

Cash-generating assets are those assets held by the group with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the group; or
- (b) the number of production or similar units expected to be obtained from the asset by the group.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.12 Impairment (continued)

Impairment of non-cash generating asset:

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return:

Non-cash-generating assets are assets other than cash-generating assets

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### 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.

#### Defined benefit plans

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

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



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.13 Employee benefits (continued)

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

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

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

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

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

#### 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.14 Provisions and contingencies (continued)

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 shall 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 27 - 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.

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 arrangement.

After their initial recognition, contingent liabilities recognised in entity 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 but are separately disclosed in note 51.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The group recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

## Notes to the Controlling Entity

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### 1.14 Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the group for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the group considers that an outflow of economic resources is probable, an group recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and .

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.15 Revenue from exchange transactions (continued)

#### Measurement

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

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.

#### 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.

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

- 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.

#### 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.16 Revenue from non-exchange transactions (continued)

The group has two types of fines: Aarto 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.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the group,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

### 1.17 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

### 1.18 Investment income

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

### 1.19 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.19 Borrowing costs (continued)

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.

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 or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.12 and . In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation of borrowing costs are 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.

### 1.20 Translation of foreign currencies

#### Foreign currency transactions

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

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in the statement of financial performance, any exchange component of that gain or loss is recognised in the statement of financial performance.

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

### 1.21 Comparative figures

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

### 1.22 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.22 Unauthorised expenditure (continued)

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 when recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 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.

### 1.24 Irregular expenditure

The Municipality recognises irregular expenditure as defined in section 1 of the MFMA when:-

- (a) expenditure incurred by the municipality is in contravention of, or is not in accordance with, a requirement of this MFMA, and which has not been condoned by National Treasury;
- (b) expenditure incurred by the municipality is in contravention of, or is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality is in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality is in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure..

Irregular expenditure that was incurred and identified during the current financial 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.

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.

### 1.25 Offsetting

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

### 1.26 Internal reserves

#### Capital replacement reserve (CRR)

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.26 Internal reserves (continued)

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.

### 1.27 Gratuities

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

### 1.28 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.

### 1.29 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C, D1 and D2, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The group operates solely in its area of jurisdiction as determined by the Demarcation Board. Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### 1.30 Budget information

Group are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by group shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2012 to 30/06/2013.

The group annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 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 25 - Employee benefits	01 July 2013
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.

### 3. INVENTORIES

Consumable stores	286,502	231,378	59,144	43,763
Spare parts	15,426	20,320	-	-
Water	9,803	8,492	-	-
Housing stock	60,708	70,425	60,708	70,425
Work in progress	6,559	867	-	-
Fuel (Diesel, Petrol)	1,480	3,116	-	-
Bin Liners	1,809	491	-	-
Protective clothing	1,951	1,188	-	-
	<b>384,238</b>	<b>336,277</b>	<b>119,852</b>	<b>114,188</b>
Inventories (write-downs)	(30,028)	(13,503)	-	-
	<b>354,210</b>	<b>322,774</b>	<b>119,852</b>	<b>114,188</b>
Cost of inventories expense	148,176	136,948	14,289	14,273

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>4. LOANS TO MUNICIPAL ENTITIES</b>				
<b>Shareholder loans</b>				
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 17.5% The unsecured loan bears interest at a nominal annual rate of 17.5% (2012 : 17.5%) compounded monthly and are repayable in equal quarterly installments over a period of 10 years, maturing on 30 June 2011.	-	-	581,814	581,814
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.5% The unsecured loan bears interest at a nominal annual rate of 14.5% (2012 : 14.5%) compounded monthly and are repayable in equal quarterly installments over a period of 10 years, maturing on 30 June 2012.	-	-	42,979	42,979
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 15% The unsecured loan bears interest at a nominal annual rate of 15% (2012 : 15%) compounded monthly and are repayable in equal quarterly installments over a period of 10 years, maturing on 30 June 2018.	-	-	303,242	363,894
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 14.5% The unsecured loan bears interest at a nominal annual rate of 14.5% (2012 : 14.5%) compounded monthly and are repayable in equal quarterly installments over a period of 10 years, maturing on 30 June 2018.	-	-	21,708	26,051
	-	-	<b>949,743</b>	<b>1,014,738</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>4. LOANS TO MUNICIPAL ENTITIES (continued)</b>				
<b>Conduit and additional loans</b>				
City of Johannesburg Property Company (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2011	-	-	-	401
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate range = 9.2% to 12.21% Maturity = 30 June 2014 to 30 June 2022	-	-	2,432,285	2,449,771
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% to 10.9% Maturity = 30 June 2014 to 30 June 2018	-	-	62,379	78,864
Johannesburg Water (Pty) Ltd Terms and conditions: Rate range = 9.31% to 10.9% Maturity = 30 June 2014 to 30 June 2022	-	-	2,542,724	2,520,037
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate range = 9% to 12.21% Maturity = 30 June 2014 to 30 June 2023	-	-	153,914	131,516
The Johannesburg Fresh Produce Market (Pty) Ltd Terms and conditions: Rate range = 9% to 10.9% Maturity = 30 June 2014 to 30 June 2022	-	-	175,935	178,916
	-	-	5,367,237	5,359,505
Less impairment of loans to Pikitup Johannesburg (Pty) Ltd	-	-	(153,914)	(131,516)
	-	-	<b>5,213,323</b>	<b>5,227,989</b>

Impairment of loan to Pikitup Johannesburg (Pty) Ltd

The creation of provision for impaired of receivables has been included in operating expenses in the statement of financial performance. Pikitup's loan has been further impaired due to the fact that Pikitup has just been servicing the interest and has not repaid any capital in the past 12 months.

Non-current assets	-	-	5,256,977	5,436,953
Current assets	-	-	906,089	805,774
	-	-	<b>6,163,066</b>	<b>6,242,727</b>

### Reconciliation of provision for impairment of loans to municipal entities

Opening balance	-	-	359,150	241,947
Additional impairment	-	-	29,102	122,165
Reversal	-	-	-	(4,962)
	-	-	<b>388,252</b>	<b>359,150</b>

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance. Pikitup only pays interest and does not pay capital.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>5. OTHER FINANCIAL ASSETS</b>				
<b>At amortised cost</b>				
Other financial asset	195,738	575,280	195,738	575,280
Housing Selling scheme loans	29,979	24,210	29,979	24,210
Other loans and receivables	99,540	94,978	99,540	94,978
	129,519	119,188	325,257	694,468
Loans and receivables - Impairments	(2,089)	(2,089)	(2,089)	(2,089)
	<b>323,168</b>	<b>692,379</b>	<b>323,168</b>	<b>692,379</b>
<b>Non-current assets</b>				
At amortised cost	284,317	429,209	284,317	429,209
<b>Current assets</b>				
At amortised cost	38,851	263,170	38,851	263,170

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>6. FINANCE LEASE RECEIVABLES</b>				
<b>Gross investment in the lease due</b>				
- within one year	-	-	47,255	37,469
- in second to fifth year inclusive	-	-	90,409	84,954
- later than five years	-	-	48,904	31,408
	-	-	186,568	153,831
less: Unearned finance revenue	-	-	(37,967)	(29,967)
	-	-	<b>148,601</b>	<b>123,864</b>
Non-current assets	-	-	114,116	97,275
Current assets	-	-	34,485	26,589
	-	-	<b>148,601</b>	<b>123,864</b>

The unguaranteed future values of assets leased under finance lease at the end of the reporting period amount to R 36,648 mil (2012: R 26,411 mil).

COJ has entered into a Financial lease on 1 March 2012 with the MOEs for specialised vehicles. The interest rate implicit on the agreement is 10%

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>7. TRADE AND OTHER RECEIVABLES</b>				
<b>Loans and receivables</b>				
Accrued VAT	172,038	127,825	172,038	128,182
Housing debtors	18,914	1,879	18,908	1,887
Insurance debtor	53,031	45,530	49,611	45,186
Kelvin power	67,629	62,136	67,629	62,136
Operating lease receivables	14,770	8,807	14,229	7,547
Related party debtors	-	-	1,113,632	408,277
Sundry debtors	765,679	470,302	422,299	331,669
Trade debtors	107,365	143,344	-	-
	<b>1,199,426</b>	<b>859,823</b>	<b>1,858,346</b>	<b>1,001,905</b>
<b>Other receivables</b>				
Deposits	21,698	27,669	-	-
Fruitless and wasteful expenditure to be investigated	17,930	14,543	6,200	5,769
Prepayments	48,614	60,542	7,842	16,533
	<b>88,242</b>	<b>102,754</b>	<b>14,042</b>	<b>22,302</b>
<b>Total trade and other receivables</b>	<b>1,287,668</b>	<b>962,746</b>	<b>1,872,388</b>	<b>1,007,186</b>
<b>8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>				
Government grants and subsidies	-	46,580	-	46,580
Other receivables from non-exchange revenue	8,421	8,626	-	-
	<b>8,421</b>	<b>55,206</b>	<b>-</b>	<b>46,580</b>
<b>9. VAT</b>				
Receivable	154,008	121,433	143,845	104,381
Payable	(577,670)	(695,245)	-	-
	<b>(423,662)</b>	<b>(573,812)</b>	<b>143,845</b>	<b>104,381</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>10. CONSUMER DEBTORS</b>				
<b>Gross balances</b>				
Rates	5,342,159	4,584,666	5,342,159	4,584,666
Electricity	5,678,416	5,809,027	-	-
Water	7,067,128	7,269,345	-	-
Refuse	850,840	681,147	588,683	476,668
Housing rental	341,676	298,101	341,676	298,101
	<b>19,280,219</b>	<b>18,642,286</b>	<b>6,272,518</b>	<b>5,359,435</b>
<b>Less: Allowance for impairment</b>				
Rates	(4,516,998)	(3,943,341)	(4,516,998)	(3,943,341)
Electricity	(3,560,880)	(3,234,086)	-	-
Water	(5,378,797)	(5,360,647)	-	-
Refuse	(724,681)	(538,020)	(529,012)	(379,621)
Housing rental	(326,127)	(284,394)	(326,127)	(284,394)
	<b>(14,507,483)</b>	<b>(13,360,488)</b>	<b>(5,372,137)</b>	<b>(4,607,356)</b>
<b>Net balance</b>				
Rates	825,161	641,325	825,161	641,325
Electricity	2,117,536	2,574,941	-	-
Water	1,688,331	1,908,698	-	-
Refuse	126,159	143,127	59,671	97,047
Housing rental	15,549	13,707	15,549	13,707
	<b>4,772,736</b>	<b>5,281,798</b>	<b>900,381</b>	<b>752,079</b>
Current Assets	4,736,253	5,236,407	863,898	706,688
Non-Current Assets	36,483	45,391	36,483	45,391
	<b>4,772,736</b>	<b>5,281,798</b>	<b>900,381</b>	<b>752,079</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>10. CONSUMER DEBTORS (continued)</b>				
<b>Rates</b>				
Current (0 - 30 days)	846,759	911,264	846,759	911,264
31 - 60 days	216,834	253,924	216,834	253,924
61 - 90 days	196,224	153,860	196,224	153,860
91 - 120 days	181,092	171,472	181,092	171,472
121 - 365 days	883,128	710,480	883,128	710,480
> 365 days	3,018,122	2,383,666	3,018,122	2,383,666
	<b>5,342,159</b>	<b>4,584,666</b>	<b>5,342,159</b>	<b>4,584,666</b>
<b>Electricity</b>				
Current (0 - 30 days)	1,904,623	1,953,509	-	-
31 - 60 days	347,489	524,031	-	-
61 - 90 days	201,918	283,594	-	-
91 - 120 days	235,694	232,582	-	-
121 - 365 days	949,608	190,797	-	-
> 365 days	2,039,084	2,624,514	-	-
	<b>5,678,416</b>	<b>5,809,027</b>	-	-
<b>Water</b>				
Current (0 - 30 days)	1,031,508	1,434,137	-	-
31 - 60 days	377,203	290,971	-	-
61 - 90 days	279,620	183,590	-	-
91 - 120 days	249,407	241,808	-	-
121 - 365 days	1,204,111	1,102,901	-	-
> 365 days	3,925,279	4,015,938	-	-
	<b>7,067,128</b>	<b>7,269,345</b>	-	-
<b>Refuse</b>				
Current (0 - 30 days)	50,873	63,885	25,963	44,243
31 - 60 days	49,112	42,001	34,194	35,128
61 - 90 days	35,019	31,261	26,761	25,677
91 - 120 days	39,440	36,768	31,344	30,712
121 - 365 days	347,917	297,978	141,942	131,654
> 365 days	328,479	209,254	328,479	209,254
	<b>850,840</b>	<b>681,147</b>	<b>588,683</b>	<b>476,668</b>
<b>Housing rental</b>				
Current (0 - 30 days)	4,121	3,696	4,121	3,696
31 - 60 days	4,281	3,412	4,281	3,412
61 - 90 days	3,944	3,329	3,944	3,329
91 - 120 days	3,897	3,289	3,897	3,289
121 - 365 days	17,692	25,714	17,692	25,714
> 365 days	307,741	258,661	307,741	258,661
	<b>341,676</b>	<b>298,101</b>	<b>341,676</b>	<b>298,101</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>10. CONSUMER DEBTORS (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Consumers</b>				
Current (0 - 30 days)	1,520,482	2,348,635	608,639	485,652
31 - 60 days	497,136	567,196	168,361	245,601
61 - 90 days	357,092	338,200	137,496	156,433
91 - 120 days	389,867	402,971	143,019	171,184
121 - 365 days	1,905,377	1,652,050	725,632	535,787
> 365 days	6,400,540	5,833,822	2,612,015	1,921,337
	<b>11,070,494</b>	<b>11,142,874</b>	<b>4,395,162</b>	<b>3,515,994</b>
Less: Allowance for impairment	(8,999,464)	(8,562,992)	(3,763,332)	(3,048,712)
	<b>2,071,030</b>	<b>2,579,882</b>	<b>631,830</b>	<b>467,282</b>
<b>Consumers - Past due and impaired</b>				
Current (0 - 30 days)	277,930	422,845	150,996	272,081
31 - 60 days	235,036	249,277	151,758	150,365
61 - 90 days	127,389	101,397	123,962	97,327
91 - 120 days	367,314	337,800	128,929	106,014
121 - 365 days	1,770,910	1,650,127	662,059	533,865
> 365 days	6,220,885	5,801,546	2,545,628	1,889,060
	<b>8,999,464</b>	<b>8,562,992</b>	<b>3,763,332</b>	<b>3,048,712</b>
<b>Consumers - Past due and not impaired</b>				
Current (0 - 30 days)	1,242,551	1,925,790	457,643	213,571
31 - 60 days	262,099	317,919	16,603	95,236
61 - 90 days	229,704	236,802	13,535	59,106
91 - 120 days	22,554	65,171	14,090	65,171
121 - 365 days	134,466	1,923	63,573	1,922
> 365 days	179,656	32,277	66,386	32,276
	<b>2,071,030</b>	<b>2,579,882</b>	<b>631,830</b>	<b>467,282</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>10. CONSUMER DEBTORS (continued)</b>				
<b>Industrial/ commercial</b>				
Current (0 - 30 days)	2,268,174	2,538,074	266,834	495,872
31 - 60 days	423,562	288,477	35,115	43,877
61 - 90 days	306,316	177,133	52,853	23,043
91 - 120 days	254,013	222,777	25,954	30,359
121 - 365 days	1,190,985	985,375	213,209	99,886
> 365 days	3,085,274	2,916,464	1,191,803	1,061,776
	<b>7,528,324</b>	<b>7,128,300</b>	<b>1,785,768</b>	<b>1,754,813</b>
Less: Allowance for impairment	(5,021,030)	(4,565,229)	(1,530,442)	(1,479,603)
	<b>2,507,294</b>	<b>2,563,071</b>	<b>255,326</b>	<b>275,210</b>
<b>Industrial/ commercial - Past due and impaired</b>				
Current (0 - 30 days)	155,788	358,444	69,377	298,103
31 - 60 days	47,486	36,314	31,252	26,378
61 - 90 days	58,736	21,363	47,039	13,853
91 - 120 days	248,781	209,907	23,099	18,250
121 - 365 days	1,201,783	933,127	189,191	61,243
> 365 days	3,308,456	3,006,074	1,170,484	1,061,776
	<b>5,021,030</b>	<b>4,565,229</b>	<b>1,530,442</b>	<b>1,479,603</b>
<b>Industrial/ commercial - Past due and not impaired</b>				
Current (0 - 30 days)	1,392,019	2,090,020	197,457	197,769
31 - 60 days	169,253	252,163	3,863	17,499
61 - 90 days	141,120	155,770	5,814	9,190
91 - 120 days	3,821	12,869	2,855	12,108
121 - 365 days	48,367	52,249	24,018	38,644
> 365 days	752,714	-	21,319	-
	<b>2,507,294</b>	<b>2,563,071</b>	<b>255,326</b>	<b>275,210</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>10. CONSUMER DEBTORS (continued)</b>				
<b>National and provincial government</b>				
Current (0 - 30 days)	43,741	79,895	(4,117)	4,196
31 - 60 days	26,240	23,239	3,853	2,985
61 - 90 days	21,164	16,040	4,426	3,389
91 - 120 days	20,545	18,204	2,255	3,931
121 - 365 days	215,736	59,369	13,565	9,834
> 365 days	353,975	174,365	71,606	64,293
	<b>681,401</b>	<b>371,112</b>	<b>91,588</b>	<b>88,628</b>
Less: Allowance for impairment	(486,989)	(232,267)	(78,363)	(79,041)
	<b>194,412</b>	<b>138,845</b>	<b>13,225</b>	<b>9,587</b>
<b>National and provincial government - Past due and impaired</b>				
Current (0 - 30 days)	(1,044)	2,658	(1,070)	2,522
31 - 60 days	1,553	1,856	1,503	1,795
61 - 90 days	1,813	2,120	1,725	2,038
91 - 120 days	13,606	12,673	879	2,363
121 - 365 days	173,457	47,996	5,152	6,029
> 365 days	297,604	164,964	70,174	64,294
	<b>486,989</b>	<b>232,267</b>	<b>78,363</b>	<b>79,041</b>
<b>National and provincial government - Past due and not impaired</b>				
Current (0 - 30 days)	44,788	77,236	(3,047)	1,673
31 - 60 days	24,687	21,384	2,350	1,191
61 - 90 days	19,350	13,921	2,700	1,352
91 - 120 days	6,939	5,531	1,376	1,568
121 - 365 days	42,279	11,371	8,413	3,803
> 365 days	56,369	9,402	1,433	-
	<b>194,412</b>	<b>138,845</b>	<b>13,225</b>	<b>9,587</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>10. CONSUMER DEBTORS (continued)</b>				
<b>Total</b>				
Current (0 -30 days)	3,832,397	4,966,604	871,356	985,720
31 - 60 days	946,938	878,912	207,329	292,463
61 - 90 days	684,572	531,373	194,775	182,865
91 - 120 days	664,425	643,952	171,228	205,474
121 - 365 days	3,312,098	2,696,794	952,406	645,507
> 365 days	9,839,789	8,924,651	3,875,424	3,047,406
	<b>19,280,219</b>	<b>18,642,286</b>	<b>6,272,518</b>	<b>5,359,435</b>
Less: Allowance for impairment	(14,507,483)	(13,360,488)	(5,372,137)	(4,607,356)
	<b>4,772,736</b>	<b>5,281,798</b>	<b>900,381</b>	<b>752,079</b>
<b>Less: Provision for debt impairment</b>				
Current (0 - 30 days)	432,674	783,947	219,303	572,706
31 - 60 days	284,075	287,447	184,513	178,538
61 - 90 days	187,938	124,880	172,726	113,218
91 - 120 days	629,701	560,380	152,907	126,627
121 - 365 days	3,146,150	2,631,250	856,402	601,137
> 365 days	9,826,945	8,972,584	3,786,286	3,015,130
	<b>14,507,483</b>	<b>13,360,488</b>	<b>5,372,137</b>	<b>4,607,356</b>
<b>Total debtor past due but not impaired</b>				
Current (0 - 30 days)	2,679,358	4,093,046	652,053	413,013
31 - 60 days	456,039	591,466	22,816	113,926
61 - 90 days	390,174	406,493	22,049	69,648
91 - 120 days	33,314	83,571	18,321	78,847
121 - 365 days	225,112	65,543	96,004	44,369
> 365 days	988,739	41,679	89,138	32,276
	<b>4,772,736</b>	<b>5,281,798</b>	<b>900,381</b>	<b>752,079</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	(13,360,488)	(11,432,520)	(4,607,356)	(4,229,402)
Contributions to allowance	(2,477,348)	(2,191,143)	(764,781)	(377,954)
Debt impairment written off against allowance	1,332,906	263,189	-	-
Reversal of allowance	(2,553)	(14)	-	-
<b>Balance at the end of the year</b>	<b>(14,507,483)</b>	<b>(13,360,488)</b>	<b>(5,372,137)</b>	<b>(4,607,356)</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>11. OTHER FINANCIAL ASSETS AT FAIR VALUE</b>				
The total investments pledged as collateral for CJMM Bonds				
The investments pledged as collateral cannot be sold until the related liability is settled in full.				
The Terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.				
ABSA Sinking Fund Maturity - 30.06.2026				
<b>Other financial assets through profit or loss</b>				
Bonds	1,328,965	1,069,290	1,328,965	1,069,290
Floating rate notes	514,482	378,242	514,482	378,242
FRA	4,774	7,976	4,774	7,976
Swaps	587,926	614,036	587,926	614,036
<b>Non-Current Assets</b>	<b>2,436,147</b>	<b>2,069,544</b>	<b>2,436,147</b>	<b>2,069,544</b>
<b>Other financial liabilities through profit or loss</b>				
FRA	11,381	12,603	11,381	12,603
Swaps	405,365	331,603	405,365	331,603
Amort swaps	47,295	-	47,295	-
<b>Non-Current Liabilities</b>	<b>464,041</b>	<b>344,206</b>	<b>464,041</b>	<b>344,206</b>
<b>Net Non-Current Assets</b>	<b>1,972,106</b>	<b>1,725,338</b>	<b>1,972,106</b>	<b>1,725,338</b>
<b>Other financial assets through profit or loss</b>				
Bonds	959,525	1,980,399	959,525	1,980,399
Bond repos	1,487,263	1,756,254	1,487,263	1,756,254
Floating rate repos	65,609	101,932	65,609	101,932
Cash	-	-	69,881	62,079
Cash collateral	-	-	5,018	-
FRA	57,178	87,268	57,178	87,268
Swaps	8,690	-	8,690	-
<b>Current Assets</b>	<b>2,578,265</b>	<b>3,925,853</b>	<b>2,653,164</b>	<b>3,987,932</b>
<b>Other financial liabilities through profit or loss</b>				
Bonds	1,489,192	1,727,981	1,489,192	1,727,981
Bond repos	420,579	1,410,305	420,579	1,410,305
Cash collateral	-	-	75,313	-
FRA	30,495	43,134	30,495	43,134
Swaps	18,221	-	18,221	-
<b>Current Liabilities</b>	<b>1,958,487</b>	<b>3,181,420</b>	<b>2,033,800</b>	<b>3,181,420</b>
<b>Net Current Assets</b>	<b>619,778</b>	<b>744,433</b>	<b>619,364</b>	<b>806,512</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>11. OTHER FINANCIAL ASSETS AT FAIR VALUE (continued)</b>				
<b>Financial assets carried at fair value through profit or loss</b>				
Derivatives designated and effective as hedging instruments carried at fair value	1,313,559	1,251,534	1,313,559	1,251,534
Held for trading non-derivative financial assets	3,775,752	4,805,942	3,775,752	4,805,942
	<b>5,089,311</b>	<b>6,057,476</b>	<b>5,089,311</b>	<b>6,057,476</b>
<b>Financial liabilities carried at fair value through profit or loss</b>				
Derivatives designated and effective as hedging instruments carried at fair value	512,757	387,339	512,757	387,339
Held for trading non-derivative financial liabilities	1,985,084	3,138,286	1,985,084	3,138,286
	<b>2,497,841</b>	<b>3,525,625</b>	<b>2,497,841</b>	<b>3,525,625</b>

### Cash Collateral

Money is pledged as collateral as part of the ISDA agreement for the various interest rates swaps entered into with other municipal entities as counterparties.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>12. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents consist of:				
Cash on hand	5,688	579	5,122	106
Bank balances	1,338,347	760,914	1,143,210	576,295
Short-term deposits	10,797	7,182	-	-
Call investment deposits	4,045,187	1,466,116	4,045,187	1,466,116
Other cash and cash equivalents	1,291	1,244	-	-
	<b>5,401,310</b>	<b>2,236,035</b>	<b>5,193,519</b>	<b>2,042,517</b>

### Call investment deposits

Call Deposits STD Bank Rating - (F1+)			1,273	1,217
Fixed Deposits STD Bank Rating - (F1+)			348,000	-
Fixed Deposits ABSA Rating - (F1+)			103,129	850
Call Deposits ABSA Rating - (F1+)			1,088	163,447
Call Deposits RMB Rating - (F1+)			1,000	1,205
Fixed Deposits RMB Rating - (F1+)			382,200	-
Call Deposits INVESTEC Rating - (F1)			31,428	68,642
Fixed Deposits INVESTEC Rating - (F1)			957,300	208,100
Call Deposits NEDCOR Rating - (F1+)			442,690	33,364
Fixed Deposits NEDCOR Rating - (F1+)			510,000	-
Call Deposits CITY BANK Rating - (F1)			253,906	5,679
Fixed Deposits CITY BANK Rating - (F1+)			90,000	330,000
Call Deposits DEUTSCHE BANK Rating - (F1+)			1,500	1,144
Fixed Deposits DEUTSCHE BANK Rating - (F1+)			340,000	320,000
Call Deposits TCTA Rating - (None)			40,000	11,047
Call Deposits LANDBANK Rating - (F1+)			1,050	31,187
Stanlib Call Investment Rating - (F1+)			540,623	290,234
			<b>4,045,187</b>	<b>1,466,116</b>

All fixed deposits mature during July and August 2013.

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

Underwriting of COID reserve	72,000	66,000	72,000	66,000
Capital replacement reserve	98,002	11,142	98,002	11,142
	<b>170,002</b>	<b>77,142</b>	<b>170,002</b>	<b>77,142</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 13. ZOO ANIMALS

GROUP	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	18,824	(1,952)	16,872	19,552	(1,674)	17,878

#### Reconciliation of zoo animals - GROUP - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Zoo animals	17,878	766	(1,352)	(420)	16,872

#### Reconciliation of zoo animals - GROUP - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Zoo animals	18,675	39	-	(836)	17,878

#### Non - Financial information

##### Quantities of each biological asset

Amphibia	249	287	-	-
Arachnida	12	12	-	-
Aves	586	628	-	-
Insecta	-	4	-	-
Mamalia	721	674	-	-
Pisces	99	164	-	-
Reptilia	188	190	-	-
	<b>1,855</b>	<b>1,959</b>	-	-



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP			CORE		
	2013	2012		2013	2012	
<b>14. INVESTMENT PROPERTY</b>						
GROUP	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,452,804	(124,981)	1,327,823	1,428,594	(116,493)	1,312,101
CORE	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,338,853	(55,096)	1,283,757	1,308,292	(42,871)	1,265,421

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 14. INVESTMENT PROPERTY (continued)

#### Reconciliation of investment property - GROUP - 2013

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	1,312,101	234	(256)	27,992	(23)	(12,225)	1,327,823

#### Reconciliation of investment property - GROUP - 2012

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	1,306,104	26,390	(8,226)	-	(23)	(12,144)	1,312,101

#### Reconciliation of investment property - CORE - 2013

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	1,265,421	234	(256)	30,583	-	(12,225)	1,283,757

#### Reconciliation of investment property - CORE - 2012

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	1,259,307	26,235	(8,226)	-	-	(11,895)	1,265,421

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>14. INVESTMENT PROPERTY (continued)</b>				
<b>Fair value</b>				
CORE	2,132,900	2,132,900	2,132,900	2,132,900
The Johannesburg Fresh Produce Market (Pty) Ltd	13,356	12,424	-	-
Metropolitan Trading Company (Pty) Ltd	-	55,152	-	-
	<b>2,146,256</b>	<b>2,200,476</b>	<b>2,132,900</b>	<b>2,132,900</b>

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.

The Johannesburg Fresh Produce Market (Pty) Ltd

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

Investment property that was purchased from The City of Johannesburg Metropolitan Municipality, in terms of the sale of business agreement, dated 03 July 2000, has not yet been transferred into the name of the entity due to the absence of a framework provided by Section 14(6) of the Municipal Finance Management Act 2003. National Treasury has been engaged by The City of Johannesburg Metropolitan Municipality with the aim of resolving the matter.

### 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 R1025 (million) (2012: R1,424 (million)).

Expenditure incurred during the year on investment property amounted to Rnil (2012:RNil).

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 15. PROPERTY, PLANT AND EQUIPMENT

GROUP	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7,253,125	-	7,253,125	7,175,575	-	7,175,575
Buildings	11,709,567	(2,766,665)	8,942,902	10,941,682	(2,426,256)	8,515,426
Plant and machinery	10,059,651	(1,881,325)	8,178,326	8,935,054	(1,521,995)	7,413,059
Furniture and fixtures	467,561	(309,804)	157,757	488,500	(289,913)	198,587
Motor vehicles	233,745	(42,230)	191,515	99,871	(16,655)	83,216
Office equipment	684,663	(532,089)	152,574	660,657	(482,915)	177,742
Computer equipment	188,013	(124,660)	63,353	218,643	(122,294)	96,349
Infrastructure	9,366,148	(2,297,583)	7,068,565	8,722,055	(2,236,223)	6,485,832
Community	843,762	(343,831)	499,931	734,084	(297,251)	436,833
Other	6,111	(5,596)	515	6,183	(5,481)	702
Bins and containers	236,680	(190,815)	45,865	225,423	(183,909)	41,514
Work in progress	4,158,622	-	4,158,622	3,942,827	(6,173)	3,936,654
Communication equipment	13,637	(10,633)	3,004	13,070	(9,683)	3,387
Fare collection equipment	12,211	(11,793)	418	12,239	(11,450)	789
Finance lease assets	30,994	(18,021)	12,973	30,792	(9,510)	21,282
Laboratory equipment	34,838	(17,921)	16,917	23,337	(15,963)	7,374
Minor plant	88,741	(65,522)	23,219	82,957	(57,607)	25,350
Signage	5,700	(2,918)	2,782	4,792	(2,764)	2,028
Spare parts	1,314	-	1,314	1,521	-	1,521
Specialised vehicles	602,947	(221,912)	381,035	1,030,174	(486,459)	543,715
Stage equipment	6,639	(4,668)	1,971	5,518	(4,049)	1,469
Tools and loose gear	3,089	(2,080)	1,009	2,902	(1,789)	1,113
Wastewater network	1,659,946	(148,052)	1,511,894	1,492,242	(127,213)	1,365,029
Water network	3,078,663	(357,873)	2,720,790	2,987,276	(325,025)	2,662,251
Library books	621,019	(567,915)	53,104	620,729	(554,365)	66,364
Emergency equipment.	26,015	(12,761)	13,254	26,506	(13,274)	13,232
<b>Total</b>	<b>51,393,401</b>	<b>(9,936,667)</b>	<b>41,456,734</b>	<b>48,484,609</b>	<b>(9,208,216)</b>	<b>39,276,393</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 15. PROPERTY, PLANT AND EQUIPMENT (continued)

CORE	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7,186,216	-	7,186,216	7,116,497	-	7,116,497
Buildings	10,445,634	(2,214,951)	8,230,683	9,805,184	(1,904,721)	7,900,463
Plant and equipment	235,731	(139,569)	96,162	201,396	(112,576)	88,820
Furniture and fittings	390,688	(268,837)	121,851	404,925	(250,855)	154,070
Motor vehicles	99,848	(4,955)	94,893	4,303	(4,068)	235
Office equipment	629,280	(495,743)	133,537	613,277	(456,332)	156,945
Infrastructure	8,832,277	(2,115,966)	6,716,311	8,197,614	(2,120,045)	6,077,569
Community	843,762	(343,831)	499,931	734,084	(297,251)	436,833
Other	717	(533)	184	731	(469)	262
Bins and containers	10,332	(5,489)	4,843	9,838	(4,630)	5,208
Work in progress	2,278,470	-	2,278,470	2,644,659	-	2,644,659
Specialised vehicles	350,801	(116,515)	234,286	752,078	(367,203)	384,875
Library books	621,019	(567,915)	53,104	620,729	(554,365)	66,364
Emergency equipment	26,015	(12,761)	13,254	26,461	(13,245)	13,216
<b>Total</b>	<b>31,950,790</b>	<b>(6,287,065)</b>	<b>25,663,725</b>	<b>31,131,776</b>	<b>(6,085,760)</b>	<b>25,046,016</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 15. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of property, plant and equipment - GROUP - 2013

	Opening balance	Additions	Unbundling of land	Disposals	Transfers	Developer funded network	Depreciation	Impairment loss	Total
Land	7,175,575	11,964	26,068	(42,067)	81,585	-	-	-	7,253,125
Buildings	8,515,426	45,820	-	(3,224)	729,527	-	(344,647)	-	8,942,902
Plant and equipment	7,413,059	71,548	-	(9,806)	1,063,117	-	(359,592)	-	8,178,326
Furniture and fittings	198,587	23,976	9	(7,709)	(8,574)	-	(48,532)	-	157,757
Motor vehicles	83,216	135,113	-	(107)	(119)	-	(26,588)	-	191,515
Office equipment	177,742	67,612	20	(2,652)	(1,002)	-	(89,146)	-	152,574
Computer equipment	96,349	20,718	-	(405)	(18,273)	-	(35,036)	-	63,353
Infrastructure	6,485,832	278,615	-	(60,138)	935,875	-	(571,619)	-	7,068,565
Community	436,833	33,314	-	(316)	77,077	-	(46,977)	-	499,931
Other	702	4	-	(1)	-	-	(190)	-	515
Bins and containers	41,514	19,035	-	(10)	370	-	(15,044)	-	45,865
Work in progress	3,936,654	3,130,973	-	-	(2,909,005)	-	-	-	4,158,622
Communication equipment	3,387	567	-	-	-	-	(950)	-	3,004
Fare collection equipment	789	-	-	-	-	-	(371)	-	418
Finance lease assets	21,282	863	-	(21)	1	-	(9,152)	-	12,973
Laboratory equipment	7,374	6,192	-	-	6,178	-	(2,827)	-	16,917
Minor plant	25,350	4,614	-	(17)	1,081	-	(7,809)	-	23,219
Signage	2,028	908	-	-	-	-	(154)	-	2,782
Spare parts	1,521	-	-	(207)	-	-	-	-	1,314
Specialised vehicles	543,715	17,932	-	(99,151)	-	-	(78,964)	(2,497)	381,035
Stage equipment	1,469	260	-	-	474	-	(232)	-	1,971
Tools and loose gear	1,113	197	-	(2)	-	-	(299)	-	1,009
Wastewater network	1,365,029	10,806	-	(213)	15,998	141,740	(17,634)	(3,832)	1,511,894
Water network	2,662,251	53,965	-	(14,686)	18,272	61,488	(56,827)	(3,673)	2,720,790
Library books	66,364	290	-	-	-	-	(13,550)	-	53,104
Emergency equipment	13,232	3,953	-	(1,124)	(12)	-	(2,795)	-	13,254
	<b>39,276,393</b>	<b>3,939,239</b>	<b>26,097</b>	<b>(241,856)</b>	<b>(7,430)</b>	<b>203,228</b>	<b>(1,728,935)</b>	<b>(10,002)</b>	<b>41,456,734</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 15. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of property, plant and equipment - GROUP - 2012

	Opening balance	Additions	Unbundling of land	Disposals	Transfers	Developer funded network	Depreciation	Impairment loss	Total
Land	6,939,555	138,440	115,380	(56,102)	38,302	-	-	-	7,175,575
Buildings	8,461,623	70,435	-	(1,362)	299,579	-	(314,849)	-	8,515,426
Plant and machinery	7,291,724	408,345	-	(20,169)	10,819	-	(277,635)	(25)	7,413,059
Furniture and fixtures	228,439	16,382	-	(2,658)	816	-	(45,097)	705	198,587
Motor vehicles	7,136	85,095	-	(219)	21	-	(8,817)	-	83,216
Office equipment	190,063	74,727	-	(2,008)	4,545	-	(89,585)	-	177,742
Computer equipment	99,567	21,090	-	(4,453)	4,995	-	(24,845)	(5)	96,349
Infrastructure	5,814,542	336,520	-	-	851,372	-	(516,602)	-	6,485,832
Community	434,563	6,731	-	(87)	42,996	-	(47,370)	-	436,833
Other	829	205	-	(9)	-	-	(323)	-	702
Bins and containers	45,858	6,823	-	21	-	-	(11,188)	-	41,514
Work in progress	3,533,909	1,883,749	-	-	(1,474,831)	-	-	(6,173)	3,936,654
Communication equipment	3,460	708	-	-	377	-	(1,158)	-	3,387
Fare collection equipment	1,156	-	-	-	-	-	(367)	-	789
Finance lease assets	6,137	20,965	-	(272)	-	-	(5,548)	-	21,282
Laboratory equipment	6,539	2,925	-	-	40	-	(2,130)	-	7,374
Minor plant	30,746	3,991	-	(76)	882	-	(10,193)	-	25,350
Signage	1,795	400	-	-	-	-	(167)	-	2,028
Spare parts	1,361	160	-	-	-	-	-	-	1,521
Specialised vehicles	750,499	70,489	-	(98,774)	(33,169)	-	(145,330)	-	543,715
Stage equipment	1,858	111	-	-	-	-	(500)	-	1,469
Tools and loose gear	1,434	131	-	(21)	-	-	(431)	-	1,113
Wastewater network	1,228,781	18,657	-	-	27,935	106,428	(16,772)	-	1,365,029
Water network	2,251,443	192,313	-	-	187,645	85,844	(54,994)	-	2,662,251
Library books	77,339	3,591	-	-	-	-	(14,566)	-	66,364
Emergency equipment	14,708	465	-	(50)	-	-	(1,891)	-	13,232
	<b>37,425,064</b>	<b>3,363,448</b>	<b>115,380</b>	<b>(186,239)</b>	<b>(37,676)</b>	<b>192,272</b>	<b>(1,590,358)</b>	<b>(5,498)</b>	<b>39,276,393</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 15. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of property, plant and equipment - CORE - 2013

	Opening balance	Additions	Unbundling of assets	Disposals	Transfers	Depreciation	Total
Land	7,116,497	11,707	26,068	(42,067)	74,011	-	7,186,216
Buildings	7,900,463	18,345	-	(3,224)	626,481	(311,382)	8,230,683
Plant and equipment	88,820	33,513	-	(346)	4,148	(29,973)	96,162
Furniture and fittings	154,070	11,443	9	(7,605)	5,470	(41,536)	121,851
Motor vehicles	235	96,354	-	(19)	6	(1,683)	94,893
Office equipment	156,945	61,276	20	(2,486)	(363)	(81,855)	133,537
Infrastructure	6,077,569	269,186	-	(50)	935,875	(566,269)	6,716,311
Community	436,833	33,314	-	(316)	77,077	(46,977)	499,931
Other	262	4	-	(1)	-	(81)	184
Bins and containers	5,208	155	-	(10)	370	(880)	4,843
Work in progress	2,644,659	1,368,007	-	-	(1,734,196)	-	2,278,470
Specialised vehicles	384,875	-	-	(98,241)	-	(52,348)	234,286
Library books	66,364	290	-	-	-	(13,550)	53,104
Emergency equipment	13,216	3,953	-	(1,124)	-	(2,791)	13,254
	<b>25,046,016</b>	<b>1,907,547</b>	<b>26,097</b>	<b>(155,489)</b>	<b>(11,121)</b>	<b>(1,149,325)</b>	<b>25,663,725</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 15. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of property, plant and equipment - CORE - 2012

	Opening balance	Additions	Unbundling of assets	Disposals	Transfers	Depreciation	Total
Land	6,880,477	138,440	115,380	(56,102)	38,302	-	7,116,497
Buildings	7,876,271	39,040	-	(1,262)	273,050	(286,636)	7,900,463
Plant and equipment	106,434	1,522	-	(25)	8,211	(27,322)	88,820
Furniture and fittings	184,270	10,271	-	(1,898)	12	(38,585)	154,070
Motor vehicles	379	-	-	-	-	(144)	235
Office equipment	169,273	69,735	-	(1,659)	3,418	(83,822)	156,945
Infrastructure	5,684,583	45,295	-	-	851,372	(503,681)	6,077,569
Community	434,563	6,731	-	(87)	42,996	(47,370)	436,833
Other	156	204	-	(9)	-	(89)	262
Bins and containers	6,086	-	-	21	-	(899)	5,208
Work in progress	2,472,619	1,390,647	-	-	(1,218,607)	-	2,644,659
Specialised vehicles	599,894	31,210	-	(97,495)	(33,169)	(115,565)	384,875
Library books	77,339	3,591	-	-	-	(14,566)	66,364
Emergency equipment	14,683	470	-	(50)	-	(1,887)	13,216
	<b>24,507,027</b>	<b>1,737,156</b>	<b>115,380</b>	<b>(158,566)</b>	<b>(34,415)</b>	<b>(1,120,566)</b>	<b>25,046,016</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

GROUP	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	46,364	-	46,364	46,364	-	46,364
Office equipment	166,597	(148,709)	17,888	156,371	(129,183)	27,188
Soccer city	3,138	-	3,138	3,138	-	3,138
BRT Busses	363,701	(102,935)	260,766	363,701	(72,627)	291,074
Leasehold property	543	(450)	93	1,545	(513)	1,032
Leasehold improvements	14,739	(6,424)	8,315	14,553	(4,782)	9,771
<b>Total</b>	<b>595,082</b>	<b>(258,518)</b>	<b>336,564</b>	<b>585,672</b>	<b>(207,105)</b>	<b>378,567</b>

  

CORE	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	46,364	-	46,364	46,364	-	46,364
Office equipment	166,597	(148,709)	17,888	156,371	(129,183)	27,188
Soccer city	3,138	-	3,138	3,138	-	3,138
BRT Busses	363,701	(102,935)	260,766	363,701	(72,627)	291,074
<b>Total</b>	<b>579,800</b>	<b>(251,644)</b>	<b>328,156</b>	<b>569,574</b>	<b>(201,810)</b>	<b>367,764</b>

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 16. INTANGIBLE ASSETS

GROUP	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	234,182	(36,000)	198,182	171,205	(28,584)	142,621
Servitudes	1,727	-	1,727	1,727	-	1,727
Computer software, internally generated	14,231	(5,001)	9,230	14,059	(758)	13,301
Computer software	1,370,742	(1,063,853)	306,889	1,323,036	(776,377)	546,659
<b>Total</b>	<b>1,620,882</b>	<b>(1,104,854)</b>	<b>516,028</b>	<b>1,510,027</b>	<b>(805,719)</b>	<b>704,308</b>

  

CORE	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,131,941	(911,306)	220,635	1,096,569	(665,889)	430,680

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 16. INTANGIBLE ASSETS (continued)

#### Reconciliation of intangible assets - GROUP - 2013

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Additional capacity rights	142,621	62,977	-	-	(7,416)	-	198,182
Servitudes	1,727	-	-	-	-	-	1,727
Computer software, internally generated	13,301	173	-	-	(172)	(4,072)	9,230
Computer software	546,659	17,338	(1)	8,457	(265,564)	-	306,889
	<b>704,308</b>	<b>80,488</b>	<b>(1)</b>	<b>8,457</b>	<b>(273,152)</b>	<b>(4,072)</b>	<b>516,028</b>

#### 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	11,697	1,258	-	-	346	-	13,301
Computer software	706,738	16,128	(1,122)	3,236	(177,946)	(375)	546,659
	<b>856,745</b>	<b>30,815</b>	<b>(1,122)</b>	<b>3,262</b>	<b>(185,017)</b>	<b>(375)</b>	<b>704,308</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

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Figures in Rand thousand

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### 16. INTANGIBLE ASSETS (continued)

#### Reconciliation of intangible assets - CORE - 2013

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	430,680	1,914	-	11,839	(223,798)	-	220,635

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#### Reconciliation of intangible assets - CORE - 2012

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	574,543	5,135	-	-	(148,998)	-	430,680

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# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 17. HERITAGE ASSETS

GROUP	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	485,053	-	485,053	485,205	-	485,205
Historical monuments	14,457	-	14,457	9,378	-	9,378
Historical buildings	19,625	-	19,625	54,673	-	54,673
<b>Total</b>	<b>519,135</b>	<b>-</b>	<b>519,135</b>	<b>549,256</b>	<b>-</b>	<b>549,256</b>

  

CORE	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	483,460	-	483,460	483,612	-	483,612
Historical monuments	14,457	-	14,457	9,378	-	9,378
Historical buildings	19,625	-	19,625	54,673	-	54,673
<b>Total</b>	<b>517,542</b>	<b>-</b>	<b>517,542</b>	<b>547,663</b>	<b>-</b>	<b>547,663</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 17. HERITAGE ASSETS (continued)

#### Reconciliation of heritage assets GROUP - 2013

	Opening balance	Additions	Disposals	Transfers	Total
Art Collections, antiquities and exhibits	485,205	62	(61)	(153)	485,053
Historical monuments	9,378	1,179	-	3,900	14,457
Historical buildings	54,673	-	-	(35,048)	19,625
	<b>549,256</b>	<b>1,241</b>	<b>(61)</b>	<b>(31,301)</b>	<b>519,135</b>

#### Reconciliation of heritage assets GROUP - 2012

	Opening balance	Additions	Disposals	Transfers	Total
Art Collections, antiquities and exhibits	485,086	-	-	119	485,205
Historical monuments	8,251	-	-	1,127	9,378
Historical buildings	54,705	-	(32)	-	54,673
	<b>548,042</b>	<b>-</b>	<b>(32)</b>	<b>1,246</b>	<b>549,256</b>

#### Reconciliation of heritage assets CORE - 2013

	Opening balance	Additions	Disposals	Transfers	Total
Art Collections, antiquities and exhibits	483,612	62	(61)	(153)	483,460
Historical monuments	9,378	1,179	-	3,900	14,457
Historical buildings	54,673	-	-	(35,048)	19,625
	<b>547,663</b>	<b>1,241</b>	<b>(61)</b>	<b>(31,301)</b>	<b>517,542</b>

#### Reconciliation of heritage assets CORE - 2012

	Opening balance	Additions	Disposals	Transfers	Total
Art Collections, antiquities and exhibits	483,493	-	-	119	483,612
Historical monuments	8,251	-	-	1,127	9,378
Historical buildings	54,705	-	(32)	-	54,673
	<b>546,449</b>	<b>-</b>	<b>(32)</b>	<b>1,246</b>	<b>547,663</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 18. INVESTMENTS IN MUNICIPAL ENTITIES

Gross investment	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
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 %	89,311	60,209
Johannesburg Social Housing Company (Pty) Ltd	100 %	100 %	-	-
Johannesburg Tourism Company	100 %	100 %	20,478	20,478
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
			<b>438,510</b>	<b>409,408</b>

#### Impairments

	Carrying amount 2013	Carrying amount 2012
Johannesburg City Parks	(20,218)	(20,218)
Johannesburg Metropolitan Bus Services (Pty) Ltd	(54,774)	(54,774)
Johannesburg Roads Agency (Pty) Ltd	(89,311)	(60,209)
Johannesburg Tourism Company	(20,478)	(20,478)
Metropolitan Trading Company (Pty) Ltd	(97,972)	(97,972)
Roodepoort City Theatre	(1,784)	(1,784)
The Johannesburg Zoo	(1,860)	(1,860)
	<b>(286,397)</b>	<b>(257,295)</b>

#### Net investment

	Carrying amount 2013	Carrying amount 2012
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	-	-
Johannesburg Roads Agency (Pty) Ltd	-	-
Johannesburg Tourism Company	-	-
Johannesburg Social Housing Company (Pty) Ltd	-	-
Johannesburg Water (Pty) Ltd	1	1
Metropolitan Trading Company (Pty) Ltd	-	-
Pikitup Johannesburg (Pty) Ltd	1	1
Roodepoort City Theatre	-	-
The Johannesburg Civic Theatre (Pty) Ltd	-	-
The Johannesburg Fresh Produce Market (Pty) Ltd	20,000	20,000
The Johannesburg Zoo	-	-
	<b>152,113</b>	<b>152,113</b>

CJMM 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

Investments in ME's includes shareholder loans with no fixed repayment terms and interest



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>19. INVESTMENT IN JOINT VENTURES</b>				
Name of company	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Joshco JV	55.00 %	55.00 %	31,691	31,575

The carrying amount of the joint venture is shown net of loss of R 0,116 million (2012 : R0,152 million).

### 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%	30/06/2013	1 July 2012 to 30 June 2013

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 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 20. INVESTMENTS IN ASSOCIATES

Name of entity	Listed / Unlisted	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Fried shelf 128 (Pty) Ltd	Unlisted	50.00 %	50.00 %	15,847	13,737

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

#### Movements in carrying value

Opening balance	13,737	13,960
Share of surplus/(deficit)	2,110	(223)
	<b>15,847</b>	<b>13,737</b>

#### Summary of controlled entity's interest in associate

Total assets	36,767	32,449
Total liabilities	(6,430)	(6,164)
Revenue	4,810	4,373
Surplus (deficit)	4,052	3,570

#### Associates with different reporting dates

The financial year-end of the associate is the last day of February. The year ends of the two entities are more than three months apart. The entity made estimates to the accounts of the associate to bring the two year ends in line with each other.

Revaluations are performed by the directors who have extensive experience in the location and category of the investment property being valued.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>21. DEFERRED TAX</b>				
<b>Deferred tax asset / (liability)</b>				
Accelerated capital allowances for tax purposes	(39)	(21)	-	-
Liabilities for health care benefits accrued	3,088	1,869	-	-
Provision against net assets	3,040	2,693	-	-
Tax losses available for set off against future taxable income	116	279	-	-
Recognised in equity	100	(74)	-	-
Fair value and amortised cost adjustments	(1,173,664)	(1,082,918)	-	-
Deferred income	4,880	7,315	-	-
Trade and other receivables	1,639	1,505	-	-
Leases	(21)	63	-	-
Property, Plant and Equipment & Intangibles	(3,314)	(3,976)	-	-
Trade and other payables	4,276	872	-	-
Temporary difference	(4,360)	(4,192)	-	-
Other	6,090	5,880	-	-
	<b>(1,158,169)</b>	<b>(1,070,705)</b>	-	-
<b>Reconcilliation of deferred tax asset / (liability)</b>				
At beginning of the year	(1,070,705)	(681,148)	-	-
Accelerated capital allowances	-	231	-	-
Provisions	384	431	-	-
Originating temporary difference on tangible fixed assets	277	(546)	-	-
Temporary differences on provisions	-	(196,721)	-	-
Temporary difference on retirement benefits	(50)	2,754	-	-
Temporary difference on provision for doubtful debts	(162)	(22,959)	-	-
Increase / (decrease) in tax losses available for set off against future	188,370	(1,352)	-	-
Movement in temporary timing differences	(242,768)	2,808	-	-
Income received in advance	18	3,329	-	-
Property, plant and equipment	-	1,515	-	-
Trade and other receivables	-	(1,057)	-	-
Operating leases	(59)	288	-	-
Calculated tax loss	-	(310,827)	-	-
Finance lease obligations	-	(164)	-	-
Fair value and amortised cost adjustment	-	(17)	-	-
Other movements	234	56,887	-	-
Other deferred tax	(33,708)	75,720	-	-
Trade and other payables	-	144	-	-
Prepayments	-	(21)	-	-
	<b>(1,158,169)</b>	<b>(1,070,705)</b>	-	-

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 22. FINANCIAL ASSETS BY CATEGORY

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

#### GROUP - 2013

	Loans and receivables	At fair value	At amortised cost	Total
<b>Current Assets</b>				
Other financial assets	-	619,778	38,851	658,629
Trade and other receivables	1,287,668	-	-	1,287,668
Receivables from non-exchange	8,421	-	-	8,421
Consumer debtors	4,736,253	-	-	4,736,253
Call investment deposits	4,055,984	-	-	4,055,984
Bank balances and cash	1,344,035	-	-	1,344,035
<b>Non-Current Assets</b>				
Other financial assets	127,430	1,972,106	156,887	2,256,423
Consumer debtors	36,483	-	-	36,483
	<b>11,596,274</b>	<b>2,591,884</b>	<b>195,738</b>	<b>14,383,896</b>

#### GROUP - 2012

	Loans and receivables	At fair value	At amortised cost	Total
<b>Current Assets</b>				
Other financial assets	-	744,433	263,170	1,007,603
Trade and other receivables	962,746	-	-	962,746
Receivables from non-exchange	55,206	-	-	55,206
Consumer debtors	5,236,407	-	-	5,236,407
Call investment deposits	1,473,298	-	-	1,473,298
Bank balances and cash	761,493	-	-	761,493
<b>Non-Current Assets</b>				
Other financial assets	117,099	1,725,338	312,110	2,154,547
Consumer debtors	45,391	-	-	45,391
	<b>8,651,640</b>	<b>2,469,771</b>	<b>575,280</b>	<b>11,696,691</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 22. FINANCIAL ASSETS BY CATEGORY (continued)

#### CORE - 2013

	Loans and receivables	At fair value	At amortised cost	Total
<b>Current Assets</b>				
Loans to Municipal Entities	906,089	-	-	906,089
Other financial assets	-	619,364	38,851	658,215
Trade and other receivables	1,858,346	-	-	1,858,346
Consumer debtors	863,898	-	-	863,898
Call investment deposits	4,045,187	-	-	4,045,187
Bank balances and cash	1,148,332	-	-	1,148,332
<b>Non-Current Assets</b>				
Loans to Municipal Entities	5,256,977	-	-	5,256,977
Other financial assets	127,430	1,972,106	156,887	2,256,423
Consumer debtors	36,483	-	-	36,483
	<b>14,242,742</b>	<b>2,591,470</b>	<b>195,738</b>	<b>17,029,950</b>

#### CORE - 2012

	Loans and receivables	At fair value	At amortised cost	Total
<b>Current Assets</b>				
Loans to Municipal Entities	805,774	-	-	805,774
Other financial assets	-	806,512	263,170	1,069,682
Trade and other receivables	1,001,905	-	-	1,001,905
Receivables from non-exchange	46,580	-	-	46,580
Consumer debtors	706,688	-	-	706,688
Call investment deposits	1,466,116	-	-	1,466,116
Bank balances and cash	576,401	-	-	576,401
<b>Non-Current Assets</b>				
Loans to Municipal Entities	5,436,953	-	-	5,436,953
Other financial assets	117,099	1,725,338	312,110	2,154,547
Consumer debtors	45,391	-	-	45,391
	<b>10,202,907</b>	<b>2,531,850</b>	<b>575,280</b>	<b>13,310,037</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>23. LOANS AND BORROWINGS</b>				
<b>Non Current portion of loans and borrowings - At amortised cost</b>				
Structured loans *	273,683	294,263	273,683	294,263
Development Bank South Africa	1,344,430	1,432,989	1,326,446	1,414,453
Local registered stock loans	-	30,000	-	30,000
Listed bonds	6,584,334	6,751,000	6,584,334	6,751,000
Other financial liabilities	3,196,073	2,769,301	3,197,015	2,769,301
	<b>11,398,520</b>	<b>11,277,553</b>	<b>11,381,478</b>	<b>11,259,017</b>
<b>Current portion of loans and borrowings - At amortised cost</b>				
Structured loans *	13,333	444,939	13,333	444,939
Development Bank South Africa	131,080	138,426	130,526	137,894
Local registered stock loans	30,000	-	30,000	-
Listed bonds	166,666	700,000	166,666	700,000
Jozi bonds	-	10,034	-	10,034
Other financial liabilities	284,085	229,937	284,085	229,937
	<b>625,164</b>	<b>1,523,336</b>	<b>624,610</b>	<b>1,522,804</b>
* Structured loans are secured by an investment which will redeem the loan at maturity.				
<b>Non-current liabilities</b>				
At amortised cost	11,398,520	11,277,553	11,381,478	11,259,017
<b>Current liabilities</b>				
At amortised cost	625,164	1,523,336	624,610	1,522,804
	<b>12,023,684</b>	<b>12,800,889</b>	<b>12,006,088</b>	<b>12,781,821</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>24. FINANCE LEASE OBLIGATION</b>				
<b>Minimum lease payments due</b>				
- within one year	76,197	81,604	69,599	75,663
- in second to fifth year	238,471	248,290	233,359	238,280
- later than five years	650,734	707,601	650,429	706,949
	965,402	1,037,495	953,387	1,020,892
less: future finance charges	(587,553)	(624,318)	(586,385)	(622,585)
<b>Present value of minimum lease payments</b>	<b>377,849</b>	<b>413,177</b>	<b>367,002</b>	<b>398,307</b>
Non-current liabilities	334,247	368,381	330,864	359,462
Current liabilities	43,602	44,796	36,138	38,845
	<b>377,849</b>	<b>413,177</b>	<b>367,002</b>	<b>398,307</b>

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 (2012: 4-6) years. The effective interest rate on Finance Leases is 9.5% (2012: 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.

**WATER:** Interest on finance leases are calculated at variable rates of interest, ranging between 7.41% and 8.5% per annum, and repayments on the lease arrangements are made quarterly. The lease terms are over a period of three years. The carrying value of the finance leased assets are included in property, plant and equipment under Office equipment.

**PARKS:** The average lease term is 3 years and the average effective borrowing rate is 9% (2012: 9%). Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. No restrictions other than for transfer or disposal of leased property have been imposed by the lessor.

**JOSHCO:** The finance leases relates to the lease of office equipment. The average lease term ranges between 3 years and 5 years. The company did not default on any of the interest or capital repayments of the finance leases. Interest rates are linked to prime. All leases have fixed repayments and no arrangements have been entered into for contingent rent on the leased asset. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

**JFPM:** The average lease term was 3-5 years and the average effective borrowing rate was 13% (2012: 10%). Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The entity has not defaulted on any of its interest or capital repayments during the year, and none of the terms and conditions of the finance leases were re-negotiated. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

**BUS:** The average lease term was 3 years and the average effective borrowing rate was 5% (2012: 5%). All leases have fixed repayments. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 24. FINANCE LEASE OBLIGATION (continued)

JRA: It is the entity's policy to lease certain assets under finance leases. The average lease term is 3 years and the average effective borrowing rate is 10%. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

JDA: The JDA has leased 24 photocopier machines from Motswako Office Solutions (Pty) Ltd for a period of 3 years. The lease agreement provides for monthly payments of R23,338 in advance and no residual value..

JPC: It is company policy to lease certain equipment under finance leases; These assets are leased over a period of 2 to 5 years at an average interest rate of 15%, and are secured by the assets financed.



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>25. TRADE AND OTHER PAYABLES</b>				
<b>Financial liabilities</b>				
Accrued interest	200,375	142,412	200,375	142,412
Credit balances in consumer debtors	1,685,996	1,310,230	1,560,365	1,123,708
Engineering fees	78,067	70,884	78,067	70,884
Operating lease payables	24,900	23,007	5,437	4,671
Other creditors	1,246,709	1,058,386	955,476	830,924
Related party creditor	-	-	4,155,886	2,566,802
Retentions	176,066	186,767	37,554	38,392
Trade payables	4,220,283	2,918,504	1,119,557	615,374
	<b>7,632,396</b>	<b>5,710,190</b>	<b>8,112,717</b>	<b>5,393,167</b>
<b>Other liabilities</b>				
Accrued bonus	184,080	212,020	23,366	82,732
Accrued leave pay	401,923	364,691	233,722	227,414
Accrued staff 13th cheques	10,782	9,089	-	-
Payments received in advanced	460,138	616,006	18,517	20,362
	<b>1,056,923</b>	<b>1,201,806</b>	<b>275,605</b>	<b>330,508</b>
	<b>8,689,319</b>	<b>6,911,996</b>	<b>8,388,322</b>	<b>5,723,675</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>26. OBLIGATIONS ARISING FROM CONDITIONAL GRANTS AND RECEIPTS</b>				
<b>Obligations arising from conditional grants and receipts comprises of:</b>				
Provincial grants : Capital projects	109,189	105,171	108,690	103,690
Urban settlements development grant	70,347	76,439	70,347	76,439
Provincial grants : Top Structure of houses	425,920	84,760	425,920	84,760
Provincial grants : Operating projects	22,508	20,613	22,508	20,613
2010 Public transport (SPTN)	736,859	492,387	736,859	492,387
Neighbourhood development partnership grant	14,769	8,866	14,769	8,866
Expanded Public Works Programme (EPWP)	32,789	65	32,789	65
Orange African cup of nations	4,737	-	4,737	-
Unspent grant 18	42,186	7,814	-	-
Unspent public contributions and donations	25,976	15,660	14,631	15,660
	<b>1,485,280</b>	<b>811,775</b>	<b>1,431,250</b>	<b>802,480</b>

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.

See note 38 for reconciliation of grants from National/Provincial Government.

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 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 27. PROVISIONS

#### Reconciliation of provisions - GROUP - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Settlement	Change in discount factor	Total
Provision for liabilities	20,000	-	-	-	-	-	20,000
Escalation on contracts	1,472	63	(1,472)	-	-	-	63
Environmental rehabilitation: Closed landfill site	147,544	-	-	(13,216)	-	7,901	142,229
Environmental rehabilitation: Open landfill sites	447,711	-	(24,937)	(60,088)	-	23,975	386,661
Pension fund provision	15,219	-	-	(15,219)	-	-	-
	<b>631,946</b>	<b>63</b>	<b>(26,409)</b>	<b>(88,523)</b>	<b>-</b>	<b>31,876</b>	<b>548,953</b>

#### Reconciliation of provisions - GROUP - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Settlement	Change in discount factor	Total
International Parking Management	355,054	-	(240,000)	-	(115,054)	-	-
Provision for liabilities	-	20,000	-	-	-	-	20,000
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
	<b>677,749</b>	<b>348,977</b>	<b>(296,886)</b>	<b>-</b>	<b>(115,054)</b>	<b>17,160</b>	<b>631,946</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 27. PROVISIONS (continued)

#### Reconciliation of provisions - CORE - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Settlement	Total
Provision for liabilities	20,000	-	-	-	-	20,000
Pension fund provision	15,219	-	-	(15,219)	-	-
	<b>35,219</b>	<b>-</b>	<b>-</b>	<b>(15,219)</b>	<b>-</b>	<b>20,000</b>

#### 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	-	20,000	-	-	-	20,000
Pension fund provision	14,545	846	(172)	-	-	15,219
	<b>369,599</b>	<b>20,846</b>	<b>(240,172)</b>	<b>-</b>	<b>(115,054)</b>	<b>35,219</b>

Non-current liabilities			548,890	615,255	20,000	20,000
Current liabilities			63	16,691	-	15,219
			<b>548,953</b>	<b>631,946</b>	<b>20,000</b>	<b>35,219</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
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### 27. PROVISIONS (continued)

#### CJMM

##### 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.

During the 2010 financial year the Auditor General performed an interest calculation that increased the balance of the pension fund. Subsequently there has been no claims against the fund and therefore management has taken the decision to write down the balance of the fund.

##### 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

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### 28. RETIREMENT BENEFIT OBLIGATION

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

#### 28.1 Post retirement liabilities

Post-Retirement Medical Aid Plan	(1,345,424)	(1,319,009)	(1,375,251)	(1,330,725)
Post-Retirement Housing Subsidy Plan	(2,124)	(4,085)	(459)	(2,892)
Retirement Gratuity Plan	(518,242)	(466,372)	(488,199)	(474,449)
	<b>(1,865,790)</b>	<b>(1,789,466)</b>	<b>(1,863,909)</b>	<b>(1,808,066)</b>

# City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CORE	
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### 28. RETIREMENT BENEFIT OBLIGATION (continued)

#### 28.1.1 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 Key Health 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	1,345,424	1,319,009	1,247,105	1,208,785
In respect of notional accounts for employees of ME's	-	-	128,146	121,940
	<b>1,345,424</b>	<b>1,319,009</b>	<b>1,375,251</b>	<b>1,330,725</b>

#### Movements for the year

Opening balance	1,319,009	1,294,523	1,208,785	1,185,546
Benefits paid	(100,419)	(98,749)	(97,272)	(95,010)
Net expense recognised in the statement of financial performance	126,834	123,235	135,592	118,249
	<b>1,345,424</b>	<b>1,319,009</b>	<b>1,247,105</b>	<b>1,208,785</b>

#### Net expense recognised in the statement of financial performance

Current service cost	852	1,519	478	864
Interest cost	112,780	111,199	103,355	101,838
Actuarial (gains) losses	13,202	10,517	31,759	15,547
	<b>126,834</b>	<b>123,235</b>	<b>135,592</b>	<b>118,249</b>

#### Notional loan account

Opening balance	-	-	121,940	115,743
Interest received	-	-	6,206	6,197
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>	<b>128,146</b>	<b>121,940</b>

#### Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	7.89 %	8.60 %	7.89 %	8.60 %
Expected rate of return on assets	7.89 %	8.60 %	7.89 %	8.60 %
Expected rate of return on reimbursement rights	6.70 %	7.70 %	6.70 %	7.70 %
Expected increase in salaries	5.67 %	6.70 %	5.67 %	6.70 %

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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
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### 28. RETIREMENT BENEFIT OBLIGATION (continued)

#### Sensitivity analysis

	Change in assumption		
	-1%	0%	1%
Liability	1,180,646	1,247,105	1,298,861
Percentage change	-5,33%	0%	4.15%
	-	-	-

#### Post-Retirement Mortality

	-20%	0%	20%
Liability	1,358,742	1,247,105	1,158,414
Percentage change	- 8,00%	0%	-6,00%

#### 28.1.2 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	2,124	4,085	459	2,892
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The fair value of plan assets includes:

#### Movements for the year

Opening balance	4,085	4,767	2,892	3,245
Benefits paid	(76)	(962)	(76)	(699)
Net expense recognised in the statement of financial performance	(1,885)	280	(2,357)	346
	<b>2,124</b>	<b>4,085</b>	<b>459</b>	<b>2,892</b>

#### Net expense recognised in the statement of financial performance

Current service cost	41	42	-	-
Interest cost	349	382	247	279
Actuarial (gains) losses	(2,275)	(144)	(2,604)	67
	<b>(1,885)</b>	<b>280</b>	<b>(2,357)</b>	<b>346</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 28. RETIREMENT BENEFIT OBLIGATION (continued)

#### Notional loan account

#### Key assumptions used

Assumptions used on last valuation on 30 June 2013.

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	451	459	468
Percentage change	-1,74%	0%	1,96%

#### Post-Retirement Mortality

	-20%	0%	20%
Liability	470	459	449
Percentage change	8,00%	0%	-6,00%

#### 28.1.3 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	518,242	466,372	198,117	182,116
In respect of notional accounts for employees of ME's	-	-	290,082	292,333
	<b>518,242</b>	<b>466,372</b>	<b>488,199</b>	<b>474,449</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 28. RETIREMENT BENEFIT OBLIGATION (continued)

#### Movements for the year

Opening balance	466,372	444,197	182,116	170,931
Benefits paid	(36,545)	(40,054)	(19,367)	(20,032)
Net expense recognised in the statement of financial performance	88,415	62,229	35,368	31,217
	<b>518,242</b>	<b>466,372</b>	<b>198,117</b>	<b>182,116</b>

#### Net expense recognised in the statement of financial performance

Interest cost	39,937	37,252	15,572	14,683
Actuarial (gains) losses	48,478	24,977	19,796	16,534
	<b>88,415</b>	<b>62,229</b>	<b>35,368</b>	<b>31,217</b>

#### Notional loan account

Opening balance	-	-	292,333	298,177
Interest received	-	-	14,926	15,538
Benefits payments	-	-	(17,177)	(21,382)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>	<b>290,082</b>	<b>292,333</b>

#### Key assumptions used

Assumptions used on last valuation on 30 June 2013.

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 %	6.70 %

#### Sensitivity analysis

	Change in assumption		
	-1%	0%	1%
Liability	184,166	198,117	213,663
Percentage change	-7.60%	0%	7.85%

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

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### 28. 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	42,766	40,277
eJoburg Retirement Fund	130,465	119,366
Municipal Councillors pension Fund	9,765	8,770
National Fund for Municipal Workers	903	854
Soweto City Council Pension Fund	-	80
Municipal Employees Gratuity Fund	10,151	10,316
	<b>194,050</b>	<b>179,663</b>

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

Joint Municipal Pension Fund	1,095	1,066
Municipal Employees Pension Fund	3,885	3,802
	<b>4,980</b>	<b>4,868</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>29. DEFERRED INCOME</b>				
<b>Bond tap</b>				
Balance unspent at beginning of year	54,444	56,828	54,444	56,828
Conditions met - transferred to revenue	(2,640)	(2,384)	(2,640)	(2,384)
<b>Conditions still to be met - transferred to liabilities</b>	<b>51,804</b>	<b>54,444</b>	<b>51,804</b>	<b>54,444</b>
<p>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.</p> <p>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.</p>				
<b>Deferred income related to advertising income received in advance</b>				
Balance at beginning of year	167	500	-	-
Conditions met - transferred to revenue	(167)	(333)	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>167</b>	<b>-</b>	<b>-</b>
<p>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.</p>				
<b>Passenger trips received in advance</b>				
Balance unspent at beginning of year	4,366	3,228	-	-
Current year receipts	-	1,138	-	-
Conditions met - transferred to revenue	(260)	-	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>4,106</b>	<b>4,366</b>	<b>-</b>	<b>-</b>
<p>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.</p>				
<b>Joshco Madulamoho Joint Venture (JM/JV) Grant</b>				
Balance unspent at beginning of year	27,420	30,427	-	-
Current year receipts	-	(2,093)	-	-
Conditions met - transferred to revenue	(914)	(914)	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>26,506</b>	<b>27,420</b>	<b>-</b>	<b>-</b>
<b>Commission received</b>				
Balance unspent at beginning of year	24,085	32,003	-	-
Conditions met - transferred to revenue	(6,655)	(7,918)	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>17,430</b>	<b>24,085</b>	<b>-</b>	<b>-</b>
<p>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.</p>				
<b>Total deferred income</b>	<b>99,846</b>	<b>110,482</b>	<b>51,804</b>	<b>54,444</b>

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Figures in Rand thousand	GROUP		CORE	
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### 30. FINANCIAL LIABILITIES AT FAIR VALUE

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

<b>Opening balance</b>	117,449	50,166	117,449	50,166
Swap fair value changes	(40,820)	67,283	(40,820)	67,283
<b>Closing balance</b>	<b>76,629</b>	<b>117,449</b>	<b>76,629</b>	<b>117,449</b>
Current liability	9,609	8,212	9,609	8,212
Non-Current liability	67,020	109,237	67,020	109,237
	<b>76,629</b>	<b>117,449</b>	<b>76,629</b>	<b>117,449</b>

### 31. CONSUMER DEPOSITS

#### Non Current portion of Consumer deposits

Electricity and water deposits	404,572	441,806	-	-
Other deposits	26,402	15,688	26,402	15,688
	<b>430,974</b>	<b>457,494</b>	<b>26,402</b>	<b>15,688</b>

#### Current portion of Consumer deposits

Other deposits	6,819	5,887	-	-
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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.

### 32. PROJECT FUNDS PAYABLE

#### Project funds

Opening balance	10,026	15,718	-	-
Funding received for the year	393,565	461,557	-	-
Expenditure for the year	(397,951)	(467,249)	-	-
<b>Closing balance</b>	<b>5,640</b>	<b>10,026</b>	-	-

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

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	2013	2012	2013	2012

### 33. FINANCIAL LIABILITIES BY CATEGORY

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

#### GROUP - 2013

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	625,164	625,164
Finance lease obligations	43,602	43,602
Deferred income	11,384	11,384
Trade and other payables	7,632,396	7,632,396
Consumer deposits	6,819	6,819
<b>Non-Current Liabilities</b>		
Loans and borrowings	11,398,520	11,398,520
Finance lease obligations	334,247	334,247
Deferred income	88,462	88,462
Consumer deposits	430,974	430,974
	<b>20,571,568</b>	<b>20,571,568</b>

#### GROUP - 2012

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	1,523,336	1,523,336
Finance lease obligations	44,796	44,796
Deferred income	12,102	12,102
Trade and other payables	5,710,190	5,710,190
Consumer deposits	5,887	5,887
<b>Non-Current Liabilities</b>		
Loans and borrowings	11,277,553	11,277,553
Finance lease obligations	368,381	368,381
Deferred income	98,380	98,380
Consumer deposits	457,494	457,494
	<b>19,498,119</b>	<b>19,498,119</b>

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Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 33. FINANCIAL LIABILITIES BY CATEGORY (continued)

#### CORE - 2013

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	624,610	624,610
Finance lease obligations	36,138	36,138
Trade and other payables	8,112,717	8,112,717
<b>Non-Current Liabilities</b>		
Loans and borrowings	11,381,478	11,381,478
Finance lease obligations	330,864	330,864
Deferred income	51,804	51,804
Consumer deposits	26,402	26,402
	<b>20,564,013</b>	<b>20,564,013</b>

#### CORE - 2012

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	1,522,804	1,522,804
Finance lease obligations	38,845	38,845
Trade and other payables	5,393,167	5,393,167
<b>Non-Current Liabilities</b>		
Loans and borrowings	11,259,017	11,259,017
Finance lease obligations	359,462	359,462
Deferred income	54,444	54,444
Consumer deposits	15,688	15,688
	<b>18,643,427</b>	<b>18,643,427</b>

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>34. OTHER REVENUE</b>				
Advertising	57,685	41,760	-	-
BRT revenue	74,558	56,717	74,558	56,717
Brokerage revenue	10,672	14,480	10,672	14,480
Bulk contributions received	41,449	34,465	-	-
Bus fares	114,683	107,572	-	-
Commissions received	314,416	296,973	-	-
Cut off fees	14,714	12,771	-	-
Demand site management levy	184,266	126,250	-	-
Developer funded asset income	203,228	192,272	-	-
Gautrain maintenance fees	7,151	4,259	-	-
Hiring of halls	6,375	5,956	6,375	5,956
IPM Settlement discount	-	115,054	-	115,054
Internal recoveries - ME's	-	-	460,584	579,706
Other subsidies	149	4,405	149	4,405
Recovery of insurance	2,954	4,431	1,326	2,950
Recovery of legal costs	1,223	1,341	1,223	1,341
Sundry revenue	473,051	677,696	187,211	264,754
Training revenue	11,429	7,445	10,390	5,513
	<b>1,518,003</b>	<b>1,703,847</b>	<b>752,488</b>	<b>1,050,876</b>

### 35. REVERSAL OF IMPAIRMENT

Other loans and borrowings	-	-	-	4,961
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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.

### 36. SERVICE CHARGES

Other service charges	134,219	116,588	82,106	63,519
Refuse removal	992,370	909,531	767,827	688,141
Sale of electricity	11,997,552	12,001,621	-	-
Sale of water	3,439,795	3,349,344	-	-
Sewerage and sanitation charges	1,894,155	1,983,144	-	-
Surcharges : Electricity	139,980	125,281	139,980	125,281
Surcharges : Refuse	3,277	2,424	3,277	2,424
Surcharges : Water	35,709	31,226	35,709	31,226
	<b>18,637,057</b>	<b>18,519,159</b>	<b>1,028,899</b>	<b>910,591</b>



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Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>37. PROPERTY RATES</b>				
<b>Rates received</b>				
Residential	2,249,405	1,839,826	2,249,405	1,839,826
Commercial	3,715,484	3,441,982	3,715,484	3,441,982
State	51,087	50,782	51,087	50,782
Municipal	43,939	80,024	32,849	80,024
	<b>6,059,915</b>	<b>5,412,614</b>	<b>6,048,825</b>	<b>5,412,614</b>
<b>Valuations</b>				
Residential	785,395,601	699,772,776	785,395,601	699,772,776

# City of Johannesburg Metropolitan Municipality

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	2013	2012	2013	2012
<b>38. GOVERNMENT GRANTS AND SUBSIDIES</b>				
Provincial grants : Capital projects	84,189	231,449	-	86,832
Urban settlements development grant	1,296,840	1,471,677	1,296,840	1,471,677
Financial management grant	1,250	1,250	1,250	1,250
Provincial grants : Top structure of houses	137,590	112,539	137,590	112,539
Provincial grants : Operating projects	21,420	11,998	21,420	11,998
Gautrain grant	-	349	-	349
2010 Public transport (SPTN)	805,528	1,067,528	805,528	1,067,528
Neighbourhood development partnership grant	42,097	104,032	42,097	104,032
World Anti-Doping Agency (WADA)	10,387	-	10,387	-
Expanded Public Works Programme (EPWP)	61,312	144,964	61,312	144,964
Orange African cup of nations	20,763	-	20,763	-
Ambulance subsidy	91,855	100,312	91,855	100,312
Equitable share and fuel levy	4,084,995	4,189,748	4,084,995	4,189,748
Provincial health subsidies	95,304	104,540	95,304	104,540
	<b>6,753,530</b>	<b>7,540,386</b>	<b>6,669,341</b>	<b>7,395,769</b>

### Provincial grants : Capital projects

Balance unspent at beginning of year	105,171	108,931	103,690	103,330
Current year receipts	88,207	140,497	5,000	-
Previous years AUC - Capitalised	-	86,832	-	86,832
Adjustments	-	360	-	360
Conditions met - transferred to revenue	(84,189)	(231,449)	-	(86,832)
<b>Conditions still to be met - transferred to liabilities</b>	<b>109,189</b>	<b>105,171</b>	<b>108,690</b>	<b>103,690</b>

Conditions still to be met - remain liabilities (see note 26)

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	76,439	19,614	76,439	19,614
Current year receipts	1,290,748	1,027,970	1,290,748	1,027,970
Adjustments	-	500,532	-	500,532
Conditions met - transferred to revenue	(1,296,840)	(1,471,677)	(1,296,840)	(1,471,677)
<b>Conditions still to be met - transferred to liabilities</b>	<b>70,347</b>	<b>76,439</b>	<b>70,347</b>	<b>76,439</b>

Conditions still to be met - remain liabilities (see note 26)

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	1,250	1,250	1,250
Conditions met - transferred to revenue	(1,250)	(1,250)	(1,250)	(1,250)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>38. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>				
<b>Provincial grants : Top structure of houses</b>				
Balance unspent at beginning of year	84,760	11,984	84,760	11,984
Current year receipts	461,738	230,568	461,738	230,568
Transfers to debtors	-	(57,835)	-	(57,835)
Current year receivables	17,012	-	17,012	-
Adjustments	-	12,582	-	12,582
Conditions met - transferred to revenue	(137,590)	(112,539)	(137,590)	(112,539)
<b>Conditions still to be met - transferred to liabilities</b>	<b>425,920</b>	<b>84,760</b>	<b>425,920</b>	<b>84,760</b>

Conditions still to be met - remain liabilities (see note 26)

### Provincial grants : Operating projects

Balance unspent at beginning of year	20,613	6,630	20,613	6,630
Current year receipts	23,315	20,393	23,315	20,393
Current year receivables	-	5,588	-	5,588
Conditions met - transferred to revenue	(21,420)	(11,998)	(21,420)	(11,998)
<b>Conditions still to be met - transferred to liabilities</b>	<b>22,508</b>	<b>20,613</b>	<b>22,508</b>	<b>20,613</b>

Conditions still to be met - remain liabilities (see note 26)

These grants are provided to finance community projects.

### Gautrain grant

Balance unspent at beginning of year	-	349	-	349
Conditions met - transferred to revenue	-	(349)	-	(349)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The purpose of this grant is to provide capacity support for the Gautrain Rapid Rail Link.

### 2010 Public transport (SPTN)

Balance unspent at beginning of year	492,387	449,898	492,387	449,898
Current year receipts	1,050,000	998,000	1,050,000	998,000
Previous years AUC - Capitalised	-	112,017	-	112,017
Conditions met - transferred to revenue	(805,528)	(1,067,528)	(805,528)	(1,067,528)
<b>Conditions still to be met - transferred to liabilities</b>	<b>736,859</b>	<b>492,387</b>	<b>736,859</b>	<b>492,387</b>

Conditions still to be met - remain liabilities (see note 26)

This grant is provided to finance 2010 Public Transport System.

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>38. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>				
<b>Neighbourhood development partnership grant</b>				
Balance unspent at beginning of year	8,866	3,136	8,866	3,136
Current year receipts	48,000	60,277	48,000	60,277
Deferred income	-	(4,613)	-	(4,613)
Previous years AUC - Capitalised	-	54,098	-	54,098
Conditions met - transferred to revenue	(42,097)	(104,032)	(42,097)	(104,032)
<b>Conditions still to be met - transferred to liabilities</b>	<b>14,769</b>	<b>8,866</b>	<b>14,769</b>	<b>8,866</b>

Conditions still to be met - remain liabilities (see note 26)

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

### World Anti-Doping Agency (WADA)

Current year receipts	10,387	-	10,387	-
Conditions met - transferred to revenue	(10,387)	-	(10,387)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	65	21,063	65	21,063
Current year receipts	140,615	69,498	140,615	69,498
Previous years AUC - Capitalised	-	7,887	-	7,887
Transferred to receivables	(46,579)	46,581	(46,579)	46,581
Conditions met - transferred to revenue	(61,312)	(144,964)	(61,312)	(144,964)
<b>Conditions still to be met - transferred to liabilities</b>	<b>32,789</b>	<b>65</b>	<b>32,789</b>	<b>65</b>

Conditions still to be met - remain liabilities (see note 26)

### Orange African cup of nations

Current year receipts	25,500	-	25,500	-
Conditions met - transferred to revenue	(20,763)	-	(20,763)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>4,737</b>	<b>-</b>	<b>4,737</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 26)

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 38. GOVERNMENT GRANTS AND SUBSIDIES (continued)

#### Social housing foundation

Balance unspent at beginning of year	7,814	5,347	-	-
Current year receipts	34,372	2,467	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>42,186</b>	<b>7,814</b>	-	-

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

#### Ambulance subsidy

Current year receipts	91,855	88,312	91,855	88,312
Current year receivables	-	12,000	-	12,000
Conditions met - transferred to revenue	(91,855)	(100,312)	(91,855)	(100,312)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	4,084,995	4,189,748	4,084,995	4,189,748
Conditions met - transferred to revenue	(4,084,995)	(4,189,748)	(4,084,995)	(4,189,748)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Provincial health subsidies

Current year receipts	95,304	66,540	95,304	66,540
Current year receivables	-	38,000	-	38,000
Conditions met - transferred to revenue	(95,304)	(104,540)	(95,304)	(104,540)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>39. EMPLOYEE RELATED COSTS</b>				
Employee related costs : Salaries and wages	5,376,070	4,873,720	3,042,897	2,853,170
Employee related costs : Pension contributions	729,867	635,231	366,889	348,122
Employee related costs : Gratuities	21,379	20,058	19,284	19,704
Employee related costs : Medical aid contributions	261,857	239,588	241,413	222,191
Employee related costs : Skills development levy	49,864	44,363	36,305	33,466
Actuarial (gains)/losses	2,045	29,212	-	32,148
Housing benefits and allowances	32,266	31,748	21,816	21,557
Overtime payments	241,724	250,055	43,714	73,484
Bonus	316,446	381,921	179,269	243,411
Travel, motor car, accommodation, subsistence and other allowances	349,785	344,924	246,872	245,865
Less: Employee costs included in other expenses	71,660	25,333	73,304	23,659
	<b>7,452,963</b>	<b>6,876,153</b>	<b>4,271,763</b>	<b>4,116,777</b>

### Remuneration of the City Manager

Annual Remuneration	2,562	2,589
Car Allowance	128	137
Performance Bonuses	-	143
Contributions to UIF, Medical and Pension Funds	-	39
	<b>2,690</b>	<b>2,908</b>

### Remuneration of the Executive Director : 2010

Annual Remuneration	-	391
Car Allowance	-	71
Performance Bonuses	-	213
Contributions to UIF, Medical and Pension Funds	-	7
	-	<b>682</b>

This office is closed due to the finalization of the project.

### Remuneration of the Executive Director : Central Planning Unit

Annual Remuneration	-	625
Car Allowance	-	69
Performance Bonuses	-	124
Contributions to UIF, Medical and Pension Funds	-	60
Eminence	-	53
	-	<b>931</b>

### Remuneration of the Chief Information Officer

Annual Remuneration	-	1,987
Car Allowance	-	202
Performance Bonuses	-	72
Contributions to UIF, Medical and Pension Funds	-	196
Eminence Allowance	-	104
Acting Allowance	-	27
	-	<b>2,588</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>39. EMPLOYEE RELATED COSTS (continued)</b>				
<b>Remuneration of the Group Head : Strategy, Policy Coordination and Relations</b>				
Annual Remuneration			931	-
Car Allowance			108	-
Performance Bonuses			50	-
Contributions to UIF, Medical and Pension Funds			95	-
Eminence			(5)	-
			<b>1,179</b>	<b>-</b>
<b>Remuneration of the Group Head : Communication and Tourism</b>				
Annual Remuneration			1,323	959
Car Allowance			128	116
Contributions to UIF, Medical and Pension Funds			64	26
Eminence			72	131
			<b>1,587</b>	<b>1,232</b>
<b>Remuneration of the Executive Head : Group Internal Audit</b>				
Annual Remuneration			1,368	1,282
Car Allowance			288	288
Performance Bonuses			-	110
Contributions to UIF, Medical and Pension Funds			34	2
			<b>1,690</b>	<b>1,682</b>
<b>Remuneration of the Group Head : Legal and Contracts</b>				
Annual Remuneration			871	835
Car Allowance			86	82
Performance Bonuses			-	165
Contributions to UIF, Medical and Pension Funds			121	84
Eminence Allowance			-	161
			<b>1,078</b>	<b>1,327</b>
<b>Remuneration of the Executive Director : Finance</b>				
Annual Remuneration			-	353
Car Allowance			-	12
Performance Bonuses			-	78
Contributions to UIF, Medical and Pension Funds			-	1
			<b>-</b>	<b>444</b>
<b>Remuneration of the Executive Director : Economic Development</b>				
Annual Remuneration			1,742	678
Car Allowance			-	27
Performance Bonuses			-	112
Contributions to UIF, Medical and Pension Funds			-	1
			<b>1,742</b>	<b>818</b>

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>39. EMPLOYEE RELATED COSTS (continued)</b>				
<b>Remuneration of the Executive Director : Revenue and Customer Relations Management</b>				
Annual Remuneration			-	1,613
Car Allowance			-	101
Performance Bonuses			-	60
Contributions to UIF, Medical and Pension Funds			-	2
			<b>-</b>	<b>1,776</b>
<b>Remuneration of the Executive Director : Community Development</b>				
Annual Remuneration			1,142	1,088
Car Allowance			86	57
Performance Bonuses			-	164
Contributions to UIF, Medical and Pension Funds			126	28
			<b>1,354</b>	<b>1,337</b>
<b>Remuneration of the Executive Director : Development Planning and Urban Development</b>				
Annual Remuneration			923	977
Car Allowance			108	97
Performance Bonuses			-	147
Contributions to UIF, Medical and Pension Funds			45	12
			<b>1,076</b>	<b>1,233</b>
<b>Remuneration of the Executive Director : Environmental Management</b>				
Annual Remuneration			266	1,504
Car Allowance			18	108
Performance Bonuses			-	262
Contributions to UIF, Medical and Pension Funds			-	2
			<b>284</b>	<b>1,876</b>
<b>Remuneration of the Executive Director : EISD</b>				
Annual Remuneration			1,150	1,526
Car Allowance			78	153
Performance Bonuses			81	-
Contributions to UIF, Medical and Pension Funds			28	2
			<b>1,337</b>	<b>1,681</b>
<b>Remuneration of the Executive Director : Housing</b>				
Annual Remuneration			1,130	724
Car Allowance			88	128
Performance Bonuses			-	15
Contributions to UIF, Medical and Pension Funds			88	12
			<b>1,306</b>	<b>879</b>



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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>39. EMPLOYEE RELATED COSTS (continued)</b>				
<b>Remuneration of the Chief of Police</b>				
Annual Remuneration			765	1,083
Car Allowance			68	102
Performance Bonuses			43	179
Contributions to UIF, Medical and Pension Funds			114	163
Eminence Allowance			147	220
			<b>1,137</b>	<b>1,747</b>
<b>Remuneration of the Executive Head : Emergency Management Services</b>				
Annual Remuneration			703	1,030
Car Allowance			-	27
Performance Bonuses			-	174
Contributions to UIF, Medical and Pension Funds			32	33
Eminence Allowance			-	18
			<b>735</b>	<b>1,282</b>
<b>Remuneration of the Executive Director : Transportation</b>				
Annual Remuneration			1,596	1,508
Car Allowance			73	73
Performance Bonuses			-	184
Contributions to UIF, Medical and Pension Funds			239	228
			<b>1,908</b>	<b>1,993</b>
<b>Remuneration of the Executive Director : Health</b>				
Annual Remuneration			1,655	1,562
Car Allowance			108	108
Performance Bonuses			-	325
Contributions to UIF, Medical and Pension Funds			-	2
			<b>1,763</b>	<b>1,997</b>
<b>Remuneration of the Executive Director : Corporate Services</b>				
Annual Remuneration			1,583	1,697
Car Allowance			128	158
Performance Bonuses			-	107
Contributions to UIF, Medical and Pension Funds			78	30
			<b>1,789</b>	<b>1,992</b>
<b>Remuneration of the Director : Office of the City Manager</b>				
Annual Remuneration			1,079	341
Contributions to UIF, Medical and Pension Funds			49	15
			<b>1,128</b>	<b>356</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 39. EMPLOYEE RELATED COSTS (continued)

#### Chief of Staff

Annual Remuneration			834	580
Car Allowance			75	-
Contributions to UIF, Medical and Pension Funds			84	89
Eminence			-	125
			<b>993</b>	<b>794</b>

#### Remuneration of the Group Head : Urban Management and Citizen Relationship Management

Annual Remuneration			743	-
Car Allowance			54	-
Performance Bonuses			79	-
Contributions to UIF, Medical and Pension Funds			69	-
			<b>945</b>	<b>-</b>

#### Remuneration of the Group Head : Governance

Annual Remuneration			606	-
Car Allowance			48	-
Contributions to UIF, Medical and Pension Funds			31	-
			<b>685</b>	<b>-</b>

#### Remuneration of the Chief Operations Officer

Annual Remuneration			2,171	-
Car Allowance			144	-
Contributions to UIF, Medical and Pension Funds			114	-
			<b>2,429</b>	<b>-</b>

#### Remuneration of the Council Secretary

Annual Remuneration			122	-
Car Allowance			7	-
Contributions to UIF, Medical and Pension Funds			3	-
			<b>132</b>	<b>-</b>

#### Remuneration of the Secretary of Council

Annual Remuneration			472	-
Car Allowance			43	-
Contributions to UIF, Medical and Pension Funds			24	-
			<b>539</b>	<b>-</b>

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>40. REMUNERATION OF COUNCILLORS</b>				
Executive Mayor	1,052	995	1,052	995
Mayoral Committee Members	8,812	8,229	8,812	8,229
Speaker	855	829	855	829
Councillors	78,374	79,414	78,374	79,414
Councillors' pension contribution	7,859	8,824	7,859	8,824
Chairpersons	13,459	-	13,459	-
	<b>110,411</b>	<b>98,291</b>	<b>110,411</b>	<b>98,291</b>

### Remuneration of the Executive Mayor - Parks Tau

Annual Remuneration	808	759
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	133	48
Cell Allowance	40	-
	<b>1,109</b>	<b>935</b>

### 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.

# City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 41. DEPRECIATION AND AMORTISATION

Property, plant and equipment	1,728,933	1,590,358	1,149,323	1,120,566
Investment property	12,225	12,144	12,225	11,895
Biological assets	420	835	-	-
Intangible assets	273,152	185,017	223,798	148,998
	<b>2,014,730</b>	<b>1,788,354</b>	<b>1,385,346</b>	<b>1,281,459</b>

### 42. IMPAIRMENT LOSSES

#### Impairments/(Reversal of impairments)

Property, plant and equipment	10,002	5,498	-	-
Investment property	23	23	-	-
Intangible assets	4,072	375	-	-
Investments in Municipal Entities	-	-	29,102	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 18				
Loans to Municipal Entities	-	-	22,398	122,165
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 4				
Inventories	3,761	2,148	-	-
Trade and other receivables	3,000	1,969	-	-
	<b>20,858</b>	<b>10,013</b>	<b>51,500</b>	<b>248,410</b>

### 43. ALLOWANCE FOR IMPAIRMENT OF CURRENT RECEIVABLES

Impairments	34,633	9,378	31,920	80
Allowance - Trade and other receivables	1,188,201	139,156	(2,651)	54,487
Allowance - Consumer debtors	2,477,348	2,191,143	764,781	377,954
Impairment loss - Trade and other receivables	931	115,135	(8,735)	14,779
Impairment loss - Consumer debtor	(1,332,906)	(263,189)	-	-
Reversal of allowance - Consumer debtors	2,553	14	-	-
	<b>2,370,760</b>	<b>2,191,637</b>	<b>785,315</b>	<b>447,300</b>

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>44. BULK PURCHASES</b>				
Electricity	8,218,993	7,672,069	-	-
Water	2,827,320	2,454,783	-	-
Sewer purification	25,866	20,565	-	-
	<b>11,072,179</b>	<b>10,147,417</b>	-	-

### 45. CONTRACTED SERVICES

Information Technology Services	206,322	238,241	206,322	238,211
Fleet Services	551,697	600,665	50,278	57,551
Operating Leases	164,802	149,205	164,802	149,205
Specialist Services	750,120	765,356	746,914	764,976
Other Contractors	252,813	223,078	20,892	16,925
	<b>1,925,754</b>	<b>1,976,545</b>	<b>1,189,208</b>	<b>1,226,868</b>

Refer to note 50 for future operating lease commitments

### 46. GRANTS AND SUBSIDIES PAID

#### Grants paid to ME's

City of Johannesburg Property Company (Pty) Ltd	-	-	10,726	-
Johannesburg City Parks	-	-	502,705	457,182
Johannesburg Development Agency (Pty) Ltd	-	-	24,308	24,110
Johannesburg Metropolitan Bus Services (Pty) Ltd	-	-	319,450	293,919
Johannesburg Roads Agency (Pty) Ltd	-	-	495,047	445,300
Johannesburg Social Housing Company (Pty) Ltd	-	-	16,900	17,764
Johannesburg Tourism Company	-	-	-	39,917
Metropolitan Trading Company (Pty) Ltd	-	-	34,596	51,775
Pikitup Johannesburg (Pty) Ltd	-	-	1,148,779	1,076,356
Roodepoort City Theatre	-	-	10,134	9,853
The Johannesburg Civic Theatre (Pty) Ltd	-	-	26,724	26,818
The Johannesburg Zoo	-	-	22,887	42,793
The Soweto Theatre	-	-	10,000	-
	-	-	<b>2,622,256</b>	<b>2,485,787</b>

#### Other subsidies

Grant paid : Housing top structures	141,160	112,942	141,160	112,942
Grant paid : Other	11,648	18,868	11,648	18,868
Grant paid : Sporting Organisations (Marks Park Sports Club)	1,147	1,147	1,147	1,147
	<b>153,955</b>	<b>132,957</b>	<b>153,955</b>	<b>132,957</b>
	<b>153,955</b>	<b>132,957</b>	<b>2,776,211</b>	<b>2,618,744</b>

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 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>47. GENERAL EXPENSES</b>				
Advertising	45,699	45,083	19,445	8,759
Auditors remuneration	46,737	39,542	19,306	19,574
Bank charges	68,983	66,580	58,977	56,402
Cleaning	13,267	20,038	-	-
Commission paid	42,039	38,881	-	-
Computer expenses	45,634	34,027	-	-
Conferences and seminars	26,051	10,890	15,583	5,048
Consulting and professional fees	174,725	144,892	48,255	49,731
Cost of inventories expense	148,176	136,948	14,289	14,273
Debt collection	274,046	248,477	194,137	170,949
Free electricity	38,698	36,456	36,338	33,230
Hire	8,147	9,627	6,729	8,522
Horticulture	14,516	14,421	-	-
Insurance	72,078	146,189	123,474	138,454
Lease rentals on operating lease	470,156	586,778	196,138	137,503
ME - charges	-	-	490,720	318,101
Marketing	49,970	49,196	27,802	27,231
Motor vehicle expenses	60,346	48,092	-	-
Other expenses	604,439	498,061	282,248	216,932
Placement fees	8,188	3,137	-	-
Post retirement expenses	97,272	95,010	97,272	95,010
Printing and stationery	288,670	142,845	127,308	76,656
Productions	14,760	7,741	-	-
Road maintenance	365,018	392,683	-	-
Security (Guarding of municipal property)	306,952	326,935	154,986	179,684
Settlement of contingent liability	-	10,000	-	10,000
Software expenses	50,587	32,993	25,206	25,484
Staff welfare	1,240	8,142	1	28
Subscriptions and membership fees	16,385	12,732	12,728	9,408
Telephone and fax	94,934	99,188	41,887	44,143
Training	35,251	34,010	22,325	23,386
Transport and freight	-	(3,685)	-	-
Travel - local	15,983	17,939	5,287	5,875
Travel - overseas	7,081	6,655	5,447	5,707
Utilities	527,943	686,628	534,317	486,559
	<b>4,033,971</b>	<b>4,047,131</b>	<b>2,560,205</b>	<b>2,166,649</b>

Included in other expenses are guarantee fees relating to the COJ2 bond which is held at amortised cost.

Guarantee fees	10,392	9,884	10,392	9,884
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### 48. FAIR VALUE ADJUSTMENTS

Other	(15,889)	(16,331)	-	-
Other financial assets				
• Fair value movement on the sinking fund	159,619	109,324	159,619	109,324
• Cash flow hedge (Ineffective portion)	3,080	771	3,080	771
	<b>146,810</b>	<b>93,764</b>	<b>162,699</b>	<b>110,095</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>49. CASH GENERATED FROM OPERATIONS</b>				
Surplus	3,198,485	5,409,050	1,634,927	2,924,864
<b>Adjustments for:</b>				
Depreciation and amortisation	2,014,732	1,788,355	1,385,348	1,281,459
Gain on sale of assets and liabilities	23,401	55,263	40,357	60,598
Taxation paid	33,804	(35,990)	-	-
Debt impairment	2,370,760	2,191,637	785,315	447,300
Interest earned - outstanding debtors	(156,277)	(124,708)	(99,276)	(73,892)
Impairment deficit	14,097	5,896	-	-
Impairment of me loans	-	-	-	(4,961)
Grant income not recognised for asset under construction	-	(761,366)	-	(761,366)
Deferred income	(10,636)	(12,504)	(2,640)	(2,384)
Equity share in associate	(2,226)	71	-	-
Investment movement	148,999	(45,956)	211,493	(108,036)
Borrowings	(460,021)	(33,173)	(458,549)	(3,917)
Non-cash flow asset movements	2,282	33,168	-	-
Post retirement benefits	213,364	185,744	172,558	150,165
Provisions	(82,993)	309,423	(15,219)	20,846
<b>Changes in working capital:</b>				
Inventories	(31,436)	(75,528)	(5,664)	18,647
Trade and other receivables	(324,922)	244,355	(865,203)	1,344,669
Other receivables from non-exchange transactions	46,785	(45,656)	46,580	(46,580)
Consumer debtors	(1,705,421)	(3,182,713)	(834,341)	(861,972)
Trade and other payables	1,777,324	(188,986)	2,664,647	(1,080,051)
VAT	(150,150)	(100,892)	(39,464)	37,387
Obligations arising from conditional grants and receipts	673,505	158,684	628,770	170,524
	<b>7,593,456</b>	<b>5,774,174</b>	<b>5,249,639</b>	<b>3,513,300</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>50. COMMITMENTS</b>				
<b>Commitments in respect of capital expenditure:</b>				
<b>Authorised and not yet contracted for</b>				
• Infrastructure	5,112,265	3,105,321	999,677	1,042,866
• Community	276,186	100,200	216,977	100,200
• Other	909,087	183,055	868,526	165,055
• Heritage	7,724	15,100	7,724	15,100
• Investment property	1,000	-	1,000	-
	<b>6,306,262</b>	<b>3,403,676</b>	<b>2,093,904</b>	<b>1,323,221</b>
<b>Authorised and contracted for</b>				
• Infrastructure	1,133,997	799,734	866,389	559,506
• Community	50,000	28,558	50,000	28,558
• Other	104,813	29,600	104,813	29,600
	<b>1,288,810</b>	<b>857,892</b>	<b>1,021,202</b>	<b>617,664</b>
	<b>7,595,072</b>	<b>4,261,567</b>	<b>3,115,106</b>	<b>1,940,885</b>
<b>This expenditure will be financed from:</b>				
External Loans	1,451,168	785,000	772,701	274,300
Capital Replacement Reserve	1,593,087	69,303	804,830	11,142
Government Grants	2,763,734	2,561,606	1,516,645	1,650,443
Internal cash	1,709,053	825,658	-	-
District Council Grants	78,030	20,000	20,930	5,000
	<b>7,595,072</b>	<b>4,261,567</b>	<b>3,115,106</b>	<b>1,940,885</b>
<b>Operating leases - as lessee (Fleet)</b>				
<b>Minimum lease payments due</b>				
- within one year	13,111	196,881	-	155,639
- in second to fifth year inclusive	52,968	1,513,954	-	-
- later than five years	1,304	-	-	-
	<b>67,383</b>	<b>1,710,835</b>	<b>-</b>	<b>155,639</b>
<b>Operating leases – as lessee (Buildings)</b>				
<b>Minimum lease payments due</b>				
- within one year	438,827	786,365	46,437	63,219
- in second to fifth year inclusive	1,601,333	1,716,692	48,530	67,988
- later than five years	1,142,708	1,527,215	2,309	2,608
	<b>3,182,868</b>	<b>4,030,272</b>	<b>97,276</b>	<b>133,815</b>

Lease payments made throughout the year by respective Departments and ME's are included in the Statement of Financial Performance under General Expenses, refer to Note 47.

JPC: Operating lease payments represent rentals payable by the entity for its office properties. Leases are negotiated for an average term of 9 years, 11 months and rentals are subject to yearly escalations. No contingent rent is payable.

WATER: Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable. Lease agreements over office properties are subject to escalation clauses.

JRA: Operating lease payments represent rentals payable by the entity according to the rental agreement. The lease is for 6 months and is expiring in September 2013. No contingent rent is payable.



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 50. COMMITMENTS (continued)

Joshco; Operating lease payments represent rentals payable by the company for its Head office premises. Leases are negotiated for an average term of three years and rentals are fixed for one year and subject to escalation clauses. No contingent rent is payable Other than the details provided above, management is not aware of any further contingencies.

POWER: Operating lease payments represent rentals payable by the company for certain of its motor vehicles, office equipment and the capacity rights for the supply of electricity from Kelvin Power station. None of these leases are subject to escalation.

CJMM: 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	668	40	-	-
- in second to fifth year inclusive	-	30	-	-
	<b>668</b>	<b>70</b>	-	-

#### Operating leases – as lessor (income)

##### Minimum lease payments due

- within one year	8,376	8,013	-	-
- in second to fifth year inclusive	3,638	7,443	-	-
- later than five years	-	2,897	-	-
	<b>12,014</b>	<b>18,353</b>	-	-

JDA: The operating lease income relates to rental of the Bus Factory offices to tenants. The lease agreements general period is three years and is based on a rental fee per square metre of rental space.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 51. CONTINGENCIES

#### GROUP

##### Roodepoort City Theatre

Subsequent to the disciplinary hearing in respect of the Irregular expenditure referred to in Note 28, civil proceedings have commenced against the employees concerned to recover an amount of R477,035.68 -. It is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually uncertain.

##### 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 R1,000,000.00
- Hetta Eiendoms Bpk v JRA ( Claim for specific performance / Alleged damage to property due to construction). Amount involved R1,500,000.00.
- Midnight Moon Trading (Pty) Ltd (Dispute on quality of work). Amount Involved R3,870,167.00.

##### The Johannesburg Fresh Produce Market (Proprietary) Limited

The company is currently involved in various legal proceedings against it. Certain of these proceedings are long outstanding, the company in consultation with its legal counsel has assessed the outcome of these proceedings and the likelihood that certain of these cases are not likely to be in the company's favour. Following this assessment the company's management has determined that no provision is required in respect of these legal proceedings as at 30 June 2013. The entity is involved in two (2) litigation matters and disputes relating to the dismissal of former employees. One (1) case has been lodged with the Labour court and one (1) with the Labour Appeal court. Both of the cases have been brought forward from prior years. The estimated exposure is unknown at this stage. The directors are of the opinion that the claims can be successfully defended 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 non-compliance 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 R250,000. At this moment the disputes are still uncertain.

##### City Power (Pty) Ltd

The company has an ongoing legal action instituted by Grinpal Energy Management for the company to absorb its employees in term of section 197 of the LRA. An appeal process is underway after the applicant has obtained a Court Order compelling the company to absorb the employees. The potential liability is estimated at R672,000.00.

Litigation by Nicolaas Ligt 10122 cc a supplier is in progress relating to damages for alleged breach of contract by the company for failure to pay for services rendered. The potential liability is R4,268,499. An out of court settlement is being negotiated with the supplier. The liability has subsequently been settled.

The company has an ongoing legal dispute with Labour union regarding non-payment of bonuses to employees for the 2012 financial year. The potential liability is estimated to be R28,163,994.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 51. CONTINGENCIES (continued)

ABB South Africa has launched legal action against the company on the basis of an irregular award of a tender. It is alleged that the consultant appointed by the company interfered with the tender process to the detriment of the applicant. The matter is being defended and potential liability is still unknown.

City Power is currently claiming consumer debtor impairment at 100% as a tax deduction. South African Revenue Services has approved a deduction of 25%. City Power is appealing the decision of the Receiver. The potential liability is estimated to be R160 M.

#### City Parks (Pty) Ltd

There is a possible claim against the company for possible contractual non-performance.

#### Johannesburg Development Agency (Pty) Ltd

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 CJMM 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 million, as a result of BRT construction works. The City has filed its papers defending the matter in the South Gauteng High Court. The trial date is set for 31 January 2014.

Up to May 2008, there was a thinking that the JDA was regarded as an agent and not the principal and thus was not allowed to account for Output and Input Value Added Tax on capital expenditure funded by the City of Johannesburg on projects rolled out by the JDA. This view was upheld in a ruling issued by the South African Revenue Service dated February 2008, with reference number TCS01/2008.

Subsequent to the said ruling, and further engagement with the South African Revenue Service through Deloitte, a second ruling by SARS dated 13 May 2008, stated the following: "The JDA acted as a principal and not an agent on behalf of the COJ. Further, the payments received by JDA constituted of consideration for a taxable supply which is subject to VAT at the standard rate in terms of section 7 (1) (a) of the VAT Act. Furthermore, JDA should have accounted for output tax on the receipt of the consideration for those services and could have been permitted to claim the VAT incurred on goods and services, pertaining to the agreement, as input tax." SARS requested the JDA to recalculate VAT for all the periods starting with the 2002 year through to 30 June 2007.

Deloitte were appointed by the JDA to calculate the net Value Added Tax payable to/ receivable from the South African Revenue Service for the periods 2002 to 2007.

A provision for Value Added Tax payable of R8,261,946 was raised in the financial statements in 2008/09.

During the 2011 financial year, an amount of R7,848,985 was paid over to SARS based on calculations prepared by Deloitte. In June 2012, SARS conducted an audit of the work performed by Deloitte after which an assessment will be issued. A final assessment has still not been issued by the South African Revenue Service. Based on the payments made, no provision has been raised in the annual financial statements until the final assessment has been received.

#### Johannesburg Social Housing Company (Pty) Ltd

For the financial year, the sole shareholder, made available capital infrastructure development to the value of R134,520,000. These funds were obtained through various Government Grants through the City of Johannesburg. In addition, JOSHCO secured funding from the Social Housing Regulatory Authority (SHRA) and Provincial Housing Subsidies on the development of the Fleurhof Junction project to the value of R38,000,000. The development related to social housing and infrastructure in Anthea, AA House, Klipspruit, Randburg Selkirk, City Deep, Orlando Ekhaya, Selby Village, Fleurhof, Roodepoort, Bellavista, Dobsonville, Lombardy east, Turffontein and Lynatex. For the year, R160,706,733 expenditure was incurred for the development of these projects. A marginal amount of R11,813,267 remains as a contingent claim by contracted developers for the project.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 51. CONTINGENCIES (continued)

Operating lease payments represent rentals payable by the company for its Head office premises. Leases are negotiated for an average term of three years and rentals are fixed for one year and subject to escalation clauses. No contingent rent is payable.

#### 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 R 10.3 Million in respect of disputed claims with respect to service providers.

#### 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.

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 services. The matter was referred to arbitration.

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 wrongful termination of contract. It sought relief twofold, to uphold the contract, alternatively damages in the sum of R33,150,639.30. The matter was referred to arbitration, the plaintiff is however refusing to sign the arbitration agreement. The City is prepared to proceed with the arbitration however the Plaintiff has not taken any further steps for more than one year now.

The City appointed a service provider (a joint venture) to construct 1000 low cost RDP houses. The one partner to the JV subsequently ceded its rights and obligations in terms of the JV agreement to the other partner, which the City was not party to. The latter partner then only concluded 385 foundations. After various opportunities to remedy the defects, the City terminated the contract. A dispute was declared and the matter referred to arbitration in terms of the JBCC agreement for the sum of R29,406,592.00.

The City is being sued in the amount of R52,000,000.00 by a firm of consulting engineers who claim they were not paid for work done in the construction of a stadium for the 2010 Soccer World Cup in full and final settlement of all claims with regard to this contract.

Claim for unpaid services plus interest in the amount of R3,467,826.82. A tender in the amount of R1,976,616.08 plus interest and costs was made to the court. The City is disputing the difference between the amount being claimed and the amounts as per the tender.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>52. PRIOR PERIOD ERRORS</b>				
<b>Statement of financial position</b>				
CJMM - Trade and other receivables		(211,229)		(211,229)
CJMM - Inventories		11,176		11,176
CJMM - VAT receivable		31,335		31,335
CJMM - Finance lease receivables		123,864		123,864
CJMM - Investment property		3,366		3,366
CJMM - Property, plant and equipment		1,263,852		1,263,852
CJMM - Intangible assets		35,071		35,071
CJMM - Consumer debtors		(266,365)		(266,365)
CJMM - Receivables from non- exchange transactions		46,580		46,580
CJMM - Heritage Assets		547,663		547,663
CJMM - Provisions		(58,953)		(58,953)
CJMM - Other financial assets		(2,505,624)		(2,505,624)
CJMM - Other financial assets at fair value		2,531,850		2,531,850
CJMM - Non current assets held for sale		(136,606)		(136,606)
CJMM - Loans and borrowings		24,417		24,417
CJMM - Finance lease obligation		(319,706)		(319,706)
CJMM - Trade and other payables		205,592		205,592
CJMM - Obligations arising from conditional grants and receipts		(840)		(840)
CJMM - Financial liabilities at fair value		(9,335)		(9,335)
CJMM - Accumulated surplus		(1,239,544)		(1,239,544)
WATER - Property, plant and equipment		6,795		-
WATER - Finance lease obligation		(6,899)		-
PIKITUP - Opening accumulated surplus		435		-
PIKITUP - Property, plant and equipment		60,685		-
PIKITUP - Finance lease obligation		(62,121)		-
PIKITUP - Payables from exchange transactions		237		-
PIKITUP - Loan to shareholder		1,531		-
PIKITUP - Commercial debtors		(2,699)		-
JOSHCO - Loans from group companies		1,342		-
JRA - Property, plant and equipment		9,266		-
JRA - Trade and other payables from exchange transactions		4,952		-
JRA - Trade and other receivables from exchange transactions		(23,328)		-
JRA - Finance lease obligation		(9,402)		-
PROPERTY - Payables from exchange transactions		(1,930)		-
PROPERTY - Property, plant and equipment		(657)		-
PROPERTY - Opening accumulated surplus		(106)		-
JDA - Property, plant and equipment		760		-
JDA - Intangible assets		501		-
JDA - Finance lease obligation		7		-
JDA - Deferred tax liability		(164)		-
MTC - Property, plant and equipment		515		-
MTC - Taxation payable		3,110		-
MBUS - Inventories		2,619		-
MBUS - Trade and other payables from exchange transactions		5,766		-
CITYPARKS - Property, plant and equipment		13,836		-
CITYPARKS - Finance lease obligation		(15,345)		-
CITYPARKS - Trade and other payables from exchange transactions		(355)		-
CITYPARKS - Trade and other receivables from exchange transactions		2		-
RCT - Opening accumulated surplus		(352)		-
RCT - Property, plant and equipment		308		-
		<b>65,873</b>		<b>76,564</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>52. PRIOR PERIOD ERRORS (continued)</b>				
<b>Statement of financial performance</b>				
CJMM - Property rates		(126,863)		(126,863)
CJMM - Service charges		(7,680)		(7,680)
CJMM - Interest received		(77,217)		(77,217)
CJMM - Sale of housing stock		14,693		14,693
CJMM - Other revenue		17,359		17,359
CJMM - Gains on disposal of assets		(126,478)		(126,478)
CJMM - Depreciation and amortisation		(62,155)		(62,155)
CJMM - Net impairment losses		142,190		142,190
CJMM - Finance costs		8,576		8,576
CJMM - Allowance for impairment of current receivables		(6,740)		(6,740)
CJMM - Contracted services		67,999		67,999
CJMM - Loss on disposal of assets		129,975		129,975
CJMM - Cost of housing sold		(21,408)		(21,408)
CJMM - General Expenses		(10,078)		(10,078)
CJMM - Fair value adjustments		134,091		134,091
CJMM - Loss on non-current assets held for sale or disposal groups		300		300
WATER - Finance cost		(238)		-
WATER - Operating Expenditure		134		-
PIKITUP - Finance Cost		(2,190)		-
PIKITUP - Expenditure		2,522		-
PIKITUP - Miscellaneous and other revenue		(2,264)		-
JOSHCO - General expenses		1,342		-
JRA - Revenue		(23,328)		-
JRA - Operating expenses		5,137		-
JRA - Finance cost		(321)		-
PROPERTY - Revenue		(1,930)		-
PROPERTY - Operating expenses		(762)		-
JDA - Depreciation and amortisation		1,261		-
JDA - Finance costs		7		-
JDA - Taxation		(164)		-
MTC - General expenses		1,113		-
MTC - Taxation		1,996		-
MTC - Loss on disposals of assets		774		-
MTC - Depreciation and amortisation		(259)		-
MBUS - Insurance expense		5,766		-
MBUS - General expenses		2,619		-
CITYPARKS - Finance cost		(541)		-
CITYPARKS - Depreciation		(1,305)		-
CITYPARKS - Revenue		2		-
CITYPARKS - External services		(18)		-
RCT - Depreciation and amortisation		(44)		-
		<b>65,873</b>		<b>76,564</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

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Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 52. PRIOR PERIOD ERRORS (continued)

The correction of the error(s) results in the restatement of comparative figures as follows - Group - 2013

#### Johannesburg Water SOC Limited

During the current financial year Johannesburg Water Entity discovered that the retained earnings, property, plant and equipment and finance lease obligation were incorrectly stated due to the fleet rental agreement between COJ and Johannesburg Water Entity which was initially treated as operating leases. The finance cost resulting from the finance lease obligation was understated and the depreciation resulting from the property, plant and equipment was also understated.

#### Pikitup Johannesburg SOC Limited

During the current financial year Pikitup discovered that the retained earnings, property plant and equipment and finance lease obligations were incorrectly stated due to fleet rental agreement between Pikitup and COJ which was initially treated as operating leases. The finance cost resulting from the finance lease was understated and the depreciation resulting from the property, plant and equipment was also understated.

#### Johannesburg Social Housing Company SOC Limited

Correction of a prior period error resulting from a credit note received from COJ for rates and taxes that was not supposed to be billed initially as the property are capitalised in the books of COJ.

This resulted in a decrease in Intercompany loans of R1 342 004 and a decrease in municipal charges of R1 342 004.

#### Johannesburg Roads Agency SOC Limited

The adjustments mentioned below is based on services of prior financial year:

##### *Provision for invoices under dispute:*

The raising of Roadmark/KYK JV invoices which was not accrued due to a dispute between the contractor and JRA total amount raised R4 497 295.

The raising of TP Building services for invoices under dispute which were not accrued for, amount raised R1 010 909.

The correction of expenses which were incorrectly accrued, amounts involved are (R82 325) and (R395 794)

The correction of a payroll disbursement (R102 040)

The correction of payments in advance, amount involved are R326 513 and R776 666.

The correction of subsidy to align to approved subsidy R4 620.

##### *Developers contribution:*

The reclassification of developers contribution liability to equity, amount reclassified amounts to R23 323 633 .

During the current financial year Johannesburg Roads Agency discovered that the retained earnings, property, plant and equipment and finance lease obligation were incorrectly stated due to the fleet rental agreement between COJ and Johannesburg Roads Agency which was initially treated as operating leases. The finance cost resulting from the finance lease obligation was understated and the depreciation resulting from the property, plant and equipment was also understated.

#### City of Joburg Property Company SOC Limited

Trade and other payables - Commission relating to land sales transaction was not recognised in the income statement when the property was transferred. This amount has been corrected and reflected as income.

Impairment loss - The impairment on furniture and fittings was reversed as the assets have been disposed of.

Finance lease assets - The asset was incorrectly disposed of in the previous financial year when it was send back to supplier for repair and it has been subsequently brought back into use.

Non-current assets - Assets were incorrectly depreciated in the prior. This was discovered upon recalculation using the new fixed asset module on the Nicor accounting software currently in use by the finance department.

# City of Johannesburg Metropolitan Municipality

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### 52. PRIOR PERIOD ERRORS (continued)

#### Johannesburg Development Agency SOC Limited

The correction of the error(s) results in the restatement of comparative figures as follows:

The restatement of the finance lease obligation was due to an error identified in the amortisation of the finance leases. The net change resulted in an increase in interest paid for finance leases in the prior year.

The restatement of the property, plant and equipment and intangible assets was as a result of restating the prior year carrying values for a reassessment of the useful lives. This resulted in a prior year adjustment as these assets had carrying values of Rnil.

#### Metropolitan Trading Company SOC Limited

Property, plant and equipment - A fixed asset verification was performed and it was found that many of the assets on the fixed asset register did not exist at year end as they could not be physically verified. This resulted in a decrease of R774 064 in cost and R259 014 in accumulated depreciation (Net book value: R515 050). Assets that were found had their useful lives changed according to the condition they were in resulting in a reduction in depreciation of R259 014.

Taxation Payable - MTC did not submit any tax returns from 2008 upto and including 2012. This was rectified in the 2013 financial year and resulted in a taxation payable position of R3 109 513. The amount payable is made up of penalties and interest of R1 113 198 and tax of R1 996 315.

#### Johannesburg Metropolitan Bus Services SOC Limited

Management discovered that there was no accrual provided for the Insurance in the prior year amounting to R 5 765 666. This resulted in understatement of insurance expense in the prior period. The error has been corrected and led to an increase in insurance expense and a corresponding increase in accruals. Management also discovered that there was an error in the previous years Inventory valuation amounting to R 2 619 199 and comparative figures have been restated accordingly.

#### Johannesburg City Parks NPC

During the current financial year Johannesburg City Parks discovered that the retained earnings, property, plant and equipment and finance lease obligation were incorrectly stated due to the fleet rental agreement between COJ and Johannesburg City Parks which was initially treated as operating leases. The finance cost resulting from the finance lease obligation was understated and the depreciation resulting from the property, plant and equipment was also understated.

#### Roodepoort City Theatres

During the current financial year, the useful lives of assets were reviewed resulting in the carrying value of the assets increasing.



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### 52. PRIOR PERIOD ERRORS (continued)

The correction of the error(s) results in the restatement of comparative figures as follows - CORE - 2012

#### Statement of financial position

Property, plant and equipment (R 131,939 million)  
Reversal of original Fleet category B and C entries

Non-current assets held for sale (R 136,607 million)  
Reversal of original Fleet category A entries

Property, plant and equipment R 93,801 million  
Accounting for Fleet assets due to revised calculations

Finance lease receivable R 123,762 million  
Accounting for Fleet assets due to revised calculations

Trade and other payables R 12,591 million  
Accounting for Fleet assets due to revised calculations

Trade and other receivables (R 333,168 million)  
Accounting for Fleet assets due to revised calculations

Property, plant and equipment (R 49,559 million)  
Reversing out the original library book entry

Property, plant and equipment R 66,364 million  
Accounting for library books

Trade and other receivables R 160,528 million  
Reversal of original fleet entry

Trade and other payables R 190,732 million  
Reversal of original fleet entry

Property, plant and equipment R 291,074 million  
Accounting for the BRT busses

Finance lease obligation (R 319,706 million)  
Accounting for the BRT busses

Heritage assets R 456,661 million  
Adjusting for class transfers, depreciation and impairment corrections due to class transfers and heritage assets previously not accounted for at the correct value.

Property, plant and equipment R 339,263 million  
Adjusting for class transfers, depreciation and impairment corrections due to class transfers.

Intangible assets R 35,070 million  
Adjusting for class transfers, depreciation and impairment corrections due to class transfers.

Investment property R 3,814 million  
Adjusting for class transfers, depreciation and impairment corrections due to class transfers.

Property, plant and equipment R 746,800  
Accounting for land additions and disposals following reconciliation with deeds office.

Investment property (R 0,448 million)  
Accounting for land additions and disposals following reconciliation with deeds office.

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
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### 52. PRIOR PERIOD ERRORS (continued)

Loans and borrowings R 24,390 million  
Adjusting for interest on the Jozibond buy back

VAT (R 31,335 million)  
Adjustment of VAT due to SARS audit

Obligations arising from conditional grants and receipts (R 0,840 million)  
Adjusting for interest on grant

Trade and other payables R 0,845 million  
Adjusting for interest on Swap, Ibm and Jozibond

Trade and other payables (R 1,123 million)  
Adjusting the fair value adjustment of the Swap

Trade and other receivables R 4,360 million  
Reallocation of prior year interest received

Consumer debtors (R 244,669 million)  
Adjusting for the correction of subsequent billing

Other financial assets R 22,121 million  
Recognition of property donated

Provisions (R 58,953)  
Provision for interest on contingent liability reversed

Inventory R 11,176 million  
Recognition of property donated

Other financial assets (R 2,531,850 million)  
Recalssification of the ABSA sinking fund

Other financial assets at fair value R 2,531,850 million  
Recalssification of the ABSA sinking fund

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

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### 52. PRIOR PERIOD ERRORS (continued)

#### Statement of financial performance

Depreciation and amortisation (R 41,503 million)  
Reversal of original Fleet category B and C entries

Fair value adjustments (R 25,889 million)  
Reversal of original Fleet category B and C entries

Loss on non-current assets held for sale or disposal groups (R 0,300 million)  
Reversal of original Fleet category B and C entries

Net impairment losses (R 40,546 million)  
Reversal of original Fleet category B and C entries

Other income R 31,468 million  
Reversal of original Fleet category B and C entries

Contracted services (R 13,951 million)  
Reversal of original Fleet category B and C entries

Finance costs (R 6,175 million)  
Reversal of original Fleet category B and C entries

Contracted services (R 51,320 million)  
Accounting for the BRT busses

Depreciation and amortisation R 30,308 million  
Accounting for the BRT busses

Finance costs R 31,944 million  
Accounting for the BRT busses

(Loss)/gain on disposal of assets and liabilities (R 3,497 million)  
Accounting for Fleet assets due to revised calculations

Interest received (R 4,296 million)  
Accounting for Fleet assets due to revised calculations

Contracted services (R 30,627 million)  
Accounting for Fleet assets due to revised calculations

Depreciation and amortisation R 85,257 million  
Accounting for Fleet assets due to revised calculations

Finance costs R25,254 million  
Accounting for Fleet assets due to revised calculations

Other income (R 51,495 million)  
Accounting for Fleet assets due to revised calculations

Depreciation and amortisation (R 17,312 million)  
Adjusting for depreciation and amortisation corrections due to class transfers.

Depreciation and amortisation (R 9,164 million)  
Reversing out the original library book entry

General expenses R 6,979 million  
Reversing out the original library book entry

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
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### 52. PRIOR PERIOD ERRORS (continued)

Depreciation and amortisation R 14,566 million  
Accounting for library books

General expenses (R 3,592 million)  
Accounting for library books

Net impairment losses (R 101,643 million)  
Reversal of prior year impairment entries

Finance costs R 0,840 million  
Adjusting for interest on grant

Finance costs (R 0,845 million)  
Adjusting for interest on Swap, Ibm and Jozibond

Fair value adjustment R 1,123 million  
Adjusting the fair value adjustment of the Swap

Interest received (R 4,360 million)  
Reallocation of prior year interest received

Sale of housing stock R 14,693 million  
Recognition of revenue through installment sale agreement

Cost of housing sold (R 21,408 million)  
Sale of housing stock under installment sale agreement

Interest received (R 24,390 million)  
Adjusting for interest on the Jozibond buy back

Property rates (R 126,863 million)  
Adjusting for the correction of subsequent billing

Service charges R 5,396 million  
Adjusting for the correction of subsequent billing

Allowance for impairment of current receivables R 6,740  
Bad debt provision due to adjustment of subsequent billing

Finance cost R 58,953  
Provision for interest on contingent liability reversed

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

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Figures in Rand thousand	GROUP		CORE	
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### 53. RISK MANAGEMENT

#### GROUP

##### Price risk

##### Distribution Losses

The electricity energy losses can be classified into technical and non-technical losses, during 2012/13 financial year. The municipal entity's non-technical losses increased from 8.21% to 21.13%. The non-technical losses are attributable mainly to the following:

- Theft and bypass of meters
- Illegal decalibration of meters
- Damaged meters and faulty voltage and current transformers
- Billing errors
- Customers without meters

As part of the municipal entity's strategy to continuously reduce the impact of non-technical losses, the following interventions have been implemented and are being reviewed and improved on an annual basis:

- Installation of automatic meter management systems, for both large and small power users i.e. automated metering technologies
- Continuous replacement of faulty conventional and pre-paid meters
- Automation of process to acquire new customers and change of meters (through the implementation of automated workflow and escalation system)
- Utilisation of anonymous "hot line" to report theft, vandalism and tampering
- Random and targeted audits are performed, followed by removal of illegal connections and normalisation supply

#### GROUP

The CJMM, through Group Treasury and Finance Strategy unit (Treasury) manages financial risks through usage of two portfolios comprising of financial instruments. For purposes of this disclosure, portfolios are assigned Portfolio 1 and 2. Portfolio 1 is managed internally by the CJMM while Portfolio 2 is outsourced to a specialist Fund/Portfolio Manager.

##### Portfolio 1

##### 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

	GROUP		CORE	
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### 53. RISK MANAGEMENT (continued)

#### 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.

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. The table below indicates approved facilities as at end of June 2013:

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Figures in Rand thousand	GROUP		CORE	
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### 53. RISK MANAGEMENT (continued)

Details	Approved Funding R'000	Total Utilised R'000	Available for use R'000
<b>Short-Term Borrowings</b>			
Standard Bank	675	-	675
<b>Long Term Borrowings</b>			
Borrowing	1,311	(703)	608
<b>Total</b>	<b>1,986</b>	<b>(703)</b>	<b>1,283</b>

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 GRAP 104, 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 channeled 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.

#### Swap Redemption Analysis

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
INTEREST RATE SWAP R1bn Loan	29-Mar-18	(31,061)	(20,816)	(10,129)	(1,547)	2,689	-

#### Capital Redemption Analysis of Non Derivative Liabilities

Class	Balance	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
Floating Rate Loans	2,413,5	230,352	195,547	114,724	114,724	1,114,723	643,524
Fixed Rate Loans	9,592,4	394,259	744,407	1,413,251	359,630	1,940,455	4,740,492
		-	-	-	-	-	-

#### Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 30 June 2013.

Investment type	Amortised Cost	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
Call Deposits		1,341,946	-	-	-	-	-
Short Term Investments		2,701,000	-	-	-	-	-
Escrows	195,9	37,401	199,265	-	-	-	-

#### 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. GRAP 104 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.

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### 53. RISK MANAGEMENT (continued)

#### 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 to the interest rate movement/shift for Floating Rate Loans

Class	Fair Value	-1%	-0.50%	0	0.50%	1%	1.50%	-2%
Floating Rate Loans	2,698,563	2,622,079	2,658,335	2,698,563	2,730,846	2,767,102	2,803,358	2,839,614

#### 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 R141 million, and a 1% decrease in interest rates will decrease the fair value of floating rate liabilities by R76,4 million.

#### 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 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 53. RISK MANAGEMENT (continued)

#### Cash flow sensitivity analysis

Loan name	Institution	Nominal	Issue date	Cash Flow	Rate	Rate option	Interest rate shift						
							-1%	-0.50%	0%	0.50%	1%	1.50%	2%
Loan 1	DBSA	75,829	31 Mar-02	30-Sep-13	3 months Jibar + 2.535%	Floating	3,749	3,841	3,932	4,023	4,115	4,206	4,298
				31-Dec-13			3,745	3,834	3,923	4,013	4,102	4,191	4,280
				31-Mar-14			3,701	3,786	3,870	3,954	4,038	4,122	4,206
				30-Jun-14			3,734	3,816	3,898	3,980	4,062	4,144	4,226
				30-Sep-14			3,737	3,817	3,897	3,976	4,056	4,136	4,215
Loan 2	DBSA	425,000	20-Aug-09	31-Dec-13	6 months Jibar + 2.85%	Floating	27,649	28,683	29,717	30,751	31,786	32,820	33,854
				30-Jun-14			27,428	28,419	29,411	30,403	31,395	32,387	33,378
				31-Dec-14			28,345	29,322	30,299	31,275	32,252	33,229	34,205
				30-Jun-15			28,657	29,587	30,517	31,446	32,376	33,306	34,236
				31-Dec-15			29,314	30,228	31,141	32,055	32,969	33,882	34,796
Loan 3	DBSA	681	31-Mar-02	30-Sep-13	6 months Jibar + 2.45%	Floating	704	706	708	710	711	713	715
Loan 4	DBSA	2,024	31-Mar-02	30-Sep-13	6 months Jibar + 2.45%	Floating	2,094	2,099	2,104	2,109	2,114	2,119	2,125
Loan 5	DBSA	495,000	17-Apr-09	31-Dec-13	6 months Jibar + 2.96%	Floating	32,893	34,096	35,299	36,503	37,706	38,909	40,113
				30-June-14			32,607	33,760	34,913	36,066	37,219	38,372	39,525
				31-Dec-14			33,650	34,785	35,919	37,053	38,187	39,322	40,456
				30-June-15			33,979	35,058	36,137	37,215	38,294	39,372	40,451
				31-Dec-15			34,714	35,772	36,831	37,890	38,948	40,007	41,066
Loan 6	CALYON	190,469	05-Sep-06	30-Sep-13	3 monts Jibar less 0.35%	Floating	11,084	11,140	11,196	11,252	11,308	11,364	11,420
				31-Dec-13			11,103	11,159	11,215	11,271	11,327	11,384	11,440
				31-Mar-14			11,007	11,062	11,118	11,174	11,229	11,285	11,340
				30-Jun-14			11,064	11,120	11,176	11,232	11,288	1,344	11,399
				30-Sep14			11,047	11,103	11,159	11,214	11,270	11,326	11,382
Loan 7	NEDBANK	154,648	21-Apr-10	31-Dec-13	3 monts Jibar less 2.8%	Floating	38,842	39,038	39,234	39,430	39,627	39,823	40,019
				30-Jun-14			39,774	39,975	40,176	40,377	40,578	40,778	40,979



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

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### 53. RISK MANAGEMENT (continued)

#### Hedging Interest Rate Risk

#### Testing Hedge Effectiveness by the City of Johannesburg

##### Dollar-Offset Method

The City of Johannesburg test hedge effectiveness of the interest rate swap using the Dollar Offset Method. The Dollar-Offset Method compares changes in the fair value or cash flow of the hedged item and the derivative (hypothetical swap). A hypothetical swap is one that has a fixed rate which gives a zero value at inception. The fixed rate that gives a zero value at swap initiation is 11.213%.

This rate is used to generate the hypothetical swap. The all in fixed rate on the actual swap is 11.66%. The Dollar-Offset Method can be applied either period-by-period or cumulatively.

The per period approach is used generate accounting entries. Under the per period test, the movement in the swap value from one financial year to the next is compared to the movement in the hypothetical swap in the same period.

The cumulative approach is used to measure hedge effectiveness. Under the cumulative test, the movement in the swap value from inception to the next is compared to the movement in the hypothetical swap in the same period.

Should the hedge be effective, the market and credit risk gets included in Other Comprehensive Income (OCI), by deferring the minimum of the change in fair value of the actual swap and the hypothetical swap, provided the hedge effectiveness ratio is between 80% and 125%.

Per IAS 39 IG F.4.2: The expected hedge effectiveness may be assessed on a cumulative basis if the hedge is so designated and that condition is incorporated into the appropriate hedging documentation. Therefore even if a hedge is not expected to be highly effective in a particular period, hedge accounting is not precluded if effectiveness is expected to remain sufficiently high over the life of the hedging relationship.

##### Hedge effectiveness measurement

Assessment of the actual effectiveness as at 30 June 2013 as per the Dollar-Offset Method was calculated as shown below:

Date	Swap Value	Hypothetical Swap Value	Cummulative Effectiveness Test	Per Period Effectiveness Test
31-Mar-11	(23,397)	-	- %	- %
30-Jun-12	(117,449)	(95,210)	98.78 %	97.26 %
30-Jun-13	(76,629)	(57,469)	92.63 %	108.16 %

The effectiveness of the cash flow hedge is 92.63 percent which is within the 80-125 percent effectiveness range. Given that the cashflow hedge is effective in the current period (i.e. it is within 80-125 percent effectiveness range), CoJ will continue with hedge accounting in the future financial periods. The per period calculations as at 30 June 2013 are shown below.

Current movement on swap	40,820
Effective portion (OCI)	37,741
In-effective portion (P/L)	3,079

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### 53. 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

Additional text

Date	SWAP CASHFLOW SENSITIVITY ANALYSIS						
	Z - 100Bps	Z - 50Bps	Current	Z + 50Bps	Z + 100Bps	Z + 150Bps	Z + 200Bps
	<b>Cashflows</b>						
30-Sep-13	(18,560)	(18,560)	(18,560)	(18,560)	(18,560)	(18,560)	(18,560)
31-Mar-14	(21,914)	(19,461)	(17,018)	(14,573)	(12,138)	(9,709)	(7,287)
30-Sep-14	(18,805)	(16,462)	(14,131)	(11,827)	(9,534)	(7,257)	(4,997)
31-Mar-15	(15,507)	(13,319)	(11,165)	(9,019)	(6,907)	(4,819)	(2,754)
30-Sep-15	(12,626)	(10,580)	(8,564)	(6,583)	(4,631)	(2,710)	(818)
31-Mar-16	(9,776)	(7,895)	(6,057)	(4,243)	(2,470)	(731)	975
30-Sep-16	(7,412)	(5,697)	(4,022)	(2,386)	(787)	777	2,306
31-Mar-17	(5,031)	(3,496)	(2,005)	(547)	871	2,253	3,600
29-Sep-17	(3,984)	(2,601)	(1,257)	48	1,316	2,549	3,748
29-Mar-18	(2,929)	(1,700)	(510)	643	1,761	2,845	3,896
<b>Total</b>	<b>(116,544)</b>	<b>(99,771)</b>	<b>(83,289)</b>	<b>(67,047)</b>	<b>(51,079)</b>	<b>(35,362)</b>	<b>(19,891)</b>

From the above table we note that a 1% decrease in interest rates would decrease swap cashflows by 40%.

#### 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.

Additional text

Instrument	Maturity date	Swap Fair Value Sensitivity						
		Fair value sensitivity to the interest rate shift						
		-1%	-0.50%	0%	0.50%	1%	1.5%	2%
INTEREST RATE SWAP ON R1BN loan	29-Mar-18	(106,631)	(91,363)	(76,629)	(62,368)	(48,592)	(35,267)	(22,373)

On the basis of the above assumptions, a 1% change in interest rates will result in a 37% 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

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### 53. RISK MANAGEMENT (continued)

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.

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 GRAP 104.130 there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The fair value hierarchy applies to instruments reported at fair value on the statement of financial position. The interest rate swap is the only instrument reported at fair value and therefore needs to be classified as per fair value hierarchy. 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.

Instrument	Maturity date	Swap Fair Value Sensitivity						
		Fair value sensitivity to the interest rate shift						
		-1%	-0.50%	0%	0.50%	1%	1.5%	2%
INTEREST RATE SWAP ON R1BN loan	29-Mar-18	(109,212)	(92,643)	(76,629)	(61,055)	(45,989)	(31,374)	(17,195)

The Level 2 all-inclusive fair value of the swap stood at (R-76,6 million as at the end of 30 June 2013

#### 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 2013. Total investments were R 4,043 billion. The table also shows the credit limit approved per counterparty. Treasury constantly monitors the percentage limit utilized.

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### 53. RISK MANAGEMENT (continued)

COUNTERPARTY CLASS	Approved Limit	Operational		Ringfenced		Total Exposure	Available for use	Percentage Utilised
		Call Deposits	Term Deposits	Call Deposits	Term Deposits			
DOMESTIC BANKS	5,000,000	29,802	538,500	476,011	1,732,500	2,776,814	2,223,186	56 %
INTERNATIONAL BANKS	1,050,000	255,406	260,000	-	170,000	685,405	364,594	65 %
PUBLIC SECTOR ASSET MANAGEMENT FIRMS	1,200,000	41,050	-	-	-	41,050	1,158,950	3 %
	1,600,000	540,622	-	-	-	540,622	1,059,378	34 %
	<b>8,850,000</b>	<b>866,880</b>	<b>798,500</b>	<b>476,011</b>	<b>1,902,500</b>	<b>4,043,891</b>	<b>4,806,108</b>	<b>46 %</b>

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### 53. RISK MANAGEMENT (continued)

#### Credit quality of Investments

The credit qualities of CJMM's counterparties as at 30 June 2013 are shown in the table below.

COUNTERPARTY CLASS	Long Term Rating										Short Term Rating						
	AAA	AA+	AA	AA-	A+	A	A-	BBB +	BBB	Govt Guran teed	Not Rated	F1+	F1	F2	F3	Govt Guara nteed	Not Rated
DOMESTIC BANKS	1		3		1							4	1				
INTERNATIONAL BANKS				1	1	1						2	1				
PUBLIC SECTOR ASSET MANAGEMENT FIRMS		1		1						2		1				2	
			1	1							4	2					4
<b>Total</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>9</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>4</b>

#### Portfolio 2

##### Introduction and overview

In order for the CJMM to meet its debt redemption obligations specific to its long-term borrowing and to mitigate the related risks, the CJMM has mandated a fund manager to operate its Debts Redemption Fund (The Fund).

The key objectives central to the fund included in the mandate are:

- Immunize the liability, in principle eliminating interest rate risk, as well as eliminating reinvestment risk by matching the investment horizon of funds with their anticipated utilization;
- Enable the CJMM to meet their redemption obligations

The fund has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

##### Risk Management Framework

The Fund maintains positions in a variety of derivative and non-derivative financial instruments in accordance with its investment management strategy. The Liability Plus approach entails a risk-based investment strategy that manages the fund's assets appropriately, relative to its liabilities. The strategy focuses on mitigating the risks surrounding the liability, whilst at the same time seeking a return from the asset base. Conservative hedges can be employed to provide protection against the risks embodied in the liability. An asset strategy deployed is designed to deliver above-benchmark returns, and this is overlaid on the protective derivative structures. The integrated solution mitigates risks and improves performance.

The Fund's investment manager has been given a discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the Fund's risk management framework is monitored quarterly by the Fund's Risk Committee which is chaired by the City Treasurer. Other committee members include senior treasury officials and the investment management team. Overall governance is monitored by the CJMM's Asset and Liability Committee (ALCO) whose primary objective is to manage financial risk emanating from the City's operational and borrowing initiatives.

##### Credit Risk

# City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 53. RISK MANAGEMENT (continued)

Credit Risk, in the instance of Portfolio 2, is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from derivative financial assets, cash and cash equivalents, balances due from agencies and receivables from reverse repurchase agreements.

#### Management of credit risk

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's risk management policy. Credit risk is monitored on a daily basis by the investment manager in accordance with policies and procedures in place. Any deviations on the expected parameters of the Fund's credit risk are acted upon immediately.

In terms of this mandate, the acceptable credit exposures are:

- Government
- Parastatals
- Highly-Rated Corporate, Banks and Institutions

Exposure limits are determined as a function of the primary capital of the issuer, the credit rating provided by a rating agency and the liquidity of the instrument.

#### Exposure to credit risk

The Fund's maximum credit risk at the reporting date is represented by the respective carrying amount of the relevant financial assets in the statement of financial position at 30 June 2013. The Fund was invested in securities the following credit quality:

Investment	Fair Value
FRN Assets	580,091
Corporate Bond Assets	1,380,896
Gov Bonds	-
Assets	907,593
Liabilities	(1,489,193)
Swaps	-
Assets	596,617
Liabilities	(470,881)
FRA's	-
Assets	61,954
Liabilities	(41,875)

#### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

#### Management of liquidity risk

The Fund's policy and the investment manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of bonds, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. The Fund's overall liquidity risk is monitored on a quarterly basis by the Fund's Risk Committee and CJMM ALCO. Six months prior to any CJMM upcoming bond redemptions, the liquidity of the Fund is assessed in relation to the required redemption amount and necessary measures to meet the obligations are undertaken if necessary.

#### Maturity analysis for financial instruments

The following are the contractual maturities of financial assets and liabilities, including estimated interest payments:



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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE				
	2013	2012	2013	2012			
<b>53. RISK MANAGEMENT (continued)</b>							
<b>Class</b>	Trade NPV (Today)	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
Settled Bond Assets	2,288,486	274,453	219,933	762,579	183,672	520,503	14,611,160
<b>Class</b>	Trade NPV (Today)	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
Settled Bond Liabilities	(1,486,775)	(127,730)	(127,730)	(127,730)	(127,730)	(127,730)	(2,529,815)
<b>Class</b>	Trade NPV (Today)	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
Settled Bond Assets	596,617	127,643	121,207	94,799	65,496	60,089	354,963
<b>Class</b>	Trade NPV (Today)	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
Settled Bond Assets	(423,587)	(47,572)	(47,671)	(73,122)	(42,858)	(46,519)	(393,844)

### Maturity Analysis of Unsettled Bonds and Repos

<b>Bonds</b>		
<b>Unsettled Bond Assets</b>	Nominal	Due in less than a year
	175,000	199,644
<b>Unsettled Bond Liabilities</b>	(125,000)	(165,123)
<b>Repos</b>		
<b>Unsettled Bond Assets</b>	Nominal	Due in less than a year
	638,000	752,763
<b>Unsettled Bond Liabilities</b>	(1,589,000)	(1,819,877)

### Market Risk

Market Risk is the risk that changes in market prices such as interest rates, equity prices, foreign exchange rate and credit spreads (not relating to changes in the issuers credit standing) will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

### Management of market risk

The Fund's strategy for the management of market risk is driven by the Fund's objective. The Fund deploys asset-liability matching principles to design an asset management strategy to immunise the portfolio from the underlying risks inherent in the liability. In addition, an active portfolio management strategy that rebalances the assets in order to take advantage of market mispricing opportunities is followed. Directional trades are overlaid on the asset strategy to provide yield enhancement.

The Fund's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. The Fund manager monitors the market risk in real time using the Rand per-Point metric which defines the profit or loss that would be generated by a one basis point move in the underlying interest rate curve.

The Fund's market positions are monitored quarterly basis by the Fund's Risk Committee and CJMM ALCO.

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### 53. RISK MANAGEMENT (continued)

The Fund uses derivative to manage its exposure to interest rate and other price risks. The instruments used include interest rate swaps, forward contracts, futures and options.

#### Interest rate risk sensitivity analysis

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. With respect to the Fund's interest-bearing financial instruments, the Fund is subject to exposure of fair value or cash flow interest rate risk due to fluctuation in the prevailing levels of market interest rates.

The sensitivity analysis reflects how changes in underlying interest rates affect the fair value of the financial instruments.

#### Fair Value Sensitivity Analysis

Asset Class	Fair Value Sensitivity to the interest rate movement/shift						
	R'000s -1%	R'000s -0.5%	R'000s 0	R'000s 0.5%	R'000s 1%	R'000s 1.5%	R'000s 2%
Liabilities	(5,462,322)	(5,316,775)	(5,176,560)	(5,041,446)	(4,911,212)	(4,785,650)	(4,664,559)
Contributions	2,764,017	2,730,946	2,698,555	2,666,826	2,635,743	2,605,288	2,575,446
Bonds	774,506	787,896	799,296	808,892	816,849	823,320	828,441
Bonds Repos	1,066,775	1,066,730	1,066,684	1,066,638	1,066,593	1,066,547	1,066,502
FRN	581,505	580,796	580,091	579,390	578,693	578,000	577,311
FRA	59,895	39,914	20,078	386	(19,165)	(38,574)	(57,843)
IRS	338,736	229,838	125,735	26,189	(69,027)	(160,122)	(247,298)
ABSA Call	69,880	69,880	69,880	69,880	69,880	69,880	69,880
SBK Collateral	5,018	5,018	5,018	5,018	5,018	5,018	5,018
Nedbank Collateral	(75,313)	(75,313)	(75,313)	(75,313)	(75,313)	(75,313)	(75,313)
<b>Net</b>	<b>122,697</b>	<b>118,930</b>	<b>113,464</b>	<b>106,460</b>	<b>98,059</b>	<b>88,394</b>	<b>77,585</b>

#### Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The primary responsibility for the development and implementation of controls over operational risk rests with the Fund's Risk Committee. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;
- ethical and business standards;
- risk mitigation

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to CJMM.

The Fund as provided the custodian a general lien over the financial assets held in custody for the purpose of covering the exposure from providing custody services. The general lien is part standard contractual terms of the custody agreement, at present, ABSA Bank Limited provide custody services.

#### Valuation of financial instruments

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### 53. RISK MANAGEMENT (continued)

Availability of observable market prices and model inputs reduces the need for management opinion and estimation. This also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions of financial markets.

The Fund has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function which is independent of front office management and reports to the Funds Risk committee which has overall responsibility of significant fair value measurements. Specific controls include: verification of observable pricing inputs and re-performance of model valuation; a review and approval process for new models and changes to such models; analysis and investigation of significant daily valuation movement and reporting of significant valuation issues to the Funds Risk committee.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in the measurements:

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations.

The Fund uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest swaps that use only observable market data and require little management, judgment and/or estimation. Observable prices and model inputs are usually available in the market for listed debt, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

30 June 2013	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Bonds	799,296	1,066,684	-	1,865,980
Bond Repos	-	580,091	-	580,091
Floating Rate Notes	-	20,078	1	20,079
Forward Rate Agreements	-	125,735	-	125,735
Interest Rate Swaps	-	1	-	1
	<b>799,296</b>	<b>1,792,589</b>	<b>1</b>	<b>2,591,886</b>

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<b>54. FRUITLESS AND WASTEFUL EXPENDITURE</b>				
<b>Reconciliation of fruitless and wasteful expenditure</b>				
Opening balance	14,543	14,179	5,769	5,715
Fruitless and wasteful expenditure current year	4,016	1,256	446	112
Approved by Council or condoned	(629)	(841)	(15)	(7)
Fruitless and wasteful expenditure under investigation	-	(51)	-	(51)
<b>Transfer to other debtors for verification</b>	<b>17,930</b>	<b>14,543</b>	<b>6,200</b>	<b>5,769</b>

### GROUP - 2013

#### 1. Johannesburg City Parks

Interest was raised on overdue creditors.

Disciplinary steps/criminal proceedings : None.

#### 2. Johannesburg Roads Agency

Interest charged by Telkom for late payment of accounts. - R7,915.00

Disciplinary steps/criminal proceedings : None.

#### 3. PIKITUP

The amount of R1,000.00 was paid to MPD for failure to comply with the requirements for a sprinkler system which is in contravention of emergency services by- law.

Interest paid on overdue accounts.

Disciplinary steps/criminal proceedings : None.

#### 4. Johannesburg Development Agency.

Loss due to fraud - R972,841.00.

Interest and penalties - R182,446.00

Disciplinary steps/criminal proceeding: Criminal case has been opened and forensic investigation is currently under way .Interest and penalties relating submission of VAT returns .The penalties is currently under objection with SARS.

#### 5. Johannesburg Property Company& MTC

2013.The penalties reflected relates to the VAT Voluntary Disclosure repayment made by MTC. This was due to restatement of the VAT treatment on Operating Grants given to MTC between 2002 and 2006.

Disciplinary steps/criminal proceedings : None.

### GROUP - 2012

#### 1. Johannesburg City Parks

Interest was raised for late payments.

Disciplinary steps/criminal proceedings : None.

#### 2. Johannesburg Development Agency

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### 54. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

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 Road 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.

### 7. 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.

## CORE - 2013

### Revenue and Customer Relations

Interest charged for the payment of late accounts - R10,569.38.

Legal expenses - R18,712.53.

Disciplinary steps/criminal proceedings : None.

### Group Corporate and Shared Services

Interest on late payment of TSS Managed Services PTY LTD Account. ICT authorized the account for payment (including interest).

Disciplinary steps/criminal proceedings : None.

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### 54. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

#### Housing

Interest paid on late accounts - R196,470.00.

Disciplinary steps/criminal proceedings : None.

#### Development Planning and Urban Management

All matters are under investigation and a report will be forwarded to council regarding the outcomes and condonement.

Disciplinary steps/criminal proceedings : None.

#### JMPD

Interest charged on various invoices from Eskom for electricity to the value of R3120.56

Interest charged on various invoices from Post Office for bulk postage to the value of R0,420.47

Disciplinary steps/criminal proceedings : None

#### Economic Development

Telkom Interest - R8,231.00.

Disciplinary steps/criminal proceedings : None.

#### Emergency Management Services

The expenditure for R206,397.70 was for Alexandra Forbes, after a court order was issued for the payment to be processed.

Disciplinary steps/criminal proceedings : None.

### 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, 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 - 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

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Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>55. UNAUTHORISED EXPENDITURE</b>				
<b>Reconciliation of unauthorised expenditure</b>				
Opening balance	266,239	190,646	51,711	48,498
Unauthorised expenditure current year	3,829	170,356	-	3,213
Approved by Council or condoned	-	(42,885)	-	-
Transfer to receivables for recovery	-	(168)	-	-
Unauthorised expenditure awaiting authorisation	-	(51,710)	-	-
	<b>270,068</b>	<b>266,239</b>	<b>51,711</b>	<b>51,711</b>

### GROUP - 2013

#### 1. Johannesburg Parks

Overspent on buiding capital expenditure.

Disciplinary steps/criminal proceedings : None.

#### 2. JDA

Over expenditure against budget.

Disciplinary steps/criminal proceedings : Disciplinary steps/criminal proceedings still in progress.Criminal case opened against the fraud portion of the unauthorised expenditure.

#### 3. JOSHCO

2010 : The operating budget for the current year was exceeded R1,730,565.00 (3%). The deficit was dealt with in accordance Section 101 of the MFMA.

Disciplinary steps/criminal proceedings : None.

### 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. Metrobus

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

Disciplinary steps/criminal proceedings : None.t

#### 3. Metropolitan Trading Company

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

Disciplinary steps/criminal proceedings : None.

### CORE - 2013

None

### CORE - 2012

Emergency Management Services

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### 55. UNAUTHORISED EXPENDITURE (continued)

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

During the EMT workshop that was held on the 22 November 2011, it was recommended that Departments and Municipal Entities should reprioritize their operating budgets with cuts of 5% being contributed towards the revenue challenges faced within the City. The budget reduction had an impact on the department's Employee Related Costs, as there was no other classification which could be used to reduce the budget by the required 5%, thus the over - spending on employee related costs.

Disciplinary steps/criminal proceedings : None

### 56. IRREGULAR EXPENDITURE

#### Reconciliation of irregular expenditure

Opening balance	1,254,826	786,048	575,120	339,732
Irregular expenditure current year	66,284	584,097	-	235,529
Approved by Council or condoned	(113,005)	(115,319)	-	(141)
	<b>1,208,105</b>	<b>1,254,826</b>	<b>575,120</b>	<b>575,120</b>

### GROUP - 2013

#### 1. The Johannesburg Development Agency

Services were provided past the contract term.

Disciplinary steps/criminal proceedings : Disciplinary proceedings are currently underway against the employees.  
Additional text

#### 2. The Johannesburg Market

The Directors have approved a condonation report to the value of R 52,435,319.00. The report will be submitted to the mayoral committee for further condonation.

Disciplinary steps/criminal proceedings : None.

#### 3. Johannesburg Roads Agency

Ambassador Air - contract expired.

Everest Leadership - SCM procedures not followed.

Dakalo Cleaning Services - No contract.

GNG Trading - SCM procedures not followed.

Yo'Build Construction & Trading - SCM procedures not followed.

Jilongo Trading - SCM procedures not followed.

Vimtsire - contract expired.

Otis - contract expired.



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### 56. IRREGULAR EXPENDITURE (continued)

Document Warehouse - contract expired.

Rentokil - contract expired.

Aqua Transport and Plant Hire - Transgression of SCM procedures,

Barefoot in the keys - Transgression of SCM procedures.,

Disciplinary steps/criminal proceedings: A circular was issued to all staff, advising that employees who cause the Company to incur irregular expenditure will face disciplinary hearing. A condonation report was written and this expenditure is reported to the Executive Management Team, Audit Committee Board of Directors and City of Johannesburg Staff who caused the Company to incur irregular expenditure were issued with notices and their delegations were removed. New contracts have been made for the expired contracts.

### 4. Metrobus

Month to month extensions granted to suppliers pending tender procedures.

Non application of SCP relates to proper tender procedures not being followed, the tender procedures have been completed 100% Month to month extensions granted to suppliers pending tender procedures.

Contract Amount exceeded, the expenditure is directly related to unexpected or unplanned bus breakdowns.

Deviations on consultants, expenditure relates to deviations approved by the accounting officer, these relate to. Rental of equipment, Software licences, IT Support and Labour Broking.

Disciplinary steps/criminal proceedings : None.

### 5. Pikitup Johannesburg

The expense relates to ICT contract that lapsed and running on a month to month basis. R321,248.00 relates to amount paid for extension of lease rental running on a month to month basis.

Disciplinary steps/criminal proceedings : None.

### 6. Civic Theatre & Roodepoort City Theatre

The irregular expenditure was inherited from Roodpoort theatre on the 1st of January 2013. It was payments that were not approved by the board of directors in terms of the delegation authority.

The total amount was R6,526,144.00.

Disciplinary steps/criminal proceeding: The board will rectify the payments at the next board meeting. The total amount was R6,526,144.00.

Certain employees at Roodepoort theatre paid themselves excessive salaries which were not approved. The total amount was R477,032.00.

Disciplinary steps/criminal proceedings : One employee was dismissed. The other employee resigned with a 24 hour notice after she sensed that the investigation started to intensify. There are 3 cases that went to CCMA.

### 7. Johannesburg City Parks

Procurement without three quotations and without having followed tender process.

Disciplinary steps/criminal proceedings : None.

### 8. JOSCHO.

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### 56. IRREGULAR EXPENDITURE (continued)

Acquisition without 3 quotations.

Disciplinary steps/criminal proceedings : None.

### 9. Johannesburg Property Company & Metro Trading Company

BRT Maintenance - between October 2012 and February 2013 the service level agreement between Rea Vaya and MTC had lapsed. Rea Vaya did not update their supplier database in time for the integration and MTC continued to pay for the upkeep of the facilities. This was resolved in February 2013.

BRT Clearing - between October 2012 and February 2013 the service level agreement between Rea Vaya and MTC had lapsed. Rea Vaya did not update their supplier database in time for the integration and MTC continued to pay for the upkeep of the facilities. This was resolved in February 2013.

BRT Security - between October 2012 and February 2013 the service level agreement between Rea Vaya and MTC had lapsed. Rea Vaya did not update their supplier database in time for the integration and MTC continued to pay for the upkeep of the facilities. This was resolved in February 2013.

BRT Shortages - shift shortages occurred when BRT employees did not bank according to what was receipted as takings. The employees were on the MTC payroll and shortages were deducted accordingly. BRT employees transferred out of MTC's payroll as of 01 September 2012 and shortages could no longer be recouped for the first quarter.

Cleaning Services - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Consumables - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Equipment Hire - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Fuel - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Gardening Services - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

General Expenses - undefined expense from the intergration of MTC into JPC. No details could be found to substantiate this BRT Expense.

Office Rental - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Printing and stationery - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Protective Apparel - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Refreshments - Emergency catering for board meeting.

Repairs & Maintenance - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

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Figures in Rand thousand	GROUP		CORE	
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### 56. IRREGULAR EXPENDITURE (continued)

Security - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Staff Training - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Subscriptions - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Travel & Accomodation - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Telephone & Faxes - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Vehicle Hire - during the intergration staff were transferred to JPC's offices along with all documents in their possession. Some documents were misplaced during the transfer and as a result some of the expenditure cannot be supported.

Disciplinary steps/criminal proceedings : Disciplinary proceedings are currently underway against the employees.

#### GROUP - 2012

##### 1. Metrobus

Supply chain policies and procedures have not adhered to.

Disciplinary steps/criminal proceedings : None.

##### 2. 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.

##### 3. 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.

##### 4 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

##### 5. 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.

##### 6. Johannesburg City Parks

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### 56. IRREGULAR EXPENDITURE (continued)

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

Disciplinary steps/criminal proceedings : None.

#### CORE - 2013

##### Office of the Speaker

ACA Krans, R922,993.00 condoned for continuing occupancy of building without authorised extension of the lease contract.

Khayalami Building - leasing via JPC, EAC Decision Clause 27, amount outstanding to date, R266,422.00.

STD Bank Jabulani Building, contract renewed and signed through JPC, an amount of R369,896.61 approved for financial year end 2013.

Disciplinary steps/criminal proceedings : None.

#### 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.

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### 56. IRREGULAR EXPENDITURE (continued)

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.
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.

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### 56. IRREGULAR EXPENDITURE (continued)

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.
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.

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### 56. IRREGULAR EXPENDITURE (continued)

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.
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.

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### 56. IRREGULAR EXPENDITURE (continued)

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.
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.



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### 56. IRREGULAR EXPENDITURE (continued)

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.
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.

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
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### 56. IRREGULAR EXPENDITURE (continued)

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.
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.

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### 56. IRREGULAR EXPENDITURE (continued)

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.
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.

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### 56. IRREGULAR EXPENDITURE (continued)

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 utilise the services of Steiner Hygiene from the period February to July 2012 as discontinuing 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.

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### 57. IN-KIND DONATIONS AND ASSISTANCE

City Power received donations from various individuals worth R222,149.00.

The Johannesburg Zoo received donations from various individuals and corporates worth R102,315.00

The Office of the City Manager received the following:

- 1 Leather Cardholder donated by Dimension data worth, R200.00.
- 1 Silver pen donated by Nedbank worth R150.00.
- 1 Bottle of Johnnie Walker red Label Scotch donated by Inquest Investigations worth R180.00.
- 1 A4 diary donated by Inquest Investigations worth R250.00.
- 1 2013 calander & diary donated by AF Van Wyk Attorneys worth R200.00.
- 1 Cooler bag donated by Metrobus worth R100.00.
- 1 bottle of The Glenlivet scotch whisky donated by Sanlam worth R290.00.
- 2 sets of Bettoni Pens donated by Mchunu Attorneys worth R274.00.
- 3 sets of Key holders, card holders and pens donated by the Auditor General worth R89.00.
- 1 pack of Mountain Tea donated by the Shangai delegation worth R300.00.
- 1 Christmas card donated by MMC Nonceba Molwele worth R70.00.
- 1 Christmas card donated by Thuli Madonsela worth R20.00.
- 1 Christmas card donated by Chiang Chie Foo permanent secretary & Mrs. Audrey Chiang worth R20.00.
- 1 Christmas card donated by Vincenzo Schioppa worth R20.00.
- 1 Christmas card and DVD donated by Wendelin Eberle worth, R150.00.
- 1 Silver pen donated by Nedbank worth R150.00.
- 1 Bottle of Walker Red Label Scotch donated Inquest Investigations worth R180.00.
- 1 A4 Diary donated by Inquest Investigations worth R250.00.
- 1 American mustard donated by GIS worth R30.00.
- 1 Christmas Card donated by Bowman Gilfillan worth R20.00.
- Executive Gents gift set with a silk tie, pocket handkerchief donated by EOH worth R169.
- Joburg Places book donated by Gerald Garner: Author of the 2.0 Spaces and Places worth, R320.00.
- CD PACK : 100 Years, Mormon Tabernacle Choir, Orchestra at Temple Square donated by The Church of Jesus Christ worth, R500.00.
- Picnic Bag donated by MetroBus worth R200.00.
- Joburg Places book donated by Gerald Gardner worth R30.00.

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 57. IN-KIND DONATIONS AND ASSISTANCE (continued)

- Braai Pack Utensils donated by Auditor General : South Africa worth R250.00.
- Strawberry Cream Liquer, Dirty Dancing CD and Teddy Bear donated by Tsogo Sun worth R400.00.
- A Book by Lulu Callinicos: Who Built Jozi donated by Professor Rob Moore Deputy Vice-Chancellor worth R350.00.
- Chivas Regal Cashew Nuts donated by Consulate of Mozambique republic in Joburg worth R300.00.
- Diary book and Pen donated by Regenesys Business School worth R100.00.
- WALKA 7 Portable TV donated by Imtiaz Patel Multichoice worth R899.00.
- Chivaz Regal Whiskey donated by Louisa Consul General Portugal - Jhb worth R150.00.
- Pen, Stand donated by AFCON 2013 worth R180.00.
- Wine and 2 Crystal Glasses donated by Vivian Reddy worth R500.00.
- Crafts with Identity donated by Gen Sec: Mr Alien Sauex Metropolis worth R250.00.
- ANDY C Collections: Spoon donated by EtheKwini Municipality worth R150.00.
- Business Card Holder and DVD by Marius Jovaisa donated by MAYOR OF VILNIUS R350.00.
- Johnny Waker donated by Anonymous worth R999.00.
- Beating the Odds : Socio Economic Justice for All donated by Black Management Forum worth R350.00.

Environmental and Infrastructure Services received the following:

- Airfare and Accommodation expenses towards Executive Director for trip undertaken to Switzerland, attending summit in the name of Tiaan Ehlers, donated by Global Energy Basel, worth \$1500 for Airfare and \$200 for accommodation.
- Airfare and accommodation expenses towards C40 Summit held in New York, attended by Linda Phalatse, Deputy Director, donated by C40 Cities Climate Leadership Group worth R15,374.22.
- Executive Director Tiaan Ehlers attended the international council for local environmental initiatives (ICLE) global town hall at Metropolitan Solutions, Hannover, Germany, donated by Metropolitan Solutions Forum, R37,247.73.
- Deputy Director Linda Phalatse attended the C40 Connecting Delta Cities workshop on climate adaptation and risk assessment, to be held in Rottendam, Netherlands, donated by C40 Cities Climate Leadership Group, worth R25,081.24.
- Assistant Director Simphiwe Mbuli attended the Green Hub Korea conference, donated by Global Green Hub Korea 2013 worth R16,035.00.
- Mzukisi Gwata attended the resilient cities 2013 - 4th global forum on Urban Resilience an adaption in Bonn, Germany, donated by Resilient Cities 2013, worth R22,539.00.

Johannesburg Metropolitan Police Department received the following:

- 5 Toshiba Laptops donated by Eyethu Events, totalling R29,995.00.
- 4 Dogs donated by various donors worth R2000.00.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012

### 57. IN-KIND DONATIONS AND ASSISTANCE (continued)

Community Development Department received the following:

- Prizes (Pick 'n Pay Gift vouchers) for the Science Scuffle reading competition donated by Friends of the Johannesburg Public Libraries worth R6,500.00.
- Corporate donations for books donated by Van Schaik Bookstores worth R103,200.00.
- Friends of the Libraries funds donated by Various Friends of the Libraries worth R75,010.00.
- Book donations from unknown library members worth R613,874.00.

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>58. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>Contributions to organised local government</b>				
Council subscriptions	9,620	9,800	9,620	9,800
Amount paid - current year	(9,620)	(9,800)	(9,620)	(9,800)
	-	-	-	-
<b>Audit fees</b>				
Opening balance	2,510	3,724	1,555	3,289
Current year audit fee	24,387	37,454	19,317	19,408
Amount paid - current year	(15,900)	(33,517)	(19,233)	(21,142)
Amount paid - previous years	(5,654)	(5,151)	-	-
	<b>5,343</b>	<b>2,510</b>	<b>1,639</b>	<b>1,555</b>
<b>PAYE and UIF</b>				
Opening balance	60,602	57,054	50,701	49,061
Current year payroll deductions	297,944	1,031,555	691,536	657,897
Amount paid - current year	(290,400)	(971,948)	(635,432)	(607,196)
Amount paid - previous years	4,996	(56,059)	(50,701)	(49,061)
	<b>73,142</b>	<b>60,602</b>	<b>56,104</b>	<b>50,701</b>
<b>Pension and Medical Aid Deductions</b>				
Opening balance	88,670	78,851	87,994	78,931
Current year payroll deductions and council contributions	395,461	1,470,914	1,247,514	1,113,175
Amount paid - current year	(392,886)	(1,382,217)	(1,147,763)	(1,025,181)
Amount paid - previous years	2,490	(78,878)	(87,994)	(78,931)
	<b>93,735</b>	<b>88,670</b>	<b>99,751</b>	<b>87,994</b>
<b>VAT</b>				
VAT receivable	154,008	121,433	143,845	104,381
VAT payable	577,670	695,245	-	-
	<b>731,678</b>	<b>816,678</b>	<b>143,845</b>	<b>104,381</b>

VAT output payables and VAT input receivables are shown in note 9.

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



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	2013	2012	2013	2012

### 58. 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 2013. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Jane DK	286	14	300
Jane DK	1,102	1	1,103
Louw MA	2,261	332	2,593
Mabunda HD	2,146	2	2,148
Mackay G	1,732	604	2,336
Mahlanga JP	659	790	1,449
Matladi JM	-	125	125
Mazibukwana M	116	776	892
Mbatha IN	1,515	2,833	4,348
Motha MS	43	11	54
Ndlela NM	10,419	17,603	28,022
Ntombela-Letsolo P	1,090	1,963	3,053
Nyengeza MP	67	315	382
Sibanyoni LP	449	505	954
Thomo JJ	43	27	70
Tsobane MM	888	1,044	1,932
Valentine ML	73	45	118
Valentine ML	351	335	686
Van Der Merwe MT	3,096	3,101	6,197
Weir PEH	4,006	74,256	78,262
	<b>30,342</b>	<b>104,682</b>	<b>135,024</b>

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Figures in Rand thousand	GROUP		CORE	
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### 58. 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 2012. All amounts are disclosed in Rands and are 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
Doydo 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
	<b>3,344</b>	<b>40,019</b>	<b>43,363</b>

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Figures in Rand thousand	GROUP		CORE	
	2013	2012	2013	2012
<b>58. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)</b>				
During the 2013 year the following Councillors' had arrear accounts outstanding for more than 90 days.				
30 June 2013		Highest outstanding amount > than 90 days	Total (Rands)	Comments
Bittkau R		2,017	12,573	Up to date 30 June
Dube EA		1,924	4,548	Up to date 30 June
Dyodo P		1,893	2,625	Salary deduction
Gudlhuza SP		13,636	19,879	Up to date 30 June
Hlomendlini IN		1,876	6,994	Salary deduction
Jane DK		14	351	Arrears 90+days
Jane DK		2,687	4,681	Arrears 90+days
Louw MA		332	2,594	Arrears 90+days
Mabunda HD		220	2,994	Arrears 90+days
Mackay G		254	2,167	Arrears 90+days
Mahlanga JP		790	1,450	Arrears 90+days
Maimane MA		3	4,553	Up to date 30 June
Mathang RF		530	1,720	Salary deduction
Matladi JM		125	125	Arrears 90+days
Mazibukwana M		458	578	Arrears 90+days
Mbatha IN		789	2,215	Up to date 30 June
Mbatha IN		2,923	4,551	Arrears 90+days
Mncwabe		22,535	34,809	Salary deduction
Motala Z		1,093	3,344	Up to date 30 June
Motha MS		11	54	Arrears 90+days
Mulauzi MS		100	1,009	Up to date 30 June
Ndlela NM		3,747	5,109	Salary deduction
Ndlela NM		15,485	26,018	Arrears 90+days
Nkoane MM		6,486	7,962	Salary deduction
Nkqayi ZE		751	1,953	Arrears 90+days
Ntombela-Letsolo P		1,963	3,052	Arrears 90+days
Nyengeza MP		315	382	Arrears 90+days
Seefort CM		833	8,434	Salary deduction
Sibanyoni LP		215	737	Arrears 90+days
Sigotyana SS		3,286	4,298	Salary deduction
Sithole B		25,708	32,484	Up to date 30 June
Sun YH		1,213	7,520	Up to date 30 June
Thomo JJ		2	60	Arrears 90+days
Tolo IO		6,487	6,987	Up to date 30 June
Tsobane MM		186	1,350	Arrears 90+days
Valentine ML		949	1,146	Arrears 90+days
Valentine ML		78	452	Arrears 90+days
Van Der Merwe MT		3,101	6,197	Arrears 90+days
Weir PEH		73,323	77,359	Arrears 90+days
Zulu MH		3	40	Up to date 30 June
		<b>198,341</b>	<b>305,354</b>	-

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<b>58. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)</b>				
During the 2012 year the following Councillors had arrear accounts outstanding for more than 90 days.				
30 June 2012		Highest outstanding amount > 90 days	Total (Rands)	Comments
Bittkau R		6,355	16,675	Arrears 90+days
Cooper JL		7,736	9,241	Arrears 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	Arrears 90+days
Dyodo P		3,925	4,290	Salary deduction
Dyodo P		1,656	2,172	Salary deduction
Gcabashe BTS		2,656	3,077	Salary deduction
Gudlhuza SP		30,022	33,363	Arrears 90+days
Gwebu JS		23,238	23,238	Salary deduction
Jane DK		2	1,187	Salary deduction
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	Arrears 90+days
Louw MA		229	1,475	Arrears 90+days
Mafokwane MM		1,176	4,575	Arrears 90+days
Maimane MA		708	7,179	Arrears 90+days
Maimane MA		1,169	2,704	Arrears 90+days
Maisha NP		855	2,191	Arrears 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	Arrears 90+days
Matlou MG		779	2,784	Arrears 90+days
Mbatha IN		455	1,384	Arrears 90+days
Mgcina SE		1,365	2,234	Salary deduction
Mncwabe MH		1,919	8,846	Arrears 90+days
Mnisi MS		10,719	11,763	Salary deduction
Motahane-Mtubu TA		191	246	Arrears 90+days
Motha MS		1,190	1,233	Arrears 90+days
Motsumi LJ		954	1,112	Salary deduction
Mshayisa W		167	225	Arrears 90+days
Mthombeni SB		2,497	6,652	Salary deduction
Mthombeni SB		5,399	8,920	Salary deduction
Mulauzi MS		802	1,637	Arrears 90+days
Ndlela NM		1,728	2,689	Arrears 90+days
Netnow DM		302,496	308,207	Salary deduction
Nhose JL		2,178	2,267	Arrears 90+days
Nkhasi G		12,637	14,794	Arrears 90+days
Nkoane MM		20,724	22,039	Arrears 90+days
Nkqayi ZE		397	1,439	Arrears 90+days
Nodikane NP		2,914	3,460	Arrears 90+days
Pretorius LR		5,518	6,292	Arrears 90+days
Radebe MT		33,066	40,839	Arrears 90+days
Rakosa PM		9,178	10,290	Salary deduction
Raphata AM		2,300	3,312	Arrears 90+days
Ravid M		8,093	9,969	Arrears 90+days
Seefort CM		1,657	7,697	Arrears 90+days
Sethole PE		13,234	14,638	Salary deduction
Sibanyoni LP		73	405	Arrears 90+days
Sikweqa q		4	4	Arrears 90+days

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

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the group annual financial statements.

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

#### GROUP

Roodepoort City Theatre

1. Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.
2. Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the annual financial statement.
3. The following goods and services procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the directors for their consideration.

The Johannesburg Fresh Produce Market (Pty) Ltd

- |    |                          |               |
|----|--------------------------|---------------|
| 1. | Sole supplier deviations | R1,723,840.00 |
| 2. | Single source deviations | R15,508.00.   |
| 3. | Extension of contracts   | R1,995,946.00 |
| 4. | Variations deviations    | R150,882.00   |
| 5. | Emergency deviations     | R25,057.00    |
| 6. | Avoidable deviations     | R13,860.00    |

Johannesburg Social Housing Company (Pty) Ltd

- |    |                                    |               |
|----|------------------------------------|---------------|
| 1. | Pump & Seal                        | R267,223.00   |
| 2. | Century Pay Solutions              | R2,6251.00    |
| 3. | Edward Nathan Sonnenberg Attorneys | R377,3202.00  |
| 4. | Unibyte Data Systems               | R449,505.00   |
| 5. | Red Ants                           | R60,900.00    |
| 6. | Global Meter reading               | R189, 437.00  |
| 7. | Bytes Documeny solutions           | R70,568.00    |
| 8. | Cochrane (Lombardy East)           | R1,106,767.00 |
| 9. | Cochrane (Turfontein)              | R1,029,792.00 |

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

#### Johannesburg Roads Agency (Pty) Ltd

1.	Emergency procurement in terms of MFMA: SCM regulation 36 1a(v) - Kokomoti Trading	R146,060.00.
2.	Emergency procurement in terms of MFMA: SCM regulation 36 1a(v) - Clifvon Civil	R191,481.00.
3.	Emergency maintenance works at Depots -Yo'Build Trading	R13,439.00.
4.	Emergency plumbing Head Office - Ntando- Thando Consulting	R23 666.00
5.	Emergency plumbing Benrose and RSD - Bright ideas Projects	R194,951.00.
6.	Emergency plumbing Waterval - Fungai Electrical	R22,494.00.
7.	Emergency plumbing Motorways - Ekrog Projects	R43,790.00.
8.	Emergency electrical Benrose - GNG Trading	R83 807.00.
9.	Emergency repairs roof LAB -Botle Ba Sechaba	R87 780.00.
10.	Emergency plumbing Traffic Signals - Makgenene Construction	R64 840.00.
11.	Emergency electrical Motorways - Ditiro Tsa Trading	R45,330.00.
12.	Emergency electrical Traffic Signals - Kgwe Kgwe Construction	R74 380.00.
13.	Emergency repairs at Asphalt Plant - Rodecon Engineering	R162,735.00.
14.	Emergency repairs at Asphalt Plant - Southern Scale Services	R3,621.00
15.	Emergency repairs at Asphalt Plant - Faure Consulting	R33,150.00.
16.	Emergency repairs at Asphalt Plant - Mughwena Trading	R35,796.00.
17.	Emergency procurement in terms of MFMA: SCM regulation 36 1a(v) - Much Asphalt	R3,300,000.00.
18.	Emergency procurement in terms of MFMA: SCM regulation 36 1a(v) - Silver Solutions	R513,083.00.

#### Pikitup (Pty) Ltd

1.	Repairs and maintenance of equipment	R727,873.00.
2.	Plumbing services	R64 536.00.0
3.	Wellness services	R248,281.00.
4.	Advertising	R227,305.00.
5.	Consulting and advisory	R85,500.00.
6.	Conference	R234,180.00
7.	Training	R55 195.00

#### City Power (Pty) Ltd

1.	Payment of copy charges not included in the original contract	R373 000.00.
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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

2. Emergency procurement for repairs to 28 routers for the AMR system R123 000.00.
3. Final payment to a supplier after expiry of contract R4,662,000.00.
4. Emergency repair and permanent restoration of Kelvin- Delta 1 and 2, Kelvin- Cydna transmission lines R4,847,000.00.
5. Emergency repair to 33kV oil filled cables amounting to R2,028,000.00.
6. Emergency repairs to 2x33kV feeders cables amounting to R439 000.00.

#### City Parks (Pty) Ltd

1. Purchase order number REQ6185 for procurement of tuition was made to Mancosa for the amount of R8 250.00 as a preferred institution.
2. Purchase order number REQ6235 for procurement of training was made to Commerce Edge for the amount of R3 450.00 as a preferred.
3. Purchase order number REQ6404 for procurement of training was made to Milpark business School for the amount of R7 710.00 as a preferred institution of learning.
4. Purchase order number REQ6428 for procurement of training was made to IMM Graduate School for the amount of R22 789.48 as a preferred institution of learning.
5. Purchase order number REQ6434 for procurement of training was made to The Institute of Internal Auditors for the amount of R1 275.00 as a preferred institution of learning.
6. Purchase order number REQ6446 for procurement of training was made to Wits Business School for the amount of R35 000.00 as a preferred institution of learning.
7. Purchase order number REQ6626 for procurement of event was made to Gordon Frank for the amount of R26 000.00 as he provides unique type of service.
8. Purchase order number REQ6485 for procurement of training was made to Rosebank College for the amount of R7 850.00 as a preferred institution of learning.
9. Purchase order number REQ6557 for procurement of training was made to Boston City Campus for the amount of R20 100.00 as a preferred institution of learning.
10. Purchase order number REQ6496 for procurement of seminar was made to Amabhubesi Training CC for the amount of R15 937.00 as a preferred institution of learning.
11. Purchase order number REQ6708 for procurement of conference was made to EAP Association for the amount of R40 297.00 as they are the sole providers of such conference.
12. Purchase order number REQ6186 for procurement of training was made to Regent Business School for the amount of R26 700.00 as a preferred institution of learning.
13. Purchase order number REQ6708 for procurement of EAPA conference was made to EAPA Association for the amount of R40,297.00 as they are the sole providers of such conference.
14. Purchase order number REQ6845 for procurement of performance excellence was made to Ndwalaza Training for the amount of R12,999.00 as the supplier is offering unique service.
15. Purchase order number REQ6916 for procurement of staff training was made to Independent Examination Board for the amount of R4,240.00 as they are the sole providers of such training.



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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

16. Purchase order number REQ7256 for procurement of director development presentation was made to The Institute of Directors in Southern Africa for the amount of R10,369.23 as they are the sole providers of such training.
17. Purchase order number REQ9956 for procurement of forensic investigation was made to Grant Thornton for the amount of R285 000.00 as direct negotiations were done due to sensitivity of the matter.

#### Johannesburg Water (Pty) Ltd

1. Emergencies R20,154,000.00.
2. Sole suppliers R41,445,000.00.
3. Impracticality R183,045,000.00.

#### The Johannesburg Civic Theatre (Pty) Ltd

1. Acquisition of Robe Robin Spots - R1,254,000.00 Robe is a unit imported from Czechoslovakia and only available from DWR Distribution cc, who are the only authorised distributors in South Africa.
2. Acquisition of lighting hire, stage setting, sound equipment hire, ground transportation of sets and equipment for BURN THE FLOOR production in Cape Town, Joburg and Durban.
3. Acquisition of services from marketing partners / special barter arrangements for the individual productions at Joburg Theatre. There are considerable advantages for Joburg Theatre, the marketing partner and/or other suppliers offering special barter arrangements. Joburg Theatre's brand is strengthened by the association of the partnerships formed. The partner involved gains equal exposure, its brand logo is displayed on all advertising materials for the relevant show. In return for the exposure, Joburg Theatre is offered either heavily discounted rates for advertising, hotel accommodation, etc. through the partner, or often advertising at no cost whatsoever.
4. Extension of the agreement between Joburg Theatre and Headline Leisure Management (HLM) for six months from January 01st to June 30th 2013.
5. Acquisition of sets, sound costs and design, lighting equipment, painting, props, special effects and costumes for the 2012 pantomime - JACK AND THE BEANSTALK.
6. Acquisition of sets, sound costs and design, lighting equipment, painting, props, special effects and costumes for the 2013 pantomime - ALADDIN.
7. Acquisition of sets building, set painting, stage props, 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.
8. Continental Outdoor (Billboards).
9. DWR Distribution (Le Maitre Haze/Smoke Machine; LSC Haze machine fluid; repair of robe fixtures; DF 50 Haze Fluid).
10. Electrosonic (Jem Martin Splitter; versalight LED RGB high power PAR64 3w).
11. Schindler Lifts (OEM - Maintenance).
12. Showads (negotiate the best possible discount for the live entertainment industry in the newspapers).
13. Sennheiser Electrosonic (MK E2 EW Gold microphones).
14. Pastel Software.
15. Prosound (Pty) Ltd (Compact Headset).

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

16. Roto Rooter Africa (Plumbing).
17. Finware Consulting (Pastel software installer).
18. SAMRO (South African Music Rights Association).
19. MZ Security System (repairing of central processing unit of the building management system).
20. Net-Xactics Communication SA (anti-virus software).
21. Lake Land Audio (service power amps and selectors).
22. Sound Harmonics (foam replacement for speakers).
23. Brigit Fire (repairing of DVR for the CCTV).
24. Noni Protection Services (Security and Cleaning services at Soweto Theatre).
25. Afrizim t/a Pic a Mop (Extension of contract whilst awaiting finalisation of tender process. Noni Process).

### CORE

#### 1st Quarter Deviations.

1. Audit Command Language Maintenance and Support Fee, R49,008.60.  
Reason  
The Audit Command Language (ACL) Software is a tool used by Internal Audit to perform various analytics on sets of data. The software was procured from Messrs CQS Technology Holdings (Pty) Ltd as the official sole distributor of ACL and support of ACL licences in South Africa, hence the request for a deviation.
2. Extension of the Insurance Renewal terms and the contracts of short term insurance fund, R279,780.05.  
Reason  
The existing contract (256/09) with Guardrisk Insurance Company Ltd for short term self-insurance fund contingency policy administration services will expire on 20 September 2012. The Department has commenced with the process for a new tender to be finalised within 3 months hence the request for the extension of the existing contract.
3. Procurement of General Algebraic Modelling system for Department of Economic Development, R102,400.00.  
Reason:  
The Economic Development Department commissioned the construction of a Compatible General Equilibrium (LGE) model that allows for the assessment of the impact of projects, policies and programmes on the economy and its attributes. The General Equilibrium Models require appropriate computer software to run the simulation and GAMPACK and GAMS are commonly used software programmes, however GAMS is popular locally and is friendly to use than GAMPACK. GAMS is sold and licensed only by GAMS Development Corporation in South Africa. This makes GAMS Development Corporation the sole supplier in South Africa for GAMS hence the request for a deviation.
4. Continuation of Technical A192 : Provision of Technical and Operational Services Associated with the Macro Surveillance Closed Circuit Television System. Service Provider Omega Risk Solution R1,509,698.22.  
Reason  
The new contract for the provision of technical and operational services associated with the Macro Surveillance Closed Circuit Television System was considered by the EAC who requested that JRAS audit the process leading to the finalisation of the Bid Evaluation Committee prior to the EAC making the final award. The Deviation to extend the current contract (A192) for a further three months period is to allow JRAS to finalise its due diligence report.

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

5. Adjustment of the Contract Amount for Emma Flats Box Curlert. Service Provider Nesandla Civils Pty (Ltd), R4,590,266.39.  
Reason  
The original contract for Emma Flats (308/11) was awarded to Nesandla Civils on the 18th July 2011 for R14,136,000.00. The current contract progress to date is 80% completed and the contractor is 20% behind due to pipe jacking activity. Prior to the commencement of the contract and even during the contract no reasonable prospects of locating the granite rock layer existed at the time of conducting geo technical investigations. The contract price needs to be adjusted in order to deal with this unforeseen circumstances hence the deviation to adjust the price.
6. Extension of the existing Lease Agreement for a further three years relating to office accommodation at Block L, 400 16th Road, Central Park, Midrand, Region A, Service Provider, Growthpoint Properties Limited. 1st Year R285,853.09, 2nd Year R314,141.39, 3rd Year R345,555.53.  
Reason  
The Housing Department Region A offices are located at Block L, 400 16th Road Central Park, Midrand, 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.
7. Approval of the Payment of the service provider : Tim Dollar Cleaning Service, R30,000.00.  
Reason  
Stakeholder Relationship Management utilised an expired contract. This contract expired in March 2012 but the Department continued to utilise the service provider until 30 April 2012, as these services could not be discontinued as it was going to pose a health risk to Ward Councillors Offices. Hence the ratification for approval of payment.
8. Approval for Payment of the service provider : Yebo Shine (Pty) Ltd, R87,001.12.  
Reason  
Stakeholder Relationship Management continued to utilise the services of Yebo Shine (Pty) Ltd for a period of 4 months (January – April) from the contract which expired in 31 December 2011. This service could not be discontinued as it was going to pose a health risk to Ward Councillor Offices. Hence the ratification for approval of payment.
9. Utilisation of services of Steiner Hygiene Services (Pty) Ltd. R132,577.97.  
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 utilise the services of Steiner Hygiene from the period December 2011 to June 2012 as discontinuing these services would have posed a serious health risk. Hence the ratification for approval of payment.
10. Service Provider Mailtronic Direct Marketing CC. R500,000.00.  
Reason  
The Section 49 Notification from the supplementary valuation Roll 9 needed as a matter 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 the urgent nature of the requirement no prior approval was obtained to secure the utilisation of this contract to include the notices, hence the ratification approval.
11. Approval of payment : Relocation of the Alexandra Renewal Project Office. Service Provider A1 Office Movers, R91,370,59.  
Reason  
Development Planning and Urban Management, Alexandra Renewal Project Department has been leasing the building Pendad House, for the period 01 September 2008 to 30 June 2012. The lease was terminated. Quotations for the furniture removal service providers were sourced from the three service providers on the CoJ database, as opposed to being advertised on the Notice Board for seven days as the value exceeds R30,000.00. Due to Financial year end processes it was impossible to follow normal procurement procedures on placing the requirement for the office move on the board for a period of seven days. Hence the ratification for approval of payment.

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

12. Condonation and Ratification with long term resolution, Service Provider Multilingua Translation Interpretation Services, R24,888.00. Service Provider, Questek Customer Care R22,029.77.  
Reason  
Multilingua Translation Interpretation Services is the sole supplier for translation of languages. Questek is the sole supplier for PA Complex and PA Systems. Hence the ratification for approval of payment.
13. Ratification of activities in relation to the design layout, proof-reading, photography, translating and printing of the 2013/16 and the 2012/15 Medium Term Budget. Service Provider Cut-to-Black Media, R604,923.70.  
Reason  
Quotations were solicited from Proposal Nr A290B for the IDP and Budget Books for 2012. The award was made to Cut-to-Black for R1,330,380.53 on the 16th March 2012. However, additional tasks were given to Cut-to-Black for an additional amount of R604,923.70. The additional requirements could not be sourced through competitive bidding processes because they are linked to the original services/scope of work awarded to Cut-to-Black. As these services were urgently required, no authorisation was solicited prior to engagement of the service provider, hence the request for the ratification.
14. Payment to Private Security Companies in terms of Contract 270/09 for September and October 2012. Service Provider, Panel of eleven Private Security Companies, R29,103,000.00.  
Reason  
The increase in the value of the contract by R29,103,000.00 is due to the pay out of PSIRA Statutory increases to the eleven Private Security Companies for the period of September and October 2012.
15. Office Accomodation 222 Smit Street and Parking Bay, Service Provider Redefined Properties Limited, R2,702,278.00 and Service Provider Interpark R221,616.00.  
Reason  
The request for a Deviation to extend the Lease at 222 Smit Street for the office of the CIO is due to the following reasons:  
Critical IT infrastructure has been installed in this building.  
The SAP Competency Unit is housed in the building.  
For the above reasons and the cost associated with the removal cost, loss of productivity and the fact that the building is within close proximity to Metro Centre, it makes business sense and cost efficiency to renew the current lease, hence the request for the deviation.
16. Extension of the SAP ERP Support, SAP End User and IT Functional Training provided by EOH, UCS and BCX respectively. R13,280,000.00.  
Reason  
The new tender A472 was advertised and the Bid Evaluation Committee presented its report to the Bid Adjudication Committee on the 27th July 2012. The Bid Adjudication Committee raised certain concerns that were to be considered by the BEC. However, the current arrangements with EOH will expire on 31st July 2012 and hence the request for a deviation to extend the contract until 31st August 2012 to allow the finalisation of the consideration of contract A472.
17. Payment of Mailtronics, R331,668.24.  
Reason  
R&CRM needed to inform and educate ratepayers on changes, procedures and policies that impact their municipal accounts i.e annual tariff increase. Having no contract in place, the R&CRM Department made use of Mailtronics who have a contract with the City to book, place and ensure design of the tariff information for placement in 19 newspapers. On invoicing the Department was informed that the contract only relates to marketing and communication with regard to the printing and posting of statements. Hence the ratification for the approval of payment.
18. Payment of Nenongwe Building Construction and All Cleaning Services, R265,050.00.  
Reason  
Jabulani Fire Station was revamped at the cost of R1,402,193.00 excluding VAT. During the renovations it was discovered that the water table was much higher and the soil was spongy which made it impossible to compact to the required standards. An engineer was engaged to replace the spongy soil with imported G5 and G7 soil at the cost of R265,050.00 excluding vat, hence the request for the ratification as the scope of work was extended without obtaining the necessary approval.

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

19. Extension of the appointment of KPMG to second an Acting Group CFO on temporary basis for a period of six (6) months from 1 October 2012 to 31 March 2013, R4,000,000.00.  
Reason  
On 20 December 2011 KPMG was appointed to second an Acting Group CFO on a temporary basis for a period of nine months at a cost of R5,859,000.00. Subsequent to the appointment of KPMG the City commenced with the recruitment process of an appropriate Group CFO, however no suitable candidate was found, hence the request for a deviation to extend the original engagement of KPMG by six months.
20. Extension of Paper Ticketing, Service Provider, Reakgona Inspectorate (Pty) Ltd, R528,000.00, Tony'sTime & Access R50,000.00, TMT Service & Supplies (Pty) Ltd, R1,130,000.00, Ace Wholesalers R864,000.00, G4S Cash (Pty) Ltd R490,000.00.  
Reason  
It was anticipated that the paper ticketing system would be replaced by the AFC system on 1 November 2012. Due to circumstances beyond the control of Rea Vaya, the commencement of the implementation of the AFC system is presently scheduled for 26 November 2012, with an introductory transition period when the two systems will run together. Hence the ratification for the approval of payment.
21. Appointment of Rea Vaya Strategic Support, Service Provider, Dirk Jacques van Zijl, R1,200.00 per hour.  
Reason  
The institutional review process of the City resulted in significant changes that were not anticipated, such as the closure of the Metro Trading Company (MTC) necessitating the incorporation of the entire station management function into the Rea Vaya business unit and this had required a significant number of additional hours from Van Zijl. Hence the request for the approval for the appointment of Mr. D.J (Jacques) van Zijl as a strategic support resource for the Rea Vaya BRT and Scheduled Services Agency.
22. Acquisition of services from Events Galore Event Planning & Management Company for the Special Whippery Political Caucus Meeting. Service Provider, Events Galore, R66,883.00.  
Reason  
The Department solicited three quotes from the service providers as required by Supply Chain procedures. Events Galore was recommended since it was the lowest. The services were requested on an emergency basis hence the requirements were not advertised on the Notice Board nor signed off prior to engagement of the service provider by the delegated authority.

#### 2nd Quarter Deviations.

23. Increase of Current Budget to allow for the Retention of SAHA's AFC Consulting Services to Finalise the Implementation of the Rea Vaya Phase 1A AFC system, R645,810.00.  
Reason  
Due to mainly the ministerial Automated Fare Collection ("AFC") System Regulations, having necessitated the complete renegotiation of the contract with the City's AFC "Supply & Installation" contractor, the City's AFC Advisory Consultant's contract once again had to be further extended and provision made for the extra costs and fees occasioned by this further delay and all the additional work that had to be done in the process.
24. Renewal of Bona Electronic Solutions Capital Contracts. Service Provider Bona Electronic Solutions, R10,999,689.78 and R10,121,086.96.  
Reason  
The contractor could not commence work on Rea Vaya Phase 1B due to various delays beyond its control with the finalisation of Rea Vaya Phase 1A, and was paid only portions of the total contract prices. Both its contracts were renewed without any additional budget in order to enable it to continue with its work until completion.
25. Extension of Xuma Technologies Capital Contracts, Service Provider Xuma Technologies, R178,569,395.13.  
Reason  
The contractor could not commence work on Rea Vaya Phase 1B due to various delays beyond its control with the finalisation of Rea Vaya Phase 1A and was paid only a portion of the contract price. The contract was extended without any additional budget in order to enable it to continue with its work until completion.

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

26. Renewal of Questek Transit Technologies Capital Contracts, R113,888,137.90.  
Reason  
The contractor could not commence work on Rea Vaya Phase 1B due to various delays beyond its control with the finalisation of Rea Vaya Phase 1A, and was paid only a portion of the contract price. Its contract was extended without any additional budget in order to enable it to continue with its work until completion.
27. Extension of Paper Ticketing Service Level Agreement, Service Provider TMT Services & Supplies (Pty) Ltd R302,841.00, Reakgona Inspectorate (Pty) Ltd R176,000.00, Tony's Time & Access R21,347.60, Ace Wholesalers R649,500.00, G4S Cash (Pty) Ltd R350,000.00.  
Reason  
Due to the delay in the funding of the bank account required by ABSA to load pre-paid fares on the new EMV smartcards and the fact of the integration of the AFC and APTM systems.
28. Lease of Driehoek Radio High Site from Eskom Enterprises (Pty) Ltd, R77,280.67.  
Reason  
This ICT high site is critical for continued uninterrupted services to COJ area and it is the only service provider for a high site in terms of specific and ICT requirements.
29. Renewal of Lease Agreements for rented Library Facilities, Service Provider Eris Property Group (Pty) Ltd, R145,245.64, Blend Property Group, R578,880.00, Redefine Properties Limited, R478,667.40, City Property Administration, R104,494.20, Heartland Leasing (Pty) Ltd, R86,701.56, Basfour 2296, R347,328.00.  
Reason  
The normal procurement processes were dispensed with on the basis that the procurement in question is regarded as an exceptional case where it is impractical to follow the normal procurement processes. The library facilities within the communities will be unhappy, and costs will be too much. These libraries have been established in these communities for a very long time and moving or relocating them might disadvantage the communities and will be costly.
30. Appointment of a Service Provider for use of the Private Emergency Medical Services at Primary Health Care Facilities to Prevent Loss of Life, Service Provider Netcare, R6,197.17.  
Reason  
The Department requested the services of the private medical emergency services at Local Government Primary Health Care (PHC) facilities in the event of non-response by Provincial Ambulances in life threatening situations and unnecessary possible medico-legal implications for the Health Department in the City.
31. Renewal/Extension of Lease Agreement, Alphen Square North Randjespark, Midrand, Service Provider, JT Ross Property Services (Pty) Ltd, R4,957,019.10, R761,624.28 and R198,076.32.  
Reason  
The Health Department Region A offices are located at Unit 6, 7 and 8, Alphen Square North Randjespark, Midrand. 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.
32. Utilisation of Services of Steiner Hygiene Services (Pty) Ltd, R3,845.99.  
Reason  
The user department engaged the service provider under contract 176/08 which was approved by the City, however, the contract expired in October 2011 and the user department continued to utilise the services of Steiner Hygiene from the period March 2012 to June 2012 as discontinuing these services would have posed a serious health risk, hence the ratification for approval of payment.
33. Undertaking an Educational Trip and Approval to re-imburse the University of Witwatersrand for money paid, R15,648.00.  
Reason  
Ms. P Bafo and Mr. Ramashala who are on subsidised education from the City, are currently studying towards a Masters degree in Housing and Development Planning through the University of Witwatersrand. As part of their studies they went on a compulsory field trip to Nairobi from 11 to 15 September 2012, where they participated in a symposium and they presented a paper relevant to their observation as part of an academic assessment. Hence the ratification for approval of payment.

# City of Johannesburg Metropolitan Municipality

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

34. Approval of payment of the Service Provider SOS Protect Sure National Division, R1,400,000.00.  
Reason  
Installation of CCTV monitoring systems at Midrand and Randburg to minimise the theft, fraud and corruption at the cash sites and testing stations.
35. Approval of payment of the Service Provider Gijima AST Holdings (Pty) Ltd, R40,757.28.  
Reason  
Contract No. 280/10 exists between Gijima AST Holdings (Pty) Ltd and the City of Johannesburg for upgrade, maintenance and support for an existing Phillips telephony system installed at 66 Jorissen Street linked to 61 Jorissen Street via VOIP. The contract covers the entire telephony system and is therefore applicable for both buildings. Throughout the first year of the contract, no reconciliation of expenditure was done. On submission of the invoice, a reconciliation was done and it was established that the contract amount has been exceeded and no payment was effected.
36. Approval for payment of the service provider Mungwena Trading Projects, R102,600.00.  
Reason  
The absence of a contract and in compliance to Occupational Health and Safety standards, Group Finance requested Mungwena Trading Projects who was supplying the services from August 2012 to October 2012 to continue with the provision of hygiene services at 28 Harrison (Technical Call Centre). This service could not be discontinued as this was going pose a health risk to Call Centre staff and management. A request for quotations was placed on the board between the 17 October 2012 to 24 October 2012. Approval of the recommended supplier has taken longer and this has compelled the officials to continue with current service provider. Invoices for the months of November 2012 and December 2012 could not be paid for the reasons stipulated above.
37. Approval for payment of the service provider Bonamini Trading Enterprise, R117,800.00.  
Reason  
In the absence of a contract and in compliance to Occupational Health and Safety standards Group Finance requested Bonamini Trading Enterprise who was supplying the services from August 2012 to October 2012 to continue with the provision of cleaning services at 28 Harrison (Technical call centre). This service could not be discontinued as this was going pose a health risk to call centre staff and management. A request for quotations was placed on quotation board on 17 October 2012 and closed on 24 October 2012 (copies attached). Approval of the recommended supplier has taken longer and this has compelled the officials to continue with current service provider. Invoices for the months of November 2012 – December 2012 cannot be paid for reasons stipulated above.
38. Approval for payment of the service provider Manenzhe Hygiene Solutions, R41,040.00.  
Reason  
Contract number 144/08 for a panel of contractors to supply cleaning services to the City of Johannesburg expired in March 2012. In the absence of a contract and in compliance to Occupational Health and Safety standards Group Finance requested Manenzhe Hygiene Solutions to continue with the provision of cleaning services at 28 Harrison. This service could not be discontinued as this was going pose a health risk to call centre staff and management. Invoices for the month of July 2012 cannot be paid for reasons stipulated above.

### 3rd Quarter Deviations

39. Appointment of Two Tone Global Agency to execute AFCON 2013 Communication and Marketing Campaign. Service Provider, Two Tone Global Agency, R2,808,435.34.  
Reason  
The Department engaged the services of a service provider without following normal procurement processes in terms of utilisation of Panels as per Practice Note 004/2011 and the SSCM representatives were not engaged.
40. Ratification for exceeding the Value of Contract 287/10, Electronic Automate Clearing Services, Service Provider, Mindworx Consulting (Pty) Ltd, R109,982.07.  
Reason  
A tender No. 287/10 was advertised to a service provider to render services for the Electronic Automated Clearing services and the simplification of the payroll activities and Midworx Consulting (Pty) Ltd was appointed for the period of thirty six (36) months commencing from the date of acceptance 13 August 2010. The award was based on the contract not exceeding R1,296,000.00 for the duration of the contract.

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

41. Appointment of Universal Knowledge Software to provide the Symphony Library System. Service provider Universal Knowledge Software (UKS), R5,680,000.00.  
Reason  
The provision and support of the Library System and that of a new contract for the supply and maintenance of the Library System for a period of thirty six (36) months, starting on 01 February 2013.
42. Delivery and installation of surveillance DVR System, Security Camera, Alarm Connectivity and monitoring of the Civic centre, Florida Park. SOS Service provider, R67,727.40.  
Reason  
Installation of surveillance DVR System, Security Camera, Alarm Connectivity in the walk-in centre in Roodepoort.
43. The appointment of XON to provide anti-virus protection software security support licenses. XON service provider, R1,413,146.70.  
Reason  
Security software support services for a period of twelve (12) months from 01 January 2013 until 31 December 2013.
44. Appointment of SKS Business Solution CC for minor works. SKS Business Solution CC service provider, R211,696.69.  
Reason  
Minor works at the Bellavista Clinic (Region F).
45. Actions of the officials of revenue shared services and approval of a deviation from the official procurement processes by the City Manager and the extension of scope of work on the project undertaken by Ernest & Young service provider, R1,093,906.38.  
Reason  
The increase in value of contract awarded to Ernest & Young to assist Revenue Shared Services Centre (RSSC) to perform additional imaging and analyses of computers in order to complete the cheque/cash management process review and forensic investigation services undertaken by the Department.
46. Ratification for exceeding the value of the contract A491, Acquisition Management Mogale Solution Providers (Pty) Ltd service provider, R214,132.36.  
Reason  
Appointed to facilitate the process of recruiting candidates for seven positions on the second reporting level, as an additional amount for the second headhunting process to appoint the Executive Director : Environment and Infrastructure Services.
47. Relicensing and support for the heritage collections database and ratification of actions of Arts and Culture in relation to utilising Glomas Africa service provider,  
1. Ratification R144,177.16,  
2.Deviation R459,635.06.  
Reason  
Approval payment from 01 November 2011 to 31 October 2012.  
Reason  
Sole Supplier of licenses and support for the STAR databases used for the City for a period of twenty four (24) months from November 2012 to 31 October 2014.



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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

48. Expenditure incurred on EOH Contract No. A472. EOH Resources service provider, R11,935,418.10.  
Reason  
The Revenue Shared Service requested the assistance of EOH Resources in the clearing of error logs for Billing, invoicing and the Print Workbench. These extra resources were not included in the initial budget for 1st line and 2nd SAP Support. The huge volume of error was impacting on Revenue performance. The contract amount was reached between the OCIO and Revenue Department and though Revenue had sufficient estimate provision to accrue expenditure in the previous financial year, the department could not release the payment as approval had not been sought to increase the contract amount.
49. Appointment of Steiner Hygiene Services R173,056.56.  
Reason  
Utilising the services of Steiner Hygiene Services for the period of four (4) months from 01 February 2013 to 31 May 2013.
50. Appointment of Agonamathata Air Conditions and Projects as service provider, R190,596.60.  
Reason  
Agonamathata Air Conditions and Projects for a period of six (6) months from 01 February 2013 to 31 July 2013, and that the requirement for a MBD 4 form in the case of Steiner Hygiene Services as well as the requirement of a signature in the case of Agonamathata Air Conditions and Projects is waived.
51. Payment to Microsoft for the Third Year of Enterprise Agreement and the True up fees as Sole Provider. Microsoft Corporation service provider, R3,389,928.97 and R2,445,300.00.  
Reason  
The GH ICT & IM be authorised to pay for the annual license fees and additional products and services acquired through the True-up process.
52. The use of Microsoft as Sole Provider in terms of the conceptional design of Migration from the Lotus domino to the Microsoft exchange server. Microsoft Corporation service provider, R1,035,375.00.  
Reason  
Conceptual Design of a messaging and calendaring platform based on the Microsoft exchange server 2013 and the Conceptual Migration design to facilitate the migration of the existing Lotus notes platform to exchange server 2013.
- 4th Quarter Deviations
53. Request for payment to Bella Recruitment Team for the service rendered to the Private Office of the Executive Mayor. R138,144.00.  
Reason  
The City pays Bella Recruitment Team for the services rendered for paying temporary employment of Tshepiso Mbedzi over the period of ten (10) months.
54. Extension of contract for the expanded social package (ESP) system with resultant finance. Service provider Resultant Finance, R288,728.00.  
Reason  
The extension of contract approved for the period of six (6) months.
55. Ended the appointment of KPMG to second an Acting Group CFO on a temporary basis for a period of one month ending on the 30 April 2013. Service provider KPMG, R0.  
Reason  
The extension of the KPMG contract regarding the above post will not result in any cost implication to the City.

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

56. Motivation for payment to service provider Lufhereng IT, R35,595.00.  
Reason  
To continue utilizing the services of Mogale Information Technologies (Pty) LTD for services rendered in June, July, August, September and October 2012. No further payment regarding Lufhereng IT will be permitted.
57. Extension of lease to accommodate the department of Economic Development at Jorrisen Place. Service provider LLP, R716,816.01.  
Reason  
The DED continues with a month-month lease from the 1st February to 31st August 2013 lease contract with LLP, subject to changes in utility consumption and other recoveries and the 9% annual escalation rate as per the lease agreement.
58. The insurance renewal terms and the contracts of short term insurance fund/contingency policy administration services due to unforeseen delays for the appointment of insurance broker/s. Service provider Guardrisk Insurance Company Ltd, R48,000,000.00.  
Reason  
The Executive Director : Group Assurance be authorised to finalise and sign-off the addendum to the existing service level agreement, to effect the payment to Guardrisk in accordance with this approval.
59. Request for Payment to the Cleaning Services contract. Beef, General and Civil Construction service provider, R49,950.00.  
Reason  
Resulting in the continued use of a service provider without proper authorization.
60. Extension of lease agreement to accommodate ward councillors and the legislature at the ACA Krans Building Region B, R958,431.09.  
Reason  
Failure to include the Office of the Speaker into the new lease agreement and continuing to occupy the said premises without the approved lease agreement with the Landlord for the period of 01 August 2012 to 30 April 2013.
61. Extension of the service level agreement. Service provider BNP Capital and Goba (Pty) Ltd, R4,189,363.20.  
Reason  
The contract was extended for the period of three (3) months or until the budget is exhausted.
62. Appointment of the Organ of State. Service provider CSIR Meraka Institute, R275,000.00.  
Reason  
Appointment approved to undertake the development of the CoJ Smart City Strategic and Implementation plan.
63. Extension of the service Level Agreement. Service provider, Exponent (Pty) Ltd, R1,014,000.00.  
Reason  
The Contract was extended for a period of Six (6) Months until 31 October 2013.
64. Supply and installation of the workstations. Service provider Badiri ba Setshaba business enterprise, R61,490.09.  
Reason  
Enable payment for approval by the City Manager.

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

65. Extension of the service level agreement. Service provider Exponent (Pty) Ltd, R1,014,000.00.  
Reason  
Enable payment for approval for six months until 31 October 2013.
66. Extension of the insurance renewal terms and the contracts of motor and non-motor insurance brokers due to the delays for the appointment of insurance brokers. Service provider Marsh Risk and Indwe Risk services, R0.  
Reason  
The extension of existing contracts for motor Insurance Brokers for the period of seven (7) months to allow for the transition and handover to the winning bidder.
67. Request for payment of Office Furniture and Equipment suppliers, Service provider, Imvelo Office Profile CC R873,231.81, Mukulu Library Furniture Manufactures, R222,452.76, Akanani Office Furniture Manufacturers, R556,291.50, Thuthuka Paper (Pty) Ltd R533,504.36.  
Reason  
Payment for the procurement of office furniture and equipment from Imvelo Office Profile CC, Mukulu Library Furniture Manufactures, Akanani Office Furniture Manufacturers, Thuthuka Paper (Pty) Ltd and Instant Office Furniture CC.
68. Request for payment to Insearch recruitment projects for a temporary driver/messenger. Service provider Insearch recruitment project, R120,000.00.  
Reason  
Authorises payment for the Insearch Recruitment Projects service rendered from 01 July 2012 to June 2013.
69. Appointment of consultants Mailtronics Direct Marketing CC, R149,880.00.  
Reason  
Enable payment for approval to Mailtronics Direct Marketing CC.
70. Procurement for the Rand Easter show stand builder. Garona Communications and Projects service provider. R70,000.00.  
Reason  
Payment to Garona Communications and Projects for the Rand Easter show stand builder.
71. Appointment of consultants. Service provider Garona Communications and Projects, R80,000.00.  
Reason  
Payment to Garona Communication and Projects.
72. Appointment of consultants. Service provider, Cut to Black Media, R196,472.16.  
Reason  
Payment to Cut to Black Media.
73. Expenditure incurred for the appointment of temporary resources. Service provider NT Ngidi Consulting (Pty) Ltd, R153,736.72.  
Reason  
Payment to NT Ngidi Consulting (Pty) Ltd.

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### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

74. Approval of short term employment contracts with recruitment agencies for Administrative assistance. Service providers, Mandisa Human Capital, Vogue HR Services and Innovations Recruitment, R363,400.53.  
Reason  
Mandisa Human Capital, Vogue HR Services, Innovations Recruitment specialist for the administrative resources from 01 July 2012 to May 2013.
75. Service provider, Sixpence Construction and Projects, R89,608.56.  
Reason  
The City to authorise the payment for the service provider for repairs and maintenance of six customer service centres in Region G.
76. The ICT and other departments pertaining to expenditure incurred on contract no. A387 for exceeding the budget, Service providers, Dimension Data including 3rd Parties, R22,401,411.00, TSS including 3rd Parties R4,672,666.00 and Accenture R1,800,000.00.  
Reason  
The City Manager approved for the use of the current A387 contract to provide services in their respectful functional areas leading to the contract award limit value being exceeded.

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### 60. 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:

- Dollar - Offset Method 108%

Note that the SWAP value presents the clean fair value as at 28 February 2013. (All inclusive price less any SWAP interest accrual outstanding)

#### SWAP market-to-fairvalue as at 30 June 2013

Opening Balance	(117,449)	(50,166)	(117,449)	(50,166)
Effective (loss) / gain	40,820	(67,283)	40,820	(67,283)
	<b>(76,629)</b>	<b>(117,449)</b>	<b>(76,629)</b>	<b>(117,449)</b>
Interest expense recognised in the statement of financial performance during the financial period	35,509	31,944	35,509	31,944

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### 61. CASH MANAGEMENT

During the 2013 financial year the City of Johannesburg had cash losses due to fraudulent activities amounting to R 0,281million (2012 : R 0,497 million). The losses incurred involve both internal fraud by staff members and banking's 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: R0, 281 million.

During the 2012/2013 financial year, Community Development incurred two cash losses incidents amounting to R0, 022 million. The loss incurred involves both burglary and banking's made which does not agree to the takings. Management and JRAS are in the process of investigating if any fraudulent activity was committed by staff. The burglary was reported to the police, and an internal investigation is also underway. The gross losses for the year amounted to: R0, 022 million

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### 62. RELATED PARTIES

Relationships

Controlling entity

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	3,644,835	3,104,329
City of Johannesburg Property Company (Pty) Ltd	115,176	10,628
Johannesburg City Parks	36,787	32,875
Johannesburg Development Agency (Pty) Ltd	7,171	-
Johannesburg Metropolitan Bus Services (Pty) Ltd	148,944	79,245
Johannesburg Roads Agency (Pty) Ltd	59,795	302,491
Johannesburg Social Housing Company (Pty) Ltd	100,678	76,850
Johannesburg Tourism Company	20,478	6,797
Johannesburg Water (Pty) Ltd	272,077	3,335,328
Kelvin Power (Pty) Ltd	-	62,136
Metropolitan Trading Company (Pty) Ltd	-	97,299
Pikitup Johannesburg (Pty) Ltd	414,456	531,635
Roodepoort City Theatre	-	1,284
The Johannesburg Civic Theatre (Pty) Ltd	2,937	737
The Johannesburg Fresh Produce Market (Pty) Ltd	207,436	183,685
The Johannesburg Zoo	-	8,764
	<b>5,030,770</b>	<b>7,834,083</b>

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### 62. RELATED PARTIES (continued)

#### Amounts included in Loans,

#### Trade and other payables regarding related parties

City Power Johannesburg (Pty) Ltd	3,107,050	2,554,890
City of Johannesburg Property Company (Pty) Ltd	186,399	68,594
Johannesburg City Parks	392,938	319,712
Johannesburg Development Agency (Pty) Ltd	180,117	174,534
Johannesburg Metropolitan Bus Services (Pty) Ltd	81,038	31,739
Johannesburg Roads Agency (Pty) Ltd	186,724	120,347
Johannesburg Social Housing Company (Pty) Ltd	125,842	69,345
Johannesburg Tourism Company	20,516	18,056
Johannesburg Water (Pty) Ltd	2,943,229	465,959
Metropolitan Trading Company (Pty) Ltd	-	132,442
Pikitup Johannesburg (Pty) Ltd	364,739	409,112
The Johannesburg Civic Theatre (Pty) Ltd	4,182	38
The Johannesburg Fresh Produce Market (Pty) Ltd	66,626	31,686
The Johannesburg Zoo	-	11,677
	<b>7,659,400</b>	<b>4,408,131</b>

#### Related party transactions

#### Revenue from related parties

City Power Johannesburg (Pty) Ltd	121,462	5,167
City of Johannesburg Property Company (Pty) Ltd	4,157	3,360
Johannesburg City Parks	24,997	35,876
Johannesburg Development Agency (Pty) Ltd	656	50
Johannesburg Metropolitan Bus Services (Pty) Ltd	15,574	5,660
Johannesburg Roads Agency (Pty) Ltd	18,085	47,100
Johannesburg Social Housing Company (Pty) Ltd	2,405	26,882
Johannesburg Water (Pty) Ltd	276,671	93,911
Johannesburg Zoo	-	7,186
Metropolitan Trading Company (Pty) Ltd	-	2,305
Pikitup Johannesburg (Pty) Ltd	331	208,401
The Johannesburg Civic Theatre (Pty) Ltd	8,023	9,198
The Johannesburg Fresh Produce Market (Pty) Ltd	3,749	4,772
	<b>476,110</b>	<b>449,868</b>



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<b>62. RELATED PARTIES (continued)</b>				
<b>Subsidies paid to MOEs</b>				
City of Johannesburg Property Company (Pty) Ltd			10,726	-
Johannesburg City Parks			502,705	457,182
The Johannesburg Civic Theatre (Pty) Ltd			26,724	26,818
Johannesburg Development Agency (Pty) Ltd			24,308	24,110
Johannesburg Metropolitan Bus Services (Pty) Ltd			319,450	293,919
Johannesburg Roads Agency (Pty) Ltd			495,047	445,300
Johannesburg Social Housing Company (Pty) Ltd			16,900	17,764
Johannesburg Tourism Company			-	39,917
Johannesburg Zoo			22,887	42,793
Metropolitan Trading Company (Pty) Ltd			34,596	51,775
Pikitup Johannesburg (Pty) Ltd			1,148,779	1,076,356
Roodepoort City Theatre			10,134	9,853
The Soweto Theatre			10,000	-
			<b>2,622,256</b>	<b>2,485,787</b>
<b>Capital Expenditure</b>				
City Power Johannesburg (Pty) Ltd			88,000	45,000
Johannesburg Water (Pty) Ltd			376,285	212,825
Pikitup Johannesburg (Pty) Ltd *			18,734	33,833
			<b>483,019</b>	<b>291,658</b>
<b>Operating Expenditure</b>				
City Power Johannesburg (Pty) Ltd			1,544,010	878,940
City of Johannesburg Property Company (Pty) Ltd			60	10,150
Johannesburg City Parks *			68,855	77,858
Johannesburg Development Agency (Pty) Ltd			313	114,081
Johannesburg Metropolitan Bus Services (Pty) Ltd			18,782	2,659
Johannesburg Roads Agency (Pty) Ltd			68,288	21,291
Johannesburg Social Housing Company (Pty) Ltd *			33,093	27,528
Johannesburg Tourism Company *			18,019	574
Johannesburg Water (Pty) Ltd			129,271	350,146
Metropolitan Trading Company (Pty) Ltd			-	8,669
Pikitup Johannesburg (Pty) Ltd *			9,754	140,489
The Johannesburg Civic Theatre (Pty) Ltd *			2,398	8,915
The Johannesburg Fresh Produce Market (Pty) Ltd			34,942	4,340
The Johannesburg Zoo *			-	3,554
			<b>1,927,785</b>	<b>1,649,194</b>

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### 63. 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.

For the current year under review the useful life of property, plant and equipment remained unchanged.

#### 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.

For the current year under review the useful life of intangible assets remained unchanged.