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CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

General Information

MAYORAL COMMITTEE

Executive Mayor

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

Councillors

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

General Information

GRADING OF LOCAL AUTHORITY

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

CITY MANAGER

Trevor Fowler

CHIEF FINANCIAL OFFICER

Reggie Boqo

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

Standard Bank

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 2014

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City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

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Abbreviations

AARTO	Administrative Adjudication of Road Traffic Offences
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
EPWP	Expanded Public Works Program
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
MOE's	Municipal Owned Entities
NDR	Non-distributable Reserve
PAYE	Pay As You Earn
PPE	Property, plant and equipment
RMB	Rand Merchant Bank
SARS	South Africa Revenue Services
SCA	Supreme Court of Appeal
SPTN	Single Public Transport Network
STD	Standard Bank
TCTA	Trans Caledon Tunnel Authority
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 2014

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.



**Accounting Officer
Municipal Manager**

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2014	2013	2014	2013
ASSETS					
Current Assets					
Inventories	3	307,467	355,782	113,073	119,852
Loans to Municipal Entities	4	-	-	980,592	906,089
Other financial assets	5	186,361	38,851	186,361	38,851
Current tax receivable		14,667	14,507	-	-
Finance lease receivables	6	-	-	80,984	34,485
Trade and other receivables	7	1,324,974	1,217,591	3,637,805	1,577,679
Receivables from non-exchange transactions	8	20,552	10,843	-	-
VAT receivable	9	437,437	151,448	429,077	143,845
Consumer debtors	10	4,888,272	3,959,530	649,517	401,461
Other financial assets at fair value	11	2,348,387	2,578,265	1,401,255	619,364
Cash and cash equivalents	12	5,327,242	5,400,846	5,144,077	5,193,519
		14,855,359	13,727,663	12,622,741	9,035,145
Non-Current Assets					
Zoo animals	13	15,247	12,124	-	-
Investment property	14	1,262,350	1,290,713	1,261,859	1,290,199
Property, plant and equipment	15	47,426,384	42,185,392	28,673,747	26,402,156
Intangible assets	16	525,383	491,549	234,260	197,117
Heritage assets	17	592,066	591,801	590,473	590,208
Investments in Municipal Owned Entities	18	-	-	407,442	181,985
Investment in joint venture	19	43,820	35,599	-	-
Investment in associates	20	18,108	15,847	-	-
Loans to Municipal Entities	4	-	-	4,997,925	5,256,976
Other financial assets	5	104,332	284,317	104,332	284,317
Deferred tax	21	33,604	24,091	-	-
Finance lease receivables	6	-	-	193,949	114,116
Consumer debtors	10	-	36,483	-	36,483
Other financial assets at fair value	11	2,245,539	2,436,147	1,832,005	1,972,106
		52,266,833	47,404,063	38,295,992	36,325,663
Total Assets		67,122,192	61,131,726	50,918,733	45,360,808

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2014	2013	2014	2013
LIABILITIES					
Current Liabilities					
Loans and borrowings	23	987,342	625,164	970,551	624,610
Current tax payable		2,822	3,131	-	-
Finance lease obligations	24	90,209	83,351	76,193	82,483
Trade and other payables	25	10,332,238	9,117,122	10,312,117	8,472,244
VAT payable	9	412,997	528,221	-	-
Obligations arising from conditional grants and receipts	26	837,617	1,367,983	814,381	1,356,139
Provisions	27	73,387	63	25,537	-
Deferred income	29	11,823	11,384	-	-
Financial liabilities at fair value	11&30	969,183	1,968,096	7,816	9,609
		13,717,618	13,704,515	12,206,595	10,545,085
Non-Current Liabilities					
Project Funds payable	32	11,427	5,640	-	-
Loans and borrowings	23	12,429,182	11,399,462	12,428,012	11,381,478
Finance lease obligations	24	328,033	390,895	317,366	379,638
Employee benefit obligation	28	1,842,379	1,865,790	1,843,061	1,863,909
Obligations arising from conditional grants and receipts	26	46,404	42,186	-	-
Deferred tax	21	1,481,875	1,118,055	-	-
Provisions	27	589,686	548,890	20,000	20,000
Deferred income	29	78,259	88,462	48,879	51,804
Financial liabilities at fair value	11&30	459,830	531,061	46,297	67,020
Consumer deposits	31	498,510	465,108	25,320	26,402
		17,765,585	16,455,549	14,728,935	13,790,251
Total Liabilities		31,483,203	30,160,064	26,935,530	24,335,336
Net Assets		35,638,989	30,971,662	23,983,203	21,025,472
NET ASSETS					
Reserves					
Hedging reserve		(37,721)	(54,928)	(37,721)	(54,928)
Accumulated surplus		35,676,710	31,026,590	24,020,924	21,080,400
Total Net Assets		35,638,989	30,971,662	23,983,203	21,025,472

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2014	2013	2014	2013
Revenue					
Revenue from exchange transactions					
Income from agency services		193,643	199,813	193,643	199,813
Interest received		561,816	583,919	1,150,706	1,087,639
Licences and permits		1,170	958	1,170	958
Other income	34	1,454,827	1,502,301	717,857	783,702
Rental facilities and equipment		196,376	197,779	82,749	84,985
Reversal of impairment	35	-	-	190,927	-
Sale of housing stock		-	6,973	-	6,973
Service charges	36	20,360,213	19,313,900	255,674	1,022,146
Rendering of services		9,534	3,021	-	-
Total revenue from exchange transactions		22,777,579	21,808,664	2,592,726	3,186,216
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	37	7,549,458	5,976,351	7,549,458	5,990,230
Transfer revenue					
Fines		1,367,970	320,336	1,367,970	320,336
Government grants and subsidies	38	7,786,520	6,808,732	7,701,204	6,724,543
Public contributions, Donated and contributed property, plant and equipment		14,923	2,961	14,923	2,961
Total revenue from non-exchange transactions		16,718,871	13,108,380	16,633,555	13,038,070
Total revenue		39,496,450	34,917,044	19,226,281	16,224,286
Expenditure					
Employee related costs	39	(7,873,445)	(7,448,344)	(4,468,941)	(4,270,844)
Remuneration of councillors	40	(120,639)	(110,411)	(120,639)	(110,411)
Provision	27	(25,537)	-	(25,537)	-
Depreciation and amortisation	41	(2,061,832)	(2,052,004)	(1,435,240)	(1,430,115)
Impairment losses	42	(7,465)	(20,858)	(58,579)	(51,501)
Finance costs		(1,413,858)	(1,459,552)	(1,535,163)	(1,494,858)
Allowance for impairment of current receivables	43	(3,169,414)	(2,879,653)	(1,705,889)	(1,227,499)
Repairs and maintenance		(1,008,195)	(691,370)	(286,705)	(138,639)
Bulk purchases	44	(11,792,735)	(11,131,302)	-	-
Contracted services	45	(2,050,135)	(1,816,857)	(1,304,766)	(1,119,455)
Grants and subsidies paid	46	(309,839)	(153,955)	(2,548,017)	(2,776,211)
Cost of housing sold		-	(9,856)	-	(9,856)
General Expenses	47	(4,739,691)	(3,785,834)	(2,812,246)	(2,575,500)
Total expenditure		(34,572,785)	(31,559,996)	(16,301,722)	(15,204,889)
Operating surplus		4,923,665	3,357,048	2,924,559	1,019,397
(Loss)/gain on disposal assets		(528,032)	(3,711)	(522,911)	38,777
Fair value adjustments	48	157,076	162,584	111,973	162,699
Gain on biological assets and agricultural produce		2,922	-	-	-
Income from equity accounted investments		11,032	6,137	-	-
		(357,002)	165,010	(410,938)	201,476
Surplus before taxation		4,566,663	3,522,058	2,513,621	1,220,873
Taxation		387,924	70,419	-	-
Surplus for the year from continuing operations		4,178,739	3,451,639	2,513,621	1,220,873
Discontinued operations	49	30,525	36,116	-	-
Surplus for the year		4,209,264	3,487,755	2,513,621	1,220,873

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
GROUP				
Balance at 1 July 2012		(94,065)	27,412,412	27,318,347
Changes in net assets				
Capitalisation Adjustment		39,137	-	39,137
Gain on unbundling of land		-	204,364	204,364
Net revenue (expenditure) recognised directly in equity		39,137	204,364	243,501
Surplus for the year		-	3,487,755	3,487,755
Total recognised revenue and expenditure for the year		39,137	3,692,119	3,731,256
Transfer of functions between entities under common control		-	(77,941)	(77,941)
Total changes		39,137	3,614,178	3,653,315
Opening balance as previously reported		(54,928)	30,977,292	30,922,364
Adjustments				
Prior period errors	53	-	49,298	49,298
Balance at 1 July 2013 as restated		(54,928)	31,026,590	30,971,662
Changes in net assets				
Capitalisation adjustment		17,207	-	17,207
Gain on unbundling of land		-	426,903	426,903
Net revenue (expenditure) recognised directly in equity		17,207	426,903	444,110
Surplus for the year		-	4,209,264	4,209,264
Total recognised revenue and expenditure for the year		17,207	4,636,167	4,653,374
Owners contribution		-	11,688	11,688
Transfer of functions between entities under common control		-	2,265	2,265
Total changes		17,207	4,650,120	4,667,327
Balance at 30 June 2014		(37,721)	35,676,710	35,638,989

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
CJMM				
Balance at 1 July 2012		(94,065)	19,655,163	19,561,098
Changes in net assets				
Capitalisation Adjustment		39,137	-	39,137
Gain on unbundling of land		-	204,364	204,364
Net revenue (expenditure) recognised directly in equity		39,137	204,364	243,501
Surplus for the year		-	1,220,873	1,220,873
Total recognised revenue and expenditure for the year		39,137	1,425,237	1,464,374
Total changes		39,137	1,425,237	1,464,374
Opening balance as previously reported		(54,928)	21,067,324	21,012,396
Adjustments				
Prior period errors	53	-	13,076	13,076
Balance at 1 July 2013 as restated		(54,928)	21,080,400	21,025,472
Changes in net assets				
Capitalisation adjustment		17,207	-	17,207
Gain on unbundling of land		-	426,903	426,903
Net revenue (expenditure) recognised directly in equity		17,207	426,903	444,110
Surplus for the year		-	2,513,621	2,513,621
Total recognised revenue and expenditure for the year		17,207	2,940,524	2,957,731
Total changes		17,207	2,940,524	2,957,731
Balance at 30 June 2014		(37,721)	24,020,924	23,983,203

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2014	2013	2014	2013
Cash flows from operating activities					
Receipts					
Cash receipts from customers		26,992,986	24,832,343	6,376,471	7,108,599
Grants		7,260,372	7,411,890	7,159,446	7,282,966
Interest income		561,816	583,919	944,772	855,851
		34,815,174	32,828,152	14,480,689	15,247,416
Payments					
Cash paid to suppliers and employees		(26,896,107)	(23,054,487)	(9,880,505)	(8,144,412)
Finance costs		(1,413,858)	(1,459,552)	(1,530,487)	(1,568,281)
Taxes on surpluses		(34,086)	(33,456)	-	-
		(28,344,051)	(24,547,495)	(11,410,992)	(9,712,693)
Net cash flows from operating activities	50	6,471,123	8,280,657	3,069,697	5,534,723
Cash flows from investing activities					
Purchase of capital assets	15	(7,286,767)	(4,322,235)	(3,636,697)	(1,671,065)
Investment in sinking fund		(533,333)	(100,000)	(533,333)	(100,000)
Loans redeemed from municipal entities		-	-	924,657	848,843
Finance lease receivables		-	-	(83,812)	(24,737)
Investment in Municipal entities		-	-	(67,858)	(9,654)
Other financial assets		61,950	279,258	61,950	279,258
Loans to Municipal Entities		-	-	(1,001,111)	(747,729)
Net cash flows from investing activities		(7,758,150)	(4,142,977)	(4,336,204)	(1,425,084)
Cash flows from financing activities					
Proceeds from borrowings		2,083,961	721,538	2,066,000	703,000
Repayment of borrowings		(662,571)	(1,473,589)	(662,571)	(1,473,589)
Finance lease obligation		(56,004)	(67,647)	(68,562)	(71,430)
Repayment of post retirement benefits		(151,963)	(137,040)	(117,802)	(116,715)
Net cash flows from financing activities		1,213,423	(956,738)	1,217,065	(958,734)
Net increase/(decrease) in cash and cash equivalents		(73,604)	3,180,942	(49,442)	3,150,905
Cash and cash equivalents at the beginning of the year		5,400,846	2,219,904	5,193,519	2,042,614
Cash and cash equivalents at the end of the year	12	5,327,242	5,400,846	5,144,077	5,193,519

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

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						
GROUP						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	21,433,469	(880,018)	20,553,451	20,360,213	(193,238)	1
Rendering of services	-	-	-	9,534	9,534	
Rental facilities and equipment	287,893	(24,208)	263,685	196,376	(67,309)	2
Interest received	440,102	69,258	509,360	561,816	52,456	3
Income from agency services	501,979	30,276	532,255	193,643	(338,612)	4
Licences and permits	674	-	674	1,170	496	
Other income	1,540,581	109,568	1,650,149	1,454,827	(195,322)	5
Total revenue from exchange transactions	24,204,698	(695,124)	23,509,574	22,777,579	(731,995)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	6,395,445	150,000	6,545,445	7,549,458	1,004,013	6
Government grants	7,671,033	697,877	8,368,910	7,786,520	(582,390)	7
Transfer revenue						
Public contributions, Donated and contributed property, plant and equipment	448,870	16,208	465,078	14,923	(450,155)	8
Fines	574,741	(251,000)	323,741	1,367,970	1,044,229	9
Total revenue from non-exchange transactions	15,090,089	613,085	15,703,174	16,718,871	1,015,697	
Total revenue	39,294,787	(82,039)	39,212,748	39,496,450	283,702	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

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						
Expenditure						
Employee related cost	(8,155,691)	(19,722)	(8,175,413)	(7,873,445)	301,968	
Remuneration of councillors	(124,154)	-	(124,154)	(120,639)	3,515	
Provisions	(29,729)	(657)	(30,386)	(25,537)	4,849	
Depreciation and amortisation	(2,345,443)	-	(2,345,443)	(2,061,832)	283,611	10
Impairment loss/ Reversal of impairments	-	-	-	(7,465)	(7,465)	
Finance costs	(1,403,071)	86,594	(1,316,477)	(1,413,858)	(97,381)	11
Allowance for impairment of current receivables	(1,451,637)	(233,660)	(1,685,297)	(3,169,414)	(1,484,117)	12
Repairs and maintenance	(1,044,933)	8,905	(1,036,028)	(1,008,195)	27,833	
Bulk purchases	(12,315,394)	680,181	(11,635,213)	(11,792,735)	(157,522)	
Contracted Services	(3,215,045)	(192,258)	(3,407,303)	(2,050,135)	1,357,168	13
Grants and subsidies paid	(175,397)	(280,776)	(456,173)	(309,839)	146,334	14
General Expenses	(3,700,385)	(310,229)	(4,010,614)	(4,739,691)	(729,077)	15
Total expenditure	(33,960,879)	(261,622)	(34,222,501)	(34,572,785)	(350,284)	
Operating surplus	5,333,908	(343,661)	4,990,247	4,923,665	(66,582)	
Loss on disposal of assets and liabilities	(50)	30	(20)	(528,032)	(528,012)	
Fair value adjustments	-	-	-	157,076	157,076	
Gain on biological assets and agricultural produce	-	-	-	2,922	2,922	
Share of (deficit)/surplus of associate accounted for under the equity method	-	-	-	11,032	11,032	
	(50)	30	(20)	(357,002)	(356,982)	
Surplus before taxation	5,333,858	(343,631)	4,990,227	4,566,663	(423,564)	
Taxation	550,871	(51,372)	499,499	387,924	(111,575)	
Surplus for the year from continuing operations	4,782,987	(292,259)	4,490,728	4,178,739	(311,989)	
Discontinued operations	-	-	-	30,525	30,525	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	4,782,987	(292,259)	4,490,728	4,209,264	(281,464)	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

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 description of the variances is provided below

Reference:

1. Service Charges are under budget mainly due to a decrease in billing experienced by Johannesburg Water for water and sanitation charges.
2. Rent of Facilities and Equipment is under budget due to the following:
 - Housing Department as a result of unutilized units where tenants have absconded resulting in lower occupancy rates.
 - Johannesburg Theatres due to the non-rental of the Mandela Theatre as it was occupied by in-house productions.
 - City Power due to non-rental occupation of the property at Reuven. The property is now being utilized for the smart meter project by the entity.
 - Johannesburg Property Company Portfolio Account due to the renewal of leases that is required to be approved by the Evaluations and Acquisitions Committee that delays the renewal. The JPC portfolio has made a recommendation to the Mayoral Committee for the JPC Managing Director to be granted delegated powers to approve certain leases.
3. Interest Received is over budget due to an increased cash balance during the financial year as a result of delayed spending on capital expenditure. Cash on grants are received in advance and the slower capital spending resulted in increased cash balances that is interest bearing.
4. An amount of approximately R282 million that relates to revenue generated by Johannesburg Market has been allocated to Other Revenue.
5. Other Income is under budget due to the re-allocation of revenue on the sale of electricity to Eskom by City Power to the service charges – electricity line item.
6. Property Rates are over budget which is attributable to valuation increases based on the implementation of the latest valuation roll.
7. Operating Grants are under budget and relates mainly to the following Departments:
 - Housing Department mainly as a result of a delay in the certification of housing top structures by the Provincial Department of Human Settlements, that resulted in claims against expenditure not to be processed.
 - Transport Department due to a delay in the implementation of the Rea Vaya project; this has resulted in revenue not being fully recognised.
 - Health Department as a result of the HIV/AIDS subsidy grant not yet received from the Gauteng Department of Local Government. The delay has resulted in revenue for the department not being fully recognised in June 2014.
8. Revenue is over budget due to an increase experienced in Developers Contributions by City Power on property development by the private sector.
9. The favorable variance in traffic fine revenue is due to changes in the accounting statement that requires the municipality to recognise gross revenue and only assess the collectability thereafter.
10. Depreciation is under budget as a result of the capitalisation of Assets Under Construction still to be processed in future that relates to projects that were still in progress in the previous financial period.
11. Finance Charges are over budget due to overdraft bank balances incurred by Johannesburg Water, Johannesburg Development Agency, Metrobus and Johannesburg Property Company.
12. The over expenditure is due to an increase in the provision for bad debts resulting from an increase to the debtors in the 180 day category which is attributed to the poor economic climate.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

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						
13.	Contracted Services is under budget and the variances relate mainly to the following Departments and Entities:					
-	Transport Department mainly as a result of the delay in the implementation of the Rea Vaya project.					
-	Finance Department due to savings incurred on consultants contracts for bond advisory services, storage services and IT services.					
-	Johannesburg Road Agency due to costs related to lease charges on mobile plant being charged to capital expenditure which resulted in a saving on this line item.					
-	City Power is under budget due to the allocation of costs pertaining to this category being allocated to the other expenditure category.					
14.	Expenditure is under budget and the variances relate mainly to the following Departments and Entities:					
-	Housing Department due to the outstanding quality assurance and certification of the housing top structure by the Provincial Department of Human Settlements that resulted in claims against expenditure not to be processed.					
-	Economic Development due to the delay in the implementation of the Small Medium and Micro Enterprise's contract with Business Place.					
15.	Other Expenditure is over budget mainly due to the allocation of costs pertaining to contracted services of City Power to the other expenditure category.					

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

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						
CJMM						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	274,544	(43,988)	230,556	255,674	25,118	
Rental facilities and equipment	132,071	62,370	194,441	82,749	(111,692)	1
Interest received	1,094,574	(20,433)	1,074,141	1,150,706	76,565	
Income from agency services	221,818	-	221,818	193,643	(28,175)	2
Licences and permits	674	-	674	1,170	496	
Public contributions	-	-	-	14,923	14,923	
Reversal of impairment	-	-	-	190,927	190,927	
Total revenue from exchange transactions	1,723,681	(2,051)	1,721,630	1,889,792	168,162	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	6,395,445	150,000	6,545,445	7,549,458	1,004,013	3
Government grants	7,129,570	692,731	7,822,301	7,701,204	(121,097)	
Transfer revenue						
Fines	574,741	(251,000)	323,741	1,367,970	1,044,229	4
Other revenue	980,264	(137,854)	842,410	717,857	(124,553)	5
Total revenue from non-exchange transactions	15,080,020	453,877	15,533,897	17,336,489	1,802,592	
Total revenue	16,803,701	451,826	17,255,527	19,226,281	1,970,754	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

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						
Expenditure						
Employee Related costs	(4,521,822)	(21,912)	(4,543,734)	(4,468,941)	74,793	
Remuneration of councillors	(124,154)	-	(124,154)	(120,639)	3,515	
Provisions	-	-	-	(25,537)	(25,537)	
Depreciation and amortisation	(1,702,887)	28,099	(1,674,788)	(1,435,240)	239,548	6
Impairment losses	-	-	-	(58,579)	(58,579)	
Finance costs	(1,420,750)	151,937	(1,268,813)	(1,535,163)	(266,350)	7
Allowance for impairment of current receivables	(378,083)	(7,350)	(385,433)	(1,705,889)	(1,320,456)	8
Repairs and maintenance	(315,531)	2,355	(313,176)	(286,705)	26,471	
Contracted Services	(1,560,622)	(210,154)	(1,770,776)	(1,304,766)	466,010	9
Grants and subsidies paid	(2,321,007)	(355,630)	(2,676,637)	(2,548,017)	128,620	
General Expenses	(2,261,847)	(333,512)	(2,595,359)	(2,812,247)	(216,888)	
Total expenditure	(14,606,703)	(746,167)	(15,352,870)	(16,301,723)	(948,853)	
Operating surplus	2,196,998	(294,341)	1,902,657	2,924,558	1,021,901	
(Loss) gain on disposal of assets	-	-	-	(522,910)	(522,910)	
Fair value adjustments	-	-	-	111,973	111,973	
	-	-	-	(410,937)	(410,937)	
Surplus before taxation	2,196,998	(294,341)	1,902,657	2,513,621	610,964	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	2,196,998	(294,341)	1,902,657	2,513,621	610,964	

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

Reference:

- Rent of facilities and equipment is under budget due to revenue from servitudes that did not materialise resulting from a delay in registration of the land right use by the deeds office.
- It is difficult to budget accurately for this income source which is largely dependent on license renewals and registration of vehicles, which are impacted upon by changing economic conditions. This source of revenue is also impacted negatively due to the payment of license fees at SAPO.
- The positive variance is attributable to valuation increases based on the implementation of the latest valuation roll.
- The favorable variance in traffic fine revenue is due to changes in the accounting statement that requires the municipality to recognise gross revenue and only assess the collectability thereafter.
- Other Revenue is under budget due to sponsorship towards the Joburg Open Golf Tournament not received, a decrease in revenue from Building Inspections by Emergency Management Services and a decrease in revenue from the Emergency Management Services training academy. There was also a decrease in the concession fees to be recovered from the Kelvin Power Station.
- Depreciation is under budget as a result of a significant portion of the assets that were expected to be capitalised but part of it is incomplete at year end and therefore still forms part of WIP.
- Finance Charges are over budget due to departmental interest payable to Entites. The finance costs stemming from Red Fleet along with the BRT finance lease had not been taken into account in the budget.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

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

8. The unfavourable variance on the allowance for impairment of current receivables is due to an increase in the provision for bad debts resulting from an increase to the debtors in the 180 day category which is attributed to the poor economic climate.
9. Contracted Services is under budget and the under expenditure is mostly related to the Transport Department that experienced a delay in the completion of Phase 1C of the Rea Vaya BRT project.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
GROUP - 2014											
Financial Performance											
Property rates	6,395,445	150,000	6,545,445	-	-	6,545,445	7,549,458	-	1,004,013	115 %	118 %
Service charges	21,433,469	(880,018)	20,553,451	-	-	20,553,451	20,360,213	-	(193,238)	99 %	95 %
Investment revenue	440,102	69,258	509,360	-	-	509,360	561,816	-	52,456	110 %	128 %
Transfers recognised - operational	7,671,033	697,877	8,368,910	-	-	8,368,910	7,786,520	-	(582,390)	93 %	102 %
Other own revenue	3,354,738	(119,156)	3,235,582	-	-	3,235,582	3,223,520	-	(12,062)	100 %	96 %
Total revenue (excluding capital transfers and contributions)	39,294,787	(82,039)	39,212,748	-	-	39,212,748	39,481,527	-	268,779	101 %	100 %
Employee costs	(8,155,691)	(19,722)	(8,175,413)	-	-	(8,175,413)	(7,873,445)	-	301,968	96 %	97 %
Remuneration of councillors	(124,154)	-	(124,154)	-	-	(124,154)	(120,639)	-	3,515	97 %	97 %
Debt impairment	(1,451,637)	(233,660)	(1,685,297)	-	-	(1,685,297)	(3,169,414)	-	(1,484,117)	188 %	218 %
Depreciation and asset impairment	(2,345,443)	-	(2,345,443)	-	-	(2,345,443)	(2,061,832)	-	283,611	88 %	88 %
Finance charges	(1,403,071)	86,594	(1,316,477)	-	-	(1,316,477)	(1,413,858)	-	(97,381)	107 %	101 %
Materials and bulk purchases	(12,315,394)	680,181	(11,635,213)	-	-	(11,635,213)	(11,792,735)	-	(157,522)	101 %	96 %
Transfers and grants	(175,397)	(280,776)	(456,173)	-	-	(456,173)	(309,839)	-	146,334	68 %	177 %
Other expenditure	(10,963,755)	(614,624)	(11,578,379)	-	-	(11,578,379)	(8,168,532)	-	3,409,847	71 %	75 %
Total expenditure	(36,934,542)	(382,007)	(37,316,549)	-	-	(37,316,549)	(34,910,294)	-	2,406,255	94 %	95 %
Surplus/(Deficit)	2,360,245	(464,046)	1,896,199	-	-	1,896,199	4,571,233	-	2,675,034	241 %	241 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2,524,743	104,207	2,628,950	-		2,628,950	-		(2,628,950)	- %	- %
Contributions recognised - capital and contributed assets	448,870	16,208	465,078	-		465,078	14,923		(450,155)	3 %	3 %
Surplus (Deficit) after capital transfers and contributions	5,333,858	(343,631)	4,990,227	-		4,990,227	4,586,156		(404,071)	92 %	86 %
Share of surplus (deficit) of associate	-	-	-	-		-	(11,032)		(11,032)	DIV/0 %	DIV/0 %
Taxation	550,871	(51,372)	499,499	-		499,499	387,924		(111,575)	78 %	70 %
Surplus/(Deficit) for the year	4,782,987	(292,259)	4,490,728	-		4,490,728	4,209,264		(281,464)	94 %	88 %

Capital expenditure and funds sources

Total capital expenditure	-	-	-	-		-	7,746,504		7,746,504	DIV/0 %	DIV/0 %
Sources of capital funds											
Transfers recognised - capital	2,524,743	104,207	2,628,950	-		2,628,950	-		(2,628,950)	- %	- %
Public contributions and donations	448,870	16,208	465,078	-		465,078	-		(465,078)	- %	- %
Borrowing	1,458,631	-	1,458,631	-		1,458,631	-		(1,458,631)	- %	- %
Internally generated funds	3,162,829	(15,226)	3,147,603	-		3,147,603	-		(3,147,603)	- %	- %
Total sources of capital funds	7,595,073	105,189	7,700,262	-		7,700,262	-		(7,700,262)	- %	- %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
CJMM - 2014											
Financial Performance											
Property rates	6,486,614	150,000	6,636,614	-		6,636,614	7,549,458		912,844	114 %	116 %
Service charges	274,544	4,750	279,294	-		279,294	255,674		(23,620)	92 %	93 %
Investment revenue	301,253	-	301,253	-		301,253	1,150,706		849,453	382 %	382 %
Transfers recognised - operational	5,133,377	583,524	5,716,901	-		5,716,901	7,701,204		1,984,303	135 %	150 %
Other own revenue	2,714,965	(436,670)	2,278,295	-		2,278,295	2,666,289		387,994	117 %	98 %
Total revenue (excluding capital transfers and contributions)	14,910,753	301,604	15,212,357	-		15,212,357	19,323,331		4,110,974	127 %	130 %
Employee costs	(4,521,822)	(21,912)	(4,543,734)	-	-	(4,543,734)	(4,468,941)	-	74,793	98 %	99 %
Remuneration of councillors	(124,154)	-	(124,154)	-	-	(124,154)	(120,639)	-	3,515	97 %	97 %
Debt impairment	(378,083)	(7,350)	(385,433)			(385,433)	(1,705,889)	-	(1,320,456)	443 %	451 %
Depreciation and asset impairment	(1,702,887)	28,099	(1,674,788)			(1,674,788)	(1,493,819)	-	180,969	89 %	88 %
Finance charges	(1,354,653)	85,840	(1,268,813)	-	-	(1,268,813)	(1,535,163)	-	(266,350)	121 %	113 %
Transfers and grants	(167,397)	(270,630)	(438,027)	-	-	(438,027)	(2,548,017)	-	(2,109,990)	582 %	1,522 %
Other expenditure	(6,503,927)	(549,039)	(7,052,966)	-	-	(7,052,966)	(4,952,165)	-	2,100,801	70 %	76 %
Total expenditure	(14,752,923)	(734,992)	(15,487,915)	-	-	(15,487,915)	(16,824,633)	-	(1,336,718)	109 %	114 %
Surplus/(Deficit)	157,830	(433,388)	(275,558)	-		(275,558)	2,498,698		2,774,256	(907)%	1,583 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	1,996,193	109,207	2,105,400	-		2,105,400	-		(2,105,400)	- %	- %
Contributions recognised - capital and contributed assets	42,975	16,208	59,183	-		59,183	14,923		(44,260)	25 %	35 %
Surplus (Deficit) after capital transfers and contributions	2,196,998	(307,973)	1,889,025	-		1,889,025	2,513,621		624,596	133 %	114 %
Surplus/(Deficit) for the year	2,196,998	(307,973)	1,889,025	-		1,889,025	2,513,621		624,596	133 %	114 %

Capital expenditure and funds sources

Total capital expenditure	-	-	-	-		-	4,279,501		4,279,501	DIV/0 %	DIV/0 %
Sources of capital funds											
Transfers recognised - capital	1,996,193	109,207	2,105,400	-		2,105,400	-		(2,105,400)	- %	- %
Public contributions and donations	42,975	16,208	59,183	-		59,183	-		(59,183)	- %	- %
Borrowing	1,001,014	(448,135)	552,879	-		552,879	-		(552,879)	- %	- %
Internally generated funds	1,540,468	438,183	1,978,651	-		1,978,651	-		(1,978,651)	- %	- %
Total sources of capital funds	4,580,650	115,463	4,696,113	-		4,696,113	-		(4,696,113)	- %	- %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Statement of compliance

Basis of Preparation and Presentation

The Group Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board, in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These Group Annual Financial Statements have been prepared on the accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. The principal accounting policies adopted in the presentation of these annual financial statements are set out below.

1.1 Going concern assumption

These Group Annual Financial Statements have been prepared based on the expectation that the group will continue to operate as a going concern for at least the next 12 months.

1.2 Consolidation

Basis of consolidation

The consolidated Group Annual Financial Statements comprise the annual financial statements of the core and all entities controlled by the core, including special purpose entities, presented as those of a single entity.

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.

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

Investments in Municipal Entities

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

Investment in associates

An investment in an associate is carried at fair value and classified as fair value through surplus or deficit.

Interests in joint ventures

An interest in a jointly controlled company 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, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the company's share of net assets of the company, less any impairment losses. Surpluses and deficits on transactions between the company and a joint venture are eliminated to the extent of the company's interest therein.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Transfer of functions between entities under common control

Definitions

An acquirer is the group that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another economic entity so as to benefit from its activities.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another group.

A transferor is the group that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

1.4 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:

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. An allowance to write inventory down to the lower of cost or net realisable value. The write down is included in the surplus or deficit.

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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 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.

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. Additional disclosure of these estimates of provisions are included in note 27.

Post retirement benefits

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

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

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

Additional information is disclosed in Note 28.

Debt impairment provision

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

1.5 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 and is recorded as land and buildings under property plant and equipment.

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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Investment property (continued)

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 for the current and comparative period:

Item	Useful life
Property - Buildings	30 years

Land is not depreciated.

Derecognition:

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.

1.6 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.

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.

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1.6 Property, plant and equipment (continued)

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.

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.

Subsequent Measurement

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

It should be noted that zoo animals are valued as a specie and not individuals.

The useful lives of zoo animals listed below reflect useful lives of the different classes of animals at the Johannesburg Zoo. Within the different classes of animals are a number of different species whose useful lives differ. Therefore the useful lives of zoo animals listed below reflect the useful lives of the different species contained within a specific class of animals.

Items of 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 for the current and comparative period:

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

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	5 - 50 years
Plant and equipment	10 - 85 years
Furniture and fixtures	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

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Accounting Policies

1.6 Property, plant and equipment (continued)

Other	
• Dogs and horses	5 - 7 years
Bins and containers	5 years
Landfill Sites	16 - 36 years
Specialised vehicles	
• Buses	10 - 30 years
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
• Reptillia	7 - 80 years
• Insecta	4 years
Leased infrastructure	
• Leased property	5 - 20 years

Impairment losses and reversals of impairment losses are recognised in the surplus or deficit in the period in which the event occurs.

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

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

1.7 Intangible assets

An intangible asset is an identifiable, non monetary asset without physical substance.

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, identifiable assets or liability; or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separable 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 and measurement

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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Accounting Policies

1.7 Intangible assets (continued)

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

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 entity; and
- the cost or fair value of the asset can be measured reliably.

Subsequent recognition

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

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

Expenditure, which enhances and extends the benefits of computer software programs behind the original life of the software, is capitalised. Cost associated with the maintenance of existing computer software programs are expensed as incurred. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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, to their residual values as follows:

Item	Useful life
Additional capacity rights	10 years
Computer software, internally generated	8 - 10 years
Computer software	2 - 8 years
Operating software	3 - 7 years

Derecognition:

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from their use.

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.

1.8 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.

Initial recognition and 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.

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Accounting Policies

1.8 Heritage assets (continued)

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.

Derecognition

The group derecognises heritage assets 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. 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 Jun 15.

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.

1.9 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

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Accounting Policies

1.9 Financial instruments (continued)

Cash and cash equivalents

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

Impairment of non-derivative financial assets

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

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 surplus or deficit and reflected in an allowance account against loans and receivables or financial assets 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.

Derivative financial instruments, including hedge accounting items, securities or instruments.

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 the 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 note 11, and changes therein are accounted for as described below.

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Accounting Policies

1.9 Financial instruments (continued)

Cash flow hedges

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

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.

1.10 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.

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 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 the 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 the straight-line basis.

Operating leases - lessee

Operating lease payments are recognised as an expense on the 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 the straight-line basis.

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Accounting Policies

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 current replacement cost 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.

The cost of inventories comprises 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 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 Non-current assets held for sale and disposal groups

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

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

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.13 Impairment

The municipality assesses at each reporting date whether there is any 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.

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Accounting Policies

1.13 Impairment (continued)

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

Impairment of cash-generating assets.

Property, plant and equipment, Inventories, Investment Properties and Intangible 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 of 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.

1.14 Impairment of non-cash-generating assets

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 service amount is the higher of a non-cash-generating asset's 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.

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Accounting Policies

1.15 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 as an expense in the period in which the service is rendered and are not discounted.

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

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.

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 the 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 reduced 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 economic 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 expense is made to cover both these liabilities.

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Accounting Policies

1.15 Employee benefits (continued)

Bonus pensionable service and medical boardings.

The benefits of Bonus Pensionable Service and Medical Boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which they are incurred.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement 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.

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 52.

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.

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Accounting Policies

1.16 Provisions and contingencies (continued)

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;
- 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.

1.17 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.

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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.17 Revenue from exchange transactions (continued)

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on the 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 and royalties

- 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.

1.18 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

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 group 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, whichever is earlier.

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

1.19 Investment income

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

Accounting Policies

1.20 Borrowing costs

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

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

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

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

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 1.13 and 1.14. 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.

1.21 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.

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 and wasteful 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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

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

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

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

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 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.27 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.

1.28 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 the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 Jul 13 to 30 Jun 15.

The budget for the economic entity includes all the entities approved budgets under its control.

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

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

2. STANDARD 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 32 - Service Concession arrangements: Grantor	No effective date determined yet
GRAP 105 - Transfer of functions between entities under common control	01 July 2015
GRAP 106 - Transfer of functions between entities not under common control	01 July 2015
GRAP 107 - Mergers	01 July 2015
GRAP 108 - Statutory receivables	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	239,327	286,418	52,023	58,802
Spare parts	16,473	16,740	-	-
Water	10,749	9,803	-	-
Housing stock	61,050	61,050	61,050	61,050
Work in progress	1,897	6,559	-	-
Food and Beverage	496	-	-	-
Fuel (Diesel, Petrol)	2,558	1,480	-	-
Bin Liners	1,679	1,809	-	-
Protective clothing	1,601	1,951	-	-
	335,830	385,810	113,073	119,852
Inventories (write-downs)	(28,363)	(30,028)	-	-
	307,467	355,782	113,073	119,852
Cost of inventories expensed	184,054	128,076	14,349	14,256

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
4. LOANS TO MUNICIPAL ENTITIES				
Shareholder loans				
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 17.5% Maturity = 30 June 2016	-	-	581,814	581,814
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2016.	-	-	42,979	42,979
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 15% Maturity 30 June 2018.	-	-	242,590	303,242
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2018.	-	-	17,366	21,708
	-	-	884,749	949,743

Conduit and additional loans

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
4. LOANS TO MUNICIPAL ENTITIES (continued)				
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2014	-	-	-	55,259
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2015	-	-	70,163	133,550
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2016	-	-	171,896	246,957
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	257,752	329,383
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2018	-	-	264,399	312,759
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	-	-	277,917	317,601
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	-	-	340,399	378,563
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	-	-	246,554	268,858
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2022	-	-	359,733	9,355
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2023	-	-	55,179	-
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2016	-	-	37,725	54,199
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	3,583	4,579
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-	3,028	3,601
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2014	-	-	-	55,144
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2015	-	-	42,889	81,636
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2016	-	-	84,253	120,383
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = Jibar less 35bp Maturity = 15 May 2026	-	-	145,120	181,447
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-	286,017	340,148
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	-	-	259,009	295,993

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
4. LOANS TO MUNICIPAL ENTITIES (continued)				
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	-	-	333,818	371,244
Johannesburg Water (Pty) Ltd Terms and conditions: Jibar plus 70pb Maturity = 15 May 2026	-	-	497,196	927,196
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	-	-	246,983	269,326
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2022	-	-	305,260	280,207
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2023	-	-	656,506	-
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.15% Maturity = 30 June 2026	-	-	628	628
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.42% Maturity = 30 June 2026	-	-	2,937	2,937
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2026	-	-	5,785	5,785
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2026	-	-	19,701	19,701
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2026	-	-	30,171	30,171
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	-	-	14,379	14,379
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	-	-	7,885	7,885
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	-	-	19,983	19,983
Pikitup Johannesburg (Pty) Ltd Terms and condition: Rate = 10.78% Maturity = 30 June 2026	-	-	14,738	14,738
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.4% Maturity = 30 June 2026	-	-	15,309	15,309
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2026	-	-	22,398	22,398
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2026	-	-	27,265	-
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	5,301	6,775
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2017	-	-	23,316	29,639

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
4. LOANS TO MUNICIPAL ENTITIES (continued)				
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2015	-	-	1,958	3,728
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2015	-	-	7,198	13,701
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2016	-	-	16,704	23,868
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2017	-	-	7,636	9,706
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-	16,999	20,216
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2019	-	-	12,570	14,476
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.4% Maturity = 30 June 2020	-	-	12,502	13,931
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.4% Maturity = 30 June 2021	-	-	11,879	12,975
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2022	-	-	24,870	26,920
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2023	-	-	7,456	-
	-	-	5,274,947	5,367,237
Less impairment of loans to Pikitup Johannesburg (Pty) Ltd	-	-	(181,179)	(153,915)
	-	-	5,093,768	5,213,322
Impairment of loan to Pikitup Johannesburg (Pty) Ltd				
The increase in provision for impairment of loans 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	-	-	4,997,925	5,256,976
Current assets	-	-	980,592	906,089
	-	-	5,978,517	6,163,065
Reconciliation of provision for impairment of loans to municipal entities				
Opening balance	-	-	153,915	131,517
Additional impairment	-	-	27,264	22,398
	-	-	181,179	153,915

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
5. OTHER FINANCIAL ASSETS				
At amortised cost				
Other financial asset	186,361	195,738	186,361	195,738
Housing Selling scheme loans	27,891	29,979	27,891	29,979
Other loans and receivables	76,441	99,540	76,441	99,540
	290,693	325,257	290,693	325,257
Housing Selling scheme loans - Impairments	-	(2,089)	-	(2,089)
	290,693	323,168	290,693	323,168
Non-current assets				
At amortised cost	104,332	284,317	104,332	284,317
Current assets				
At amortised cost	186,361	38,851	186,361	38,851
	2014	2013	2014	2013
	Amortised	Amortised	Amortised	Amortised
	Cost	Cost	Cost	Cost
SCMB	-	29,390	-	29,390
Maturity - 31.08.2013				
Investment: RMB - E	88,703	75,314	88,703	75,314
Maturity - 30.11.2014				
Investment: RMB - R10	93,371	79,279	93,371	79,279
Maturity - 30.11.2014				
Fixed Deposit - RMB	4,287	11,755	4,287	11,755
Maturity - 30.11.2014				
	186,361	195,738	186,361	195,738

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
6. FINANCE LEASE RECEIVABLES				
Gross investment in the lease due				
- within one year	-	-	85,308	47,255
- in second to fifth year inclusive	-	-	229,293	90,409
- later than five years	-	-	44,069	48,904
			358,670	186,568
less: Unearned finance revenue	-	-	(83,737)	(37,967)
Present value of minimum lease payments receivable	-	-	274,933	148,601
Non-current assets	-	-	193,949	114,116
Current assets	-	-	80,984	34,485
	-	-	274,933	148,601

The unguaranteed future values of assets leased under finance lease at the end of the reporting period amount to R 48,111 (2013: R 36,648).

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
7. TRADE AND OTHER RECEIVABLES				
Loans and receivables				
Accrued VAT	133,707	24,884	133,707	24,837
Housing debtors	104,946	18,903	132,944	18,903
Insurance debtor	75	49,632	54	49,611
Operating lease receivables	299	596	-	-
Related party debtors	-	-	2,677,355	1,244,115
Sundry debtors	816,908	997,942	597,762	226,266
Trade debtors	104,775	68,328	-	-
	1,160,710	1,160,285	3,541,822	1,563,732
Other receivables				
Deposits	12,257	17,571	-	-
Fruitless and wasteful expenditure to be investigated 55	19,154	24,069	2,321	6,200
Prepayments	132,853	15,666	93,662	7,747
	164,264	57,306	95,983	13,947
Total trade and other receivables	1,324,974	1,217,591	3,637,805	1,577,679
8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS				
Fines	58	-	-	-
Other receivables from non-exchange revenue	18,072	8,421	-	-
SARS VAT Debtor	2,422	2,422	-	-
	20,552	10,843	-	-
9. VAT				
Receivable	437,437	151,448	429,077	143,845
Payable	(412,997)	(528,221)	-	-
	24,440	(376,773)	429,077	143,845

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
10. CONSUMER DEBTORS				
Gross balances				
Rates	5,980,074	4,992,288	5,980,074	4,992,288
Electricity	5,290,491	5,185,337	-	-
Water	7,659,549	7,025,075	-	-
Refuse	1,182,425	820,425	-	560,326
Housing rental	256,607	341,676	256,607	341,676
	20,369,146	18,364,801	6,236,681	5,894,290
Less: Allowance for impairment				
Rates	(5,341,665)	(4,599,978)	(5,341,665)	(4,599,978)
Electricity	(3,187,795)	(3,395,709)	-	-
Water	(5,748,754)	(5,322,618)	-	-
Refuse	(957,161)	(723,127)	-	(529,012)
Housing rental	(245,499)	(327,356)	(245,499)	(327,356)
	(15,480,874)	(14,368,788)	(5,587,164)	(5,456,346)
Net balance				
Rates	638,409	392,310	638,409	392,310
Electricity	2,102,696	1,789,628	-	-
Water	1,910,795	1,702,457	-	-
Refuse	225,264	97,298	-	31,314
Housing rental	11,108	14,320	11,108	14,320
	4,888,272	3,996,013	649,517	437,944
Current Assets	4,888,272	3,959,530	649,517	401,461
Non-Current Assets	-	36,483	-	36,483
	4,888,272	3,996,013	649,517	437,944

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
10. CONSUMER DEBTORS (continued)				
Rates				
Current (0 - 30 days)	956,015	759,247	956,015	759,247
31 - 60 days	290,671	216,834	290,671	216,834
61 - 90 days	294,971	196,224	294,971	196,224
91 - 120 days	199,942	181,092	199,942	181,092
121 - 365 days	1,234,887	883,128	1,234,887	883,128
> 365 days	3,003,588	2,755,763	3,003,588	2,755,763
	5,980,074	4,992,288	5,980,074	4,992,288
Electricity				
Current (0 - 30 days)	2,024,439	1,627,865	-	-
31 - 60 days	252,256	347,488	-	-
61 - 90 days	265,648	201,918	-	-
91 - 120 days	153,745	235,694	-	-
121 - 365 days	975,373	949,608	-	-
> 365 days	1,619,030	1,822,764	-	-
	5,290,491	5,185,337	-	-
Water				
Current (0 - 30 days)	1,386,726	1,000,861	-	-
31 - 60 days	321,850	332,903	-	-
61 - 90 days	279,179	235,526	-	-
91 - 120 days	220,022	254,938	-	-
121 - 365 days	1,685,780	1,152,267	-	-
> 365 days	3,765,992	4,048,580	-	-
	7,659,549	7,025,075	-	-
Refuse				
Current (0 - 30 days)	154,718	62,808	-	38,340
31 - 60 days	42,182	48,883	-	34,194
61 - 90 days	56,120	34,820	-	26,761
91 - 120 days	47,739	39,211	-	31,344
121 - 365 days	475,784	346,958	-	141,942
> 365 days	405,882	287,745	-	287,745
	1,182,425	820,425	-	560,326
Housing rental				
Current (0 - 30 days)	9,723	4,121	9,723	4,121
31 - 60 days	4,654	4,281	4,654	4,281
61 - 90 days	4,589	3,944	4,589	3,944
91 - 120 days	4,510	3,897	4,510	3,897
121 - 365 days	4,485	17,692	4,485	17,692
> 365 days	228,646	307,741	228,646	307,741
	256,607	341,676	256,607	341,676

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
10. CONSUMER DEBTORS (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 - 30 days)	2,017,477	1,402,775	766,688	533,504
31 - 60 days	569,092	497,135	216,823	168,361
61 - 90 days	548,975	357,092	206,213	137,496
91 - 120 days	404,110	389,867	157,061	143,019
121 - 365 days	2,757,883	1,905,376	906,652	725,632
> 365 days	5,860,772	6,244,721	2,036,325	2,456,195
	12,158,309	10,796,966	4,289,762	4,164,207
Less: Allowance for impairment	(10,114,560)	(9,094,390)	(3,848,090)	(3,858,256)
	2,043,749	1,702,576	441,672	305,951
Consumers - Past due and impaired				
Current (0 - 30 days)	946,142	619,629	680,251	492,695
31 - 60 days	282,610	238,427	193,761	155,149
61 - 90 days	320,260	130,568	183,062	127,141
91 - 120 days	357,179	370,374	140,501	131,989
121 - 365 days	2,446,904	1,766,338	809,986	657,487
> 365 days	5,761,465	5,969,054	1,840,529	2,293,795
	10,114,560	9,094,390	3,848,090	3,858,256
Consumers - Past due and not impaired				
Current (0 - 30 days)	1,071,334	783,146	80,996	40,574
31 - 60 days	286,482	258,708	22,842	12,698
61 - 90 days	228,715	226,523	21,659	10,379
91 - 120 days	46,931	19,494	16,477	10,789
121 - 365 days	310,979	139,038	96,499	54,189
> 365 days	99,308	275,667	203,199	177,322
	2,043,749	1,702,576	441,672	305,951

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
10. CONSUMER DEBTORS (continued)				
Industrial/ commercial				
Current (0 - 30 days)	2,587,025	2,002,741	352,744	266,834
31 - 60 days	320,163	380,259	86,855	35,115
61 - 90 days	323,870	268,663	88,027	52,853
91 - 120 days	203,374	264,198	40,192	25,954
121 - 365 days	1,304,069	1,291,589	320,104	213,209
> 365 days	3,023,360	3,010,069	973,892	1,044,530
	7,761,861	7,217,519	1,861,814	1,638,495
Less: Allowance for impairment	(5,056,244)	(5,015,713)	(1,663,054)	(1,513,490)
	2,705,617	2,201,806	198,760	125,005
Industrial/ commercial - Past due and impaired				
Current (0 - 30 days)	398,852	540,113	315,086	246,476
31 - 60 days	121,793	47,544	77,582	32,436
61 - 90 days	205,647	159,811	78,631	48,821
91 - 120 days	167,899	217,236	35,901	23,974
121 - 365 days	1,271,848	1,120,629	285,931	196,943
> 365 days	2,890,205	2,930,380	869,923	964,840
	5,056,244	5,015,713	1,663,054	1,513,490
Industrial/ commercial - Past due and not impaired				
Current (0 - 30 days)	2,188,173	1,462,627	37,658	20,358
31 - 60 days	198,370	332,715	9,272	2,679
61 - 90 days	118,224	108,852	9,397	4,032
91 - 120 days	35,474	46,963	4,291	1,980
121 - 365 days	32,221	170,960	34,173	16,266
> 365 days	133,155	79,689	103,969	79,690
	2,705,617	2,201,806	198,760	125,005

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
10. CONSUMER DEBTORS (continued)				
National and provincial government				
Current (0 - 30 days)	82,866	48,021	-	-
31 - 60 days	31,182	21,161	-	-
61 - 90 days	21,873	14,258	-	4,162
91 - 120 days	14,295	15,661	2,961	2,255
121 - 365 days	100,196	62,331	26,992	13,565
> 365 days	198,564	188,884	55,152	71,606
	448,976	350,316	85,105	91,588
Less: Allowance for impairment	(310,070)	(258,685)	(76,020)	(84,600)
	138,906	91,631	9,085	6,988
National and provincial government - Past due and impaired				
Current (0 - 30 days)	3,417	-	-	-
31 - 60 days	1,645	-	-	-
61 - 90 days	2,995	3,844	-	3,844
91 - 120 days	13,391	14,609	2,646	2,083
121 - 365 days	96,555	60,304	24,110	12,530
> 365 days	192,067	179,928	49,264	66,143
	310,070	258,685	76,020	84,600
National and provincial government - Past due and not impaired				
Current (0 - 30 days)	79,450	48,021	-	-
31 - 60 days	29,538	21,161	-	-
61 - 90 days	18,878	10,414	-	318
91 - 120 days	904	1,052	316	172
121 - 365 days	3,641	2,027	2,882	1,035
> 365 days	6,495	8,956	5,887	5,463
	138,906	91,631	9,085	6,988

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
10. CONSUMER DEBTORS (continued)				
Total				
Current (0 -30 days)	4,687,368	3,453,537	1,119,432	800,338
31 - 60 days	920,437	898,555	303,678	203,476
61 - 90 days	894,718	640,013	294,240	194,511
91 - 120 days	621,779	669,726	200,214	171,228
121 - 365 days	4,162,148	3,259,296	1,253,748	952,406
> 365 days	9,082,696	9,443,674	3,065,369	3,572,331
	20,369,146	18,364,801	6,236,681	5,894,290
Less: Allowance for impairment	(15,480,874)	(14,368,788)	(5,587,164)	(5,456,346)
	4,888,272	3,996,013	649,517	437,944
Less: Provision for debt impairment				
Current (0 - 30 days)	1,348,411	1,159,742	995,337	739,171
31 - 60 days	406,048	285,971	271,343	187,585
61 - 90 days	528,902	294,223	261,693	179,806
91 - 120 days	538,469	602,219	179,048	158,046
121 - 365 days	3,815,307	2,947,271	1,120,027	866,960
> 365 days	8,843,737	9,079,362	2,759,716	3,324,778
	15,480,874	14,368,788	5,587,164	5,456,346
Total debtor past due but not impaired				
Current (0 - 30 days)	3,338,957	2,293,794	118,654	60,932
31 - 60 days	514,390	612,584	32,114	15,377
61 - 90 days	365,817	345,789	31,056	14,729
91 - 120 days	83,309	67,509	21,084	12,941
121 - 365 days	346,841	312,025	133,554	71,490
> 365 days	238,958	364,312	313,055	262,475
	4,888,272	3,996,013	649,517	437,944
Reconciliation of allowance for impairment				
Balance at beginning of the year	(14,368,788)	(13,327,646)	(5,456,346)	(4,574,514)
Contributions to allowance	(2,775,051)	(2,630,903)	(758,794)	(919,890)
Debt impairment written off against allowance	1,564,001	1,554,256	529,012	-
Reversal of allowance	98,964	35,505	98,964	38,058
Balance at the end of the year	(15,480,874)	(14,368,788)	(5,587,164)	(5,456,346)

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
11. OTHER FINANCIAL ASSETS AT FAIR VALUE				
The total investments are 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.				
Redemption Fund Maturity - 05.06.2023				
Other financial assets through profit or loss				
Bonds	2,108,113	959,526	2,108,113	959,526
Bond repos	-	1,487,262	-	1,487,262
Bond options	205,624	-	205,624	-
Floating rate notes	-	65,609	-	65,609
Cash	-	-	99,263	69,881
Cash collateral	-	-	35,501	5,018
Forward Rate Agreement	15,031	57,178	15,031	57,178
Swaps	19,619	8,690	19,619	8,690
Current Assets	2,348,387	2,578,265	2,483,151	2,653,164
Net Current assets			1,401,255	619,364
Bonds	866,677	1,328,965	866,677	1,328,965
Floating rate notes	825,080	514,482	825,080	514,482
Forward Rate Agreement	136	4,774	136	4,774
Amort swaps	40,942	-	40,942	-
Swaps	512,723	587,926	512,723	587,926
Non-Current Assets	2,245,558	2,436,147	2,245,558	2,436,147
Net Non-Current Assets			1,832,005	1,972,106
Other financial liabilities through profit or loss				
Bonds	205,508	1,489,192	205,508	1,489,192
Bond repos	719,534	420,579	719,534	420,579
Cash collateral	-	-	120,529	75,313
Forward Rate Agreement	15,294	30,495	15,294	30,495
Swaps	21,031	18,221	21,031	18,221
Current Liabilities	961,367	1,958,487	1,081,896	2,033,800
Forward Rate Agreement	-	11,381	-	11,381
Swaps	413,553	405,365	413,553	405,365
Amort swaps	-	47,295	-	47,295
Non-Current Liabilities	413,553	464,041	413,553	464,041

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
11. OTHER FINANCIAL ASSETS AT FAIR VALUE (continued)				
Financial assets carried at fair value through profit or loss				
Derivatives designated and effective as hedging instruments carried at fair value	1,619,156	1,313,559	1,619,156	1,313,559
Held for trading non-derivative financial assets	2,974,790	3,775,752	3,109,554	3,775,752
	4,593,946	5,089,311	4,728,710	5,089,311
Financial liabilities carried at fair value through profit or loss				
Derivatives designated and effective as hedging instruments carried at fair value	449,878	512,757	449,878	512,757
Held for trading non-derivative financial assets	925,043	1,985,084	1,045,572	1,985,084
	1,374,921	2,497,841	1,495,450	2,497,841

Cash Collateral

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

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
12. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	803	617	128	123
Bank	617,943	1,342,954	443,798	1,148,209
Call investment deposits	4,707,155	4,055,984	4,700,151	4,045,187
Other cash and cash equivalents	1,341	1,291	-	-
	5,327,242	5,400,846	5,144,077	5,193,519

Call investment deposits

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

Call Deposits STANDARD BANK	1,334	1,273
Rating - (F1+)		
Fixed Deposits STANDARD BANK	411,500	348,000
Rating - (F1+)		
Fixed Deposits ABSA	951,394	103,129
Rating - (F1+)		
Call Deposits ABSA	42,867	1,088
Rating - (F1+)		
Call Deposits RMB	1,000	1,000
Rating - (F1+)		
Fixed Deposits RMB	973,500	382,200
Rating - (F1+)		
Call Deposits INVESTEC	19,600	31,428
Rating - (F1)		
Fixed Deposits INVESTEC	717,600	957,300
Rating - (F1)		
Call Deposits NEDBANK	32,090	442,690
Rating - (F1+)		
Fixed Deposits NEDBANK	772,000	510,000
Rating - (F1+)		
Call Deposits CITI BANK	2,114	253,906
Rating - (F1)		
Fixed Deposits CITI BANK	308,000	90,000
Rating - (F1+)		
Call Deposits DEUTSCHE BANK	1,000	1,500
Rating - (F1+)		
Fixed Deposits DEUTSCHE BANK	-	340,000
Rating - (F1+)		
Call Deposits TCTA	48,000	40,000
Rating - (None)		
Call Deposits LANDBANK	1,050	1,050
Rating - (F1+)		
Stanlib Call Investment	417,103	540,623
Rating - (F1+)		
	4,700,152	4,045,187

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

Underwriting of COID reserve	170,002	72,000
Capital replacement reserve	765,168	98,002
	935,170	170,002

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

13. ZOO ANIMALS

GROUP

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	17,177	(1,930)	15,247	13,794	(1,670)	12,124

Reconciliation of zoo animals - GROUP - 2014

	Opening balance	Additions	Adjustments arising from accounting for births and deaths	Disposals	Zero cost animal adjustments	Depreciation	Total
Zoo animals	12,124	1,840	2,919	(1,095)	4	(545)	15,247

Reconciliation of zoo animals - GROUP - 2013

	Opening balance	Additions	Additions through entity combinations	Adjustments arising from accounting for births and deaths	Disposals	Transfers	Depreciation	Total
Zoo animals	17,878	766	16,872	(4,736)	(1,364)	(16,872)	(420)	12,124

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Figures in Rand thousand	GROUP			CJMM		
	2014	2013		2014	2013	
14. INVESTMENT PROPERTY						
GROUP	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,429,064	(166,714)	1,262,350	1,346,400	(55,687)	1,290,713
CJMM	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,428,253	(166,394)	1,261,859	1,345,589	(55,390)	1,290,199

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Figures in Rand thousand

14. INVESTMENT PROPERTY (continued)

Reconciliation of investment property - GROUP - 2014

	Opening balance	Transfers	Impairments	Depreciation	Total
Investment property	1,290,713	82,663	(23)	(111,003)	1,262,350

Reconciliation of investment property - GROUP - 2013

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	1,312,718	234	(256)	(9,403)	(23)	(12,557)	1,290,713

Reconciliation of investment property - CJMM - 2014

	Opening balance	Transfers	Impairments	Depreciation	Total
Investment property	1,290,199	82,663	-	(111,003)	1,261,859

Reconciliation of investment property - CORE - 2013

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	1,266,038	234	(256)	36,740	-	(12,557)	1,290,199

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

15. PROPERTY, PLANT AND EQUIPMENT

GROUP	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7,986,786	-	7,986,786	8,052,267	-	8,052,267
Buildings	11,698,361	(3,125,908)	8,572,453	11,553,644	(2,778,898)	8,774,746
Plant and machinery	10,928,056	(2,184,027)	8,744,029	10,049,662	(1,881,426)	8,168,236
Furniture and fixtures	499,868	(341,694)	158,174	467,311	(306,478)	160,833
Motor vehicles	597,069	(312,884)	284,185	450,677	(240,371)	210,306
Office equipment	790,120	(468,251)	321,869	577,200	(396,467)	180,733
Computer equipment	204,718	(139,477)	65,241	188,390	(124,058)	64,332
Infrastructure	11,180,873	(3,439,888)	7,740,985	10,436,551	(2,874,955)	7,561,596
Community	981,143	(404,319)	576,824	871,413	(349,803)	521,610
Bins and containers	224,155	(170,950)	53,205	236,681	(190,806)	45,875
Work in progress	7,479,569	-	7,479,569	3,606,933	-	3,606,933
Communication equipment	15,971	(11,712)	4,259	13,637	(10,633)	3,004
Fare collection equipment	8,195	(8,374)	(179)	12,239	(11,961)	278
Finance lease assets	43,939	(19,263)	24,676	30,994	(17,277)	13,717
Laboratory equipment	36,230	(20,644)	15,586	34,838	(17,921)	16,917
Minor plant	94,086	(71,797)	22,289	88,733	(66,427)	22,306
Signage	6,033	(3,143)	2,890	5,700	(2,918)	2,782
Specialised vehicles	1,016,755	(304,077)	712,678	694,047	(220,101)	473,946
Stage equipment	13,027	(4,887)	8,140	6,639	(4,668)	1,971
Tools and loose gear	1,930	(1,399)	531	2,681	(1,696)	985
Wastewater network	1,773,149	(166,303)	1,606,846	1,659,946	(148,052)	1,511,894
Water network	3,377,515	(415,716)	2,961,799	3,078,663	(357,873)	2,720,790
Library books	626,385	(575,623)	50,762	621,019	(567,914)	53,105
Emergency equipment.	46,326	(14,060)	32,266	27,231	(11,575)	15,656
Other	5,013	(4,492)	521	5,567	(4,993)	574
Total	59,635,272	(12,208,888)	47,426,384	52,772,663	(10,587,271)	42,185,392

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

15. PROPERTY, PLANT AND EQUIPMENT (continued)

CJMM	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7,919,877	-	7,919,877	7,985,358	-	7,985,358
Buildings	10,372,254	(2,539,242)	7,833,012	10,299,255	(2,227,075)	8,072,180
Plant and equipment	227,469	(153,532)	73,937	223,923	(137,020)	86,903
Furniture and fittings	417,145	(295,977)	121,168	395,967	(265,409)	130,558
Motor vehicles	327,841	(225,152)	102,689	315,977	(202,297)	113,680
Office equipment	734,802	(429,763)	305,039	523,309	(362,187)	161,122
Infrastructure	10,661,814	(3,275,649)	7,386,165	9,902,680	(2,693,338)	7,209,342
Community	981,143	(404,319)	576,824	871,413	(349,803)	521,610
Bins and containers	10,474	(6,491)	3,983	10,333	(5,480)	4,853
Work in progress	3,709,664	-	3,709,664	1,726,781	-	1,726,781
Specialised vehicles	719,587	(161,357)	558,230	436,010	(115,187)	320,823
Library books	626,385	(575,623)	50,762	621,019	(567,914)	53,105
Emergency equipment	46,326	(14,060)	32,266	27,231	(11,575)	15,656
Other	717	(586)	131	717	(532)	185
Total	36,755,498	(8,081,751)	28,673,747	33,339,973	(6,937,817)	26,402,156

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Figures in Rand thousand

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - GROUP - 2014

	Opening balance	Additions	Disposals	Transfers	Developer funded network	Depreciation	Impairment loss	Total
Land	8,052,267	426,284	(512,558)	20,793	-	-	-	7,986,786
Buildings	8,774,746	123,295	(267)	22,496	-	(347,817)	-	8,572,453
Plant and equipment	8,168,236	97,749	(3,741)	796,899	-	(315,006)	(108)	8,744,029
Furniture and fittings	160,833	22,996	(6,353)	26,894	-	(46,196)	-	158,174
Motor vehicles	210,306	122,035	(1,826)	80	-	(46,410)	-	284,185
Office equipment	180,733	127,841	(942)	98,784	-	(84,547)	-	321,869
Computer equipment	64,332	24,840	(833)	2,806	-	(25,904)	-	65,241
Infrastructure	7,561,596	299,758	(293)	505,290	-	(625,366)	-	7,740,985
Community	521,610	32,614	(60)	77,850	-	(55,190)	-	576,824
Bins and containers	45,875	13,597	-	147	-	(6,414)	-	53,205
Work in progress	3,606,933	5,606,998	(540)	(1,733,822)	-	-	-	7,479,569
Communication equipment	3,004	2,389	(12)	-	-	(1,122)	-	4,259
Fare collection equipment	278	-	-	-	-	(457)	-	(179)
Finance lease assets	13,717	22,732	(10)	-	-	(11,763)	-	24,676
Laboratory equipment	16,917	2,477	(27)	-	-	(3,781)	-	15,586
Minor plant	22,306	7,187	(51)	135	-	(7,288)	-	22,289
Signage	2,782	333	-	-	-	(225)	-	2,890
Specialised vehicles	473,946	382,991	(48,577)	-	-	(89,484)	(6,198)	712,678
Stage equipment	1,971	6,455	(10)	-	-	(276)	-	8,140
Tools and loose gear	985	14	(162)	-	-	(306)	-	531
Wastewater network	1,511,894	14,817	-	15,740	82,646	(18,251)	-	1,606,846
Water network	2,720,790	190,560	(2,359)	46,870	64,043	(58,105)	-	2,961,799
Library books	53,105	5,365	-	-	-	(7,708)	-	50,762
Emergency equipment	15,656	14,585	(239)	5,793	-	(3,529)	-	32,266
Other	574	-	-	-	-	(53)	-	521
	42,185,392	7,547,912	(578,860)	(113,245)	146,689	(1,755,198)	(6,306)	47,426,384

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15. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - GROUP - 2013

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Developer funded network	Depreciation	Impairment loss	Total
Land	7,805,246	191,446	26,068	(46,411)	75,918	-	-	-	8,052,267
Buildings	8,542,954	45,820	-	(3,224)	535,377	-	(346,181)	-	8,774,746
Plant and machinery	7,410,781	60,594	-	(9,806)	1,065,155	-	(358,488)	-	8,168,236
Furniture and fixtures	199,508	18,921	-	(3,926)	(9,633)	-	(44,037)	-	160,833
Motor vehicles	203,283	93,559	1,498	(107)	(42,091)	-	(45,836)	-	210,306
Office equipment	199,736	67,970	442	(2,555)	(1,764)	-	(83,096)	-	180,733
Computer equipment	98,535	19,825	20	(401)	(18,264)	-	(35,383)	-	64,332
Infrastructure	6,782,560	278,621	-	(60,158)	1,164,318	-	(603,745)	-	7,561,596
Community	475,596	33,314	-	(316)	66,533	-	(53,517)	-	521,610
Bins and containers	41,516	19,041	-	(10)	365	-	(15,037)	-	45,875
Work in progress	3,534,250	3,077,055	-	-	(3,004,372)	-	-	-	3,606,933
Communication equipment	3,387	567	-	-	-	-	(950)	-	3,004
Fare collection equipment	789	-	-	-	-	-	(511)	-	278
Finance lease assets	21,282	865	454	(21)	(453)	-	(8,410)	-	13,717
Laboratory equipment	7,374	6,192	-	-	6,178	-	(2,827)	-	16,917
Minor plant	24,316	4,599	832	(17)	249	-	(7,673)	-	22,306
Signage	2,028	908	-	-	-	-	(154)	-	2,782
Specialised vehicles	535,640	69,113	-	(99,346)	42,514	-	(71,478)	(2,497)	473,946
Stage equipment	1,469	260	-	-	474	-	(232)	-	1,971
Tools and loose gear	1,113	181	-	-	-	-	(309)	-	985
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	66,363	291	-	-	-	-	(13,549)	-	53,105
Emergency equipment	14,434	3,946	-	(1,125)	7	-	(1,606)	-	15,656
Other	701	4	-	(1)	(44)	-	(86)	-	574
	40,000,141	4,057,863	29,314	(242,323)	(85,263)	203,228	(1,767,566)	(10,002)	42,185,392

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Figures in Rand thousand

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - CJMM - 2014

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Depreciation	Total
Land	7,985,358	426,284	-	(512,558)	20,793	-	7,919,877
Buildings	8,072,180	68,824	-	58	4,809	(312,859)	7,833,012
Plant and equipment	86,903	8,938	-	(152)	2,031	(23,783)	73,937
Furniture and fittings	130,558	9,171	-	(5,909)	26,495	(39,147)	121,168
Motor vehicles	113,680	13,524	-	(1,123)	80	(23,472)	102,689
Office equipment	161,122	124,704	-	(786)	98,619	(78,620)	305,039
Infrastructure	7,209,342	254,482	-	(293)	505,290	(582,656)	7,386,165
Community	521,610	32,614	-	(60)	77,850	(55,190)	576,824
Bins and containers	4,853	-	-	-	147	(1,017)	3,983
Work in progress	1,726,781	2,825,327	-	-	(842,444)	-	3,709,664
Specialised vehicles	320,823	326,286	-	(42,708)	-	(46,171)	558,230
Library books	53,105	5,365	-	-	-	(7,708)	50,762
Emergency equipment	15,656	14,585	-	(239)	5,793	(3,529)	32,266
Other	185	-	-	-	-	(54)	131
	26,402,156	4,110,104	-	(563,770)	(100,537)	(1,174,206)	28,673,747

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15. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - CORE - 2013

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Depreciation	Total
Land	7,746,168	191,189	26,068	(46,411)	68,344	-	7,985,358
Buildings	7,938,084	18,345	-	(3,224)	432,324	(313,349)	8,072,180
Plant and equipment	86,542	23,885	-	(346)	5,087	(28,265)	86,903
Furniture and fittings	155,036	11,449	-	(3,823)	4,435	(36,539)	130,558
Motor vehicles	120,302	54,802	-	(19)	(40,442)	(20,963)	113,680
Office equipment	178,611	61,276	20	(2,486)	142	(76,441)	161,122
Infrastructure	6,374,297	269,192	-	(70)	1,164,318	(598,395)	7,209,342
Community	475,596	33,314	-	(316)	66,533	(53,517)	521,610
Bins and containers	5,210	162	-	(10)	365	(874)	4,853
Work in progress	2,242,255	1,314,089	-	-	(1,829,563)	-	1,726,781
Specialised vehicles	376,800	51,181	-	(98,241)	42,708	(51,625)	320,823
Library books	66,363	291	-	-	-	(13,549)	53,105
Emergency equipment	14,418	3,946	-	(1,125)	19	(1,602)	15,656
Other	263	4	-	(1)	2	(83)	185
	25,779,945	2,033,125	26,088	(156,072)	(85,728)	(1,195,202)	26,402,156

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	2014	2013	2014	2013

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

GROUP	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	46,364	-	46,364	46,364	-	46,364
Office equipment	184,837	(161,501)	23,336	175,554	(138,777)	36,777
Soccer City	3,138	-	3,138	3,138	-	3,138
BRT Busses	355,021	(101,606)	253,415	355,021	(72,021)	283,000
Leasehold property	30,024	(9,554)	20,470	13,670	(6,214)	7,456
Leasehold improvements	14,739	(6,424)	8,315	14,553	(4,782)	9,771
Total	634,123	(279,085)	355,038	608,300	(221,794)	386,506

CJMM	2014			2013		
	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	355,021	(101,606)	253,415	355,021	(72,021)	283,000
Total	571,120	(250,315)	320,805	560,894	(201,204)	359,690

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.

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

16. INTANGIBLE ASSETS

GROUP	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	235,867	(43,417)	192,450	234,182	(36,000)	198,182
Servitudes	1,727	-	1,727	1,727	-	1,727
Computer software, internally generated	10,159	(1,137)	9,022	14,231	(5,001)	9,230
Computer software	1,547,789	(1,225,605)	322,184	1,347,299	(1,064,889)	282,410
Total	1,795,542	(1,270,159)	525,383	1,597,439	(1,105,890)	491,549

CJMM	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,295,619	(1,061,359)	234,260	1,108,498	(911,381)	197,117

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

16. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - GROUP - 2014

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Additional capacity rights	198,182	1,685	-	-	(7,417)	192,450
Servitudes	1,727	-	-	-	-	1,727
Computer software, internally generated	9,230	-	-	-	(208)	9,022
Computer software	282,410	195,067	(418)	32,748	(187,623)	322,184
	491,549	196,752	(418)	32,748	(195,248)	525,383

Reconciliation of intangible assets - GROUP - 2013

	Opening balance	Additions	Additions through entity combinations	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	172	-	-	-	(171)	(4,072)	9,230
Computer software	523,243	17,339	300	(1)	6,622	(265,093)	-	282,410
Other intangible assets	766	-	-	-	(589)	(177)	-	-
	681,658	80,488	300	(1)	6,033	(272,857)	(4,072)	491,549

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

16. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - CJMM - 2014

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	197,117	169,397	-	17,776	(150,030)	-	234,260

Reconciliation of intangible assets - CORE - 2013

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	409,241	1,914	-	9,715	(223,753)	-	197,117

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

17. HERITAGE ASSETS

GROUP	2014			2013		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	557,984	-	557,984	557,719	-	557,719
Historical monuments	14,457	-	14,457	14,457	-	14,457
Historical buildings	19,625	-	19,625	19,625	-	19,625
Total	592,066	-	592,066	591,801	-	591,801

CJMM	2014			2013		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	556,391	-	556,391	556,126	-	556,126
Historical monuments	14,457	-	14,457	14,457	-	14,457
Historical buildings	19,625	-	19,625	19,625	-	19,625
Total	590,473	-	590,473	590,208	-	590,208

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

17. HERITAGE ASSETS (continued)

Reconciliation of heritage assets GROUP - 2014

	Opening balance	Additions	Disposals	Transfers	Total
Art collections, antiques and exhibits	557,719	402	(234)	97	557,984
Historical monuments	14,457	-	-	-	14,457
Historical buildings	19,625	-	-	-	19,625
	591,801	402	(234)	97	592,066

Reconciliation of heritage assets GROUP - 2013

	Opening balance	Additions	Transfers	Total
Art collections, antiques and exhibits	487,239	59	70,421	557,719
Historical monuments	9,378	1,179	3,900	14,457
Historical buildings	54,673	-	(35,048)	19,625
	551,290	1,238	39,273	591,801

Reconciliation of heritage assets CJMM - 2014

	Opening balance	Additions	Disposals	Transfers	Total
Art collections, antiques and exhibits	556,126	402	(234)	97	556,391
Historical monuments	14,457	-	-	-	14,457
Historical buildings	19,625	-	-	-	19,625
	590,208	402	(234)	97	590,473

Reconciliation of heritage assets CORE - 2013

	Opening balance	Additions	Transfers	Total
Art collections, antiques and exhibits	485,646	59	70,421	556,126
Historical monuments	9,378	1,179	3,900	14,457
Historical buildings	54,673	-	(35,048)	19,625
	549,697	1,238	39,273	590,208

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

18. INVESTMENTS IN MUNICIPAL OWNED ENTITIES

Gross investment	% holding 2014	% holding 2013	Cost 2014	Cost 2013
City of Joburg Property Company SOC Limited	100 %	100 %	103,113	103,113
City Power Johannesburg SOC Limited	100 %	100 %	112,466	112,466
Johannesburg City Parks NPC	100 %	100 %	29,958	29,958
Johannesburg Development Agency SOC Limited	100 %	100 %	16,278	16,278
Johannesburg Metropolitan Bus Services SOC Limited	100 %	100 %	54,774	54,774
Johannesburg Roads Agency SOC Limited	100 %	100 %	123,840	89,311
Pikitup Johannesburg SOC Limited	100 %	100 %	31,315	1
Joburg Theatre SOC Limited	100 %	100 %	1,784	1,784
Joburg Market SOC Limited	100 %	100 %	20,000	20,000
			493,528	427,685

Impairments

	Cost 2014	Cost 2013
Johannesburg Metropolitan Bus Services SOC Limited	(54,774)	(54,774)
Johannesburg Roads Agency SOC Limited	-	(89,311)
Pikitup Johannesburg SOC Limited	(31,314)	-
Metropolitan Trading Company SOC Limited	-	(97,972)
Roodepoort City Theatre SOC Limited	-	(1,784)
The Johannesburg Zoo NPC	-	(1,860)
	(86,088)	(245,701)

Net investment

	Carrying amount 2014	Carrying amount 2013
City of Joburg Property Company SOC Limited	103,115	5,142
City Power Johannesburg SOC Limited	112,466	112,466
Johannesburg City Parks NPC	29,958	28,098
Johannesburg Development Agency SOC Limited	16,278	16,278
Johannesburg Roads Agency SOC Limited	123,840	-
Pikitup Johannesburg SOC Limited	1	1
Joburg Theatre SOC Limited	1,784	-
Joburg Market SOC Limited	20,000	20,000
	407,442	181,985

CJMM has investments in the following Municipal Owned Entities that are less than R1,000:

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

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

Refer note 42 for more detail on impairments.

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

19. INVESTMENT IN JOINT VENTURE

Name of company	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
Golden Triangle Development Company (Pty) Ltd	50.00 %	50.00 %	18,389	9,653
Joshco Madulamoho Joint Venture (JMJV)	55.00 %	55.00 %	25,431	25,946
			<u>43,820</u>	<u>35,599</u>

The carrying amount of the Joint Venture is shown net of profit of R 0,035 million (2013 : R0,116 million).

Principal activities and reporting dates of Joint Ventures

Name of entity	Principal activity	Reporting date	Period of results included
Golden Triangle Development Company (Pty) Ltd	50%	30 Jun 14	01/07/2013 - 30/06/2014
Joshco Madulamoho Joint Venture (JMJV)	55%	30 Jun 14	01/07/2013 - 30/06/2014

The JMJV 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 JMJV has not been pledged as security.

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	2014	2013	2014	2013

20. INVESTMENTS IN ASSOCIATE

Name of entity	% holding 2014	% holding 2013	2014	2013
Friedshelf 128 (Pty) Ltd	50.00 %	50.00 %	18,108	15,847

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

Movements in carrying value

Opening balance			15,847	13,737
Share of surplus			2,261	2,110
			18,108	15,847

Summary of controlled entity's interest in associate

Total assets			41,407	36,779
Total liabilities			(6,872)	(6,437)
Revenue			5,642	4,810
Surplus (deficit)			4,193	4,057

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.

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	2014	2013	2014	2013
21. DEFERRED TAX				
Deferred tax liability				
Capital allowances	(1,476,115)	(1,113,199)	-	-
Income received in advance	(3,964)	(1,555)	-	-
Payroll related & other accruals	(74)	(109)	-	-
Receivable allowances	(153)	(39)	-	-
Other deferred tax liability	(1,569)	(3,153)	-	-
Total deferred tax liability	(1,481,875)	(1,118,055)	-	-
Deferred tax asset				
Receivable allowances	7,598	1,639	-	-
Income received in advance	3,098	4,880	-	-
Payroll related & other accruals	14,418	11,482	-	-
Other deferred tax asset	8,490	6,090	-	-
Total deferred tax asset	33,604	24,091	-	-
Deferred tax liability	(1,481,875)	(1,118,055)	-	-
Deferred tax asset	33,604	24,091	-	-
Total net deferred tax liability	(1,448,271)	(1,093,964)	-	-
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(1,093,964)	(976,048)	-	-
Movement in temporary timing differences	5,098	580	-	-
Provisions	(17,589)	(8,738)	-	-
Property, plant and other equipment	9,275	2,901	-	-
Originating temporary difference on tangible fixed assets	(1,032)	(8,112)	-	-
Increase/(decrease) in tax losses available for set off against future	21,625	11,503	-	-
Temporary differences on provisions	(39,270)	(243,146)	-	-
Leases	(9,717)	(2,517)	-	-
Temporary difference on retirement benefits	562	837	-	-
Temporary difference on provision for doubtful debts	(15,776)	(11,862)	-	-
Income received in advance	(39,210)	(3,903)	-	-
Other deferred tax	114,346	61,904	-	-
Prior year overprovisions	(1,152)	-	-	-
Trade payables	(99)	219	-	-
Receivables allowances	(1,169)	(919)	-	-
Other movements	(19,058)	(35,669)	-	-
Calculated tax loss	(361,141)	119,006	-	-
	(1,448,271)	(1,093,964)	-	-

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

22. FINANCIAL ASSETS BY CATEGORY

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

GROUP - 2014

	Cost	At fair value	At amortised cost	Total
Current Assets				
Other financial assets	-	2,348,387	186,361	2,534,748
Trade and other receivables	1,324,974	-	-	1,324,974
Receivables from non-exchange	20,552	-	-	20,552
Consumer debtors	4,888,272	-	-	4,888,272
Call investment deposits	4,707,155	-	-	4,707,155
Bank balances and cash	618,746	-	-	618,746
Non-Current Assets				
Other financial assets	104,332	2,245,539	-	2,349,871
	11,664,031	4,593,926	186,361	16,444,318

GROUP - 2013

	Cost	At fair value	At amortised cost	Total
Current Assets				
Other financial assets	-	2,578,265	38,851	2,617,116
Trade and other receivables	1,217,591	-	-	1,217,591
Receivables from non-exchange	10,843	-	-	10,843
Consumer debtors	3,959,530	-	-	3,959,530
Call investment deposits	4,055,984	-	-	4,055,984
Bank balances and cash	1,343,571	-	-	1,343,571
Non-Current Assets				
Other financial assets	127,430	2,436,147	156,887	2,720,464
Consumer debtors	36,483	-	-	36,483
	10,751,432	5,014,412	195,738	15,961,582

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

22. FINANCIAL ASSETS BY CATEGORY (continued)

CJMM - 2014

	Cost	At fair value	At amortised cost	Total
Current Assets				
Loans to Municipal Entities	980,592	-	-	980,592
Other financial assets	-	1,401,255	186,361	1,587,616
Trade and other receivables	3,541,822	-	-	3,541,822
Consumer debtors	649,517	-	-	649,517
Bank balances and cash	443,926	-	-	443,926
Non-Current Assets				
Loans to Municipal Entities	4,997,925	-	-	4,997,925
Other financial assets	104,332	1,832,005	-	1,936,337
	10,718,114	3,233,260	186,361	14,137,735

CORE - 2013

	Cost	At fair value	At amortised cost	Total
Current Assets				
Loans to Municipal Entities	906,089	-	-	906,089
Other financial assets	-	619,364	38,851	658,215
Trade and other receivables	1,563,732	-	-	1,563,732
Consumer debtors	401,461	-	-	401,461
Bank balances and cash	1,148,332	-	-	1,148,332
Non-Current Assets				
Loans to Municipal Entities	5,256,976	-	-	5,256,976
Other financial assets	127,430	1,972,106	156,887	2,256,423
Consumer debtors	36,483	-	-	36,483
	9,440,503	2,591,470	195,738	12,227,711

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	2014	2013	2014	2013
23. LOANS AND BORROWINGS				
Non Current portion of loans and borrowings - At amortised cost				
Structured loans *	43,276	273,683	43,276	273,683
Development Bank South Africa	1,269,175	1,344,430	1,251,844	1,326,446
Listed bonds	7,709,000	6,584,334	7,709,000	6,584,334
Other loans and borrowings	3,407,731	3,197,015	3,423,892	3,197,015
	12,429,182	11,399,462	12,428,012	11,381,478
Current portion of loans and borrowings - At amortised cost				
Structured loans *	219,066	13,333	219,066	13,333
Development Bank South Africa	75,230	131,080	74,602	130,526
Local registered stock loans	-	30,000	-	30,000
Listed bonds	333,333	166,666	333,333	166,666
Other loans and borrowings	359,713	284,085	343,550	284,085
	987,342	625,164	970,551	624,610
	13,416,524	12,024,626	13,398,563	12,006,088

* Structured loans are secured by an investment which will redeem the loan at maturity.

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
24. FINANCE LEASE OBLIGATIONS				
Minimum lease payments due				
- within one year	122,868	126,260	109,308	124,706
- in second to fifth year	317,891	303,989	253,139	291,240
- later than five years	589,671	649,214	590,812	647,461
	1,030,430	1,079,463	953,259	1,063,407
less: future finance charges	(612,188)	(605,217)	(559,700)	(601,286)
Present value of minimum lease payments	418,242	474,246	393,559	462,121
Present value of minimum lease payments due				
- within one year	90,209	83,351	76,193	82,483
- in second to fifth year inclusive	169,178	188,721	151,084	178,993
- later than five years	158,855	202,174	166,282	200,645
	418,242	474,246	393,559	462,121
Non-current liabilities	328,033	390,895	317,366	379,638
Current liabilities	90,209	83,351	76,193	82,483
	418,242	474,246	393,559	462,121

Registers containing the lease information for the Group are available for inspection at the respective registered offices of the CJMM and MOE's.

It is the economic entity's policy to lease certain buildings and equipment under finance leases.

CJMM:

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 for Office Equipment 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 (2013: 4-6) years. The effective interest rate on Finance Leases is 9.5% (2013: 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 lessor's title to the leased assets.

The carrying values of the finance leased assets are included under property, plant and equipment in note 15 to the financial statements.

Bus Operating Company (Rea Vaya): Finance Lease Liabilities relate to vehicles with a lease term of 12 (2013: 12) years. The effective interest rate on Finance Leases is 9.7% (2013: 9.7%). Capitalised Lease Liabilities are secured by the related finance lease assets.

Johannesburg Water SOC Limited: Interest on finance leases are calculated at 10% per annum, and repayments on the lease arrangements are made monthly. The lease terms range from three years to ten years. The carrying value of the finance leased assets are included in Property, plant and equipment, under motor vehicles. 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.

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

24. FINANCE LEASE OBLIGATIONS (continued)

Johannesburg City Parks NPC: The average lease term is 4 years and the average effective borrowing rate is 10% (2013: 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.

Johannesburg Social Housing Company SOC Limited: The finance leases relate 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.

Joburg Market SOC Limited: it is the entity's policy to lease certain motor vehicles and equipment under finance leases. The average lease term was 3-5 years and the average effective borrowing rate was 13% (2013: 13%). 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.

Johannesburg Metropolitan Bus Services SOC Limited: The average lease term was 3 years and the average effective borrowing rate was 17%, (2013: 5%). All leases have fixed repayments. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

Johannesburg Roads Agency SOC Limited: 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.

Johannesburg Development Agency SOC Limited: The JDA has leased 25 photocopier machines from Motswako Office Solutions (Pty) Ltd for a period of 3 years and 3 photocopiers for a period of 17 months. The lease agreement provides for monthly payments of R33,046 in advance and no residual value.

City of Joburg Property Company SOC Limited: 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 9.5%, and are secured by the assets financed.

Joburg Theatre SOC Limited: Joburg Theatre entered into a 3 year lease agreement with Pilot for point of sales hardware. The entity had one finance lease during the current financial year.

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
25. TRADE AND OTHER PAYABLES				
Financial liabilities				
Accrued interest	112,380	200,827	112,380	200,827
Credit balances in consumer debtors	1,626,671	2,188,391	916,162	1,581,077
Engineering fees	92,357	78,067	92,357	78,067
Other creditors	1,397,123	1,257,275	931,656	901,805
Related party creditor	-	-	6,424,811	4,364,293
Retentions	220,666	122,051	73,410	37,554
Trade payables	5,574,163	4,198,695	1,466,102	1,032,499
	9,023,360	8,045,306	10,016,878	8,196,122
Other liabilities				
Accrued bonus	177,525	173,011	24,085	23,366
Accrued leave pay	453,121	411,925	255,336	233,722
Accrued staff 13th cheques	11,549	10,782	-	-
Operating lease payables	21,318	19,980	1,367	517
Income received in advanced	645,365	456,118	14,451	18,517
	1,308,878	1,071,816	295,239	276,122
	10,332,238	9,117,122	10,312,117	8,472,244

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	2014	2013	2014	2013
26. OBLIGATIONS ARISING FROM CONDITIONAL GRANTS AND RECEIPTS				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Provincial grants : Capital projects	151,796	139,793	151,796	139,294
Provincial grants : Top Structure of houses	209,827	392,202	209,827	392,202
Provincial grants : Operating projects	8,296	7,226	8,296	7,226
Gautrain grant	6,964	-	-	-
2010 Public transport (SPTN)	398,840	736,859	398,840	736,859
Neighbourhood development partnership grant	9,849	14,769	9,849	14,769
Expanded Public Works Programme (EPWP)	19,033	32,789	19,033	32,789
Orange African cup of nations	-	4,737	-	4,737
Provincial grant : Jozi Ihlomihle (HIV/Aids)	696	15,282	696	15,282
Public Transport Network Grant	12,252	-	12,252	-
Social housing foundation	39,440	42,186	-	-
Unspent public contributions and donations	27,028	24,326	3,792	12,981
	884,021	1,410,169	814,381	1,356,139
Non-current liabilities	46,404	42,186	-	-
Current liabilities	837,617	1,367,983	814,381	1,356,139
	884,021	1,410,169	814,381	1,356,139

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.

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	2014	2013	2014	2013

27. PROVISIONS

Reconciliation of provisions - GROUP - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Legal proceedings	-	47,850	-	-	-	47,850
Provision for consultation fees	-	23,737	-	-	-	23,737
Provision for damages claim	20,000	-	-	-	-	20,000
Provision for cleaning services	-	1,800	-	-	-	1,800
Escalation on contracts	63	-	(63)	-	-	-
Environmental rehabilitation: Closed landfill site	142,229	-	-	(5,016)	7,247	144,460
Environmental rehabilitation: Open landfill sites	386,661	18,865	-	-	19,700	425,226
	548,953	92,252	(63)	(5,016)	26,947	663,073

Reconciliation of provisions - GROUP - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Provision for damages claim	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)	-	-
	631,946	63	(26,409)	(88,523)	31,876	548,953

Reconciliation of provisions - CJMM - 2014

	Opening Balance	Additions	Utilised during the year	Total
Provision for consultation fees	-	23,737	-	23,737
Provision for damages claim	20,000	-	-	20,000
Provision for cleaning services	-	1,800	-	1,800
	20,000	25,537	-	45,537

Reconciliation of provisions - CORE - 2013

	Opening Balance	Utilised during the year	Reversed during the year	Total
Provision for damages claim	20,000	-	-	20,000
Pension fund provisions	15,219	-	(15,219)	-
	35,219	-	(15,219)	20,000
Non-current liabilities	589,686	548,890	20,000	20,000
Current liabilities	73,387	63	25,537	-
	663,073	548,953	45,537	20,000

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	2014	2013	2014	2013

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 related 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 trustees 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 contracts 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 are 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.

Joburg Market SOC Limited

Provision for legal proceedings relates to the settlement of a legacy litigation matter. The outflow of economic benefits was probable and reliably measurable at year end. In terms of GRAP 19 principles, a provision was raised.

Johannesburg Roads Agency SOC Limited

The legal claims provision relates to the litigation in progress that is likely to be paid by Johannesburg Road Agency based on the previous legal actions taken against the entity.

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	2014	2013	2014	2013

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 Liability

Post-Retirement Medical Aid Plan	(1,339,856)	(1,345,424)	(1,375,982)	(1,375,251)
Post-Retirement Housing Subsidy Plan	(1,913)	(2,124)	(351)	(459)
Post-Retirement Gratuity Plan	(500,610)	(518,242)	(466,728)	(488,199)
	(1,842,379)	(1,865,790)	(1,843,061)	(1,863,909)

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	2014	2013	2014	2013
28. RETIREMENT BENEFIT OBLIGATION (continued)				
28.1.1 Unfunded 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	1,339,856	1,345,424	1,241,051	1,247,105
In respect of notional loan accounts for employees of ME's	-	-	134,931	128,146
	1,339,856	1,345,424	1,375,982	1,375,251
Movements for the year				
Opening balance	1,345,424	1,319,009	1,247,105	1,208,785
Benefits paid	(101,179)	(100,419)	(99,200)	(97,272)
Net expense recognised in the statement of financial performance	95,611	126,834	93,146	135,592
	1,339,856	1,345,424	1,241,051	1,247,105
Net expense recognised in the Statement of financial performance				
Current service cost	5,220	852	3,027	478
Interest cost	101,984	112,780	94,296	103,355
Actuarial (gains)/losses	(11,593)	13,202	(4,177)	31,759
	95,611	126,834	93,146	135,592
Notional loan account				
Opening balance	-	-	128,146	121,940
Interest received	-	-	6,785	6,206
Balance at end of year	-	-	134,931	128,146
Key assumptions used				
The principal actuarial assumptions used were as follows:				
Discount rates used	8.94 %	7.89 %	8.94 %	7.89 %
Expected rate of return on assets	8.94 %	7.89 %	8.94 %	7.89 %
Expected rate of return on reimbursement rights	7.89 %	7.89 %	7.89 %	7.89 %
Expected increase in salaries	8.05 %	6.67 %	8.05 %	6.67 %
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.		

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

28. RETIREMENT BENEFIT OBLIGATION (continued)

Sensitivity analysis

Change in assumption

Liability	1,187,042	1,241,051	1,282,682
Percentage change	-4.35	0%	3.35

Post-Retirement Mortality

Liability	1,353,483	1,241,051	1,151,760
Percentage change	9.06	0%	7.19

28.1.2 Unfunded 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	1,913	2,124	351	459
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Movements for the year

Opening balance	2,124	4,085	459	2,892
Benefits paid	(120)	(76)	(117)	(76)
Net expense recognised in the statement of financial performance	(91)	(1,885)	9	(2,357)
	1,913	2,124	351	459

Net expense recognised in the Statement of financial performance

Current service cost	54	42	-	-
Interest cost	157	349	24	247
Actuarial (gains)/losses	(302)	(2,276)	(15)	(2,604)
	(91)	(1,885)	9	(2,357)

Key assumptions used

Assumptions used on last valuation on 30 June 2014.

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
28. RETIREMENT BENEFIT OBLIGATION (continued)				
Discount rates used	8.94 %	7.89 %	8.94 %	7.89 %
Expected rate of return on assets	8.94 %	7.89 %	8.94 %	7.89 %
Expected increase in salaries	8.05 %	6.67 %	8.05 %	6.67 %

Sensitivity analysis

	Change in assumption		
Liability	344	351	3,589
Percentage change	-1.99	0%	2.28

Post-Retirement Mortality

Liability	362	351	342
Percentage change	3.13	0%	-2.56

28.1.3 Unfunded post retirement gratuity plan

City of Johannesburg Metropolitan Municipality provides gratuities on retirement or prior to death in respect of certain qualifying staff members who have served 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	500,610	518,242	190,546	198,117
In respect of notional accounts for employees of ME's	-	-	276,182	290,082
	500,610	518,242	466,728	488,199

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

28. RETIREMENT BENEFIT OBLIGATION (continued)

Movements for the year

Opening balance	518,241	466,372	198,117	182,116
Benefits paid	(50,663)	(36,545)	(18,484)	(19,367)
Net expense recognised in the statement of financial performance	33,032	88,414	10,913	35,368
	500,610	518,241	190,546	198,117

Net expense recognised in the Statement of financial performance

Interest cost	39,225	39,935	14,884	15,572
Actuarial (gains)/losses	(6,193)	48,479	(3,971)	19,796
	33,032	88,414	10,913	35,368

Notional loan account

Opening balance	-	-	290,080	292,332
Interest received	-	-	15,340	14,926
Benefits payments	-	-	(29,238)	(17,178)
Balance at end of year	-	-	276,182	290,080

Key assumptions used

Assumptions used on last valuation on 30 June 2014.

The principal actuarial assumptions used were as follows:

Discount rates used	8.94 %	7.89 %	8.94 %	7.89 %
Expected rate of return on assets	8.94 %	7.89 %	8.95 %	7.89 %
Expected increase in salaries	8.05 %	6.67 %	8.05 %	6.67 %

Sensitivity analysis

	Change in assumption		
Liability	177,104	190,546	205,470
Percentage change	-7.5	0%	7.83

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	2014	2013	2014	2013

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	46,833	42,766
eJoburg Retirement Fund	171,178	130,465
Municipal Councillors' Pension Fund	10,017	9,765
National Fund for Municipal Workers	102	903
Municipal Employees' Gratuity Fund	1,163	10,151
	229,293	194,050

The following employees' contributions have been made to the multi-employer plans:

Joint Municipal Pension Fund	1,114	1,095
Municipal Employees' Pension Fund	4,339	3,885
	5,453	4,980

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
29. DEFERRED INCOME				
Bond tap				
Balance unspent at beginning of year	51,804	54,444	51,804	54,444
Conditions met - transferred to revenue	(2,925)	(2,640)	(2,925)	(2,640)
Conditions still to be met - transferred to liabilities	48,879	51,804	48,879	51,804
<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, at an interest rate of 12.21% per annum. The notional amount was R468,000,000 and the issue price was R526,038,692.</p>				
Deferred income related to advertising income received in advance				
Balance at beginning of year	-	167	-	-
Conditions met - transferred to revenue	-	(167)	-	-
Conditions still to be met - transferred to liabilities	-	-	-	-
<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>				
Passenger trips received in advance				
Balance unspent at beginning of year	4,106	4,366	-	-
Current year receipts	439	-	-	-
Conditions met - transferred to revenue	-	(260)	-	-
Conditions still to be met - transferred to liabilities	4,545	4,106	-	-
<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>				
Joshco Madulamoho Joint Venture (JM/JV) Grant				
Balance unspent at beginning of year	26,506	27,420	-	-
Conditions met - transferred to revenue	(914)	(914)	-	-
Conditions still to be met - transferred to liabilities	25,592	26,506	-	-
Commission received				
Balance unspent at beginning of year	17,430	24,085	-	-
Conditions met - transferred to revenue	(6,364)	(6,655)	-	-
Conditions still to be met - transferred to liabilities	11,066	17,430	-	-
<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>				
Total deferred income	90,082	99,846	48,879	51,804

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
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			
Interest rate swap				
Opening balance	76,629	117,449	76,629	117,449
Swap fair value changes	(22,516)	(40,820)	(22,516)	(40,820)
Closing balance	54,113	76,629	54,113	76,629
Redemption fund				
Net liability (Refer to note 11)	1,374,920	2,422,528	-	-
Current liability	969,183	1,968,096	7,816	9,609
Non-Current liability	459,830	531,061	46,297	67,020
	1,429,013	2,499,157	54,113	76,629

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
31. CONSUMER DEPOSITS				
Non Current portion of Consumer deposits				
Electricity and water deposits	473,190	438,706	-	-
Other deposits	25,320	26,402	25,320	26,402
	498,510	465,108	25,320	26,402

Consumer deposits relate largely to deposits held in the JPC Portfolio Account R22,524,728 (2013: R23,181,874). 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

Balance beginning of year	5,640	10,026	-	-
Funding received for the year	710,537	393,565	-	-
Expenditure for the year	(704,750)	(397,951)	-	-
Closing balance	11,427	5,640	-	-

Funds Payable

Jewel City	-	13	-	-
Constitution Hill	-	77	-	-
Kelvin Power	-	220	-	-
Johannesburg Water	1,559	1,559	-	-
Non-BRT (Transportation)	2,782	2,782	-	-
Industrial Development Corporation	989	989	-	-
Inner City Public Places Challenge	1,000	-	-	-
Alexandra Heritage Centre	5,097	-	-	-
	11,427	5,640	-	-

The project funds payable relates to funding that was previously received in advance from CJMM for the implementation of projects. The remaining balances represent the projects that were either implemented below the original estimated cost or recoveries that were received after the completion of the projects.

Except for the funds from the Industrial Development Corporation and Consitution Hill, these leftover funds are from original capex advances from the CJMM for the implementation of the related projects and are therefore due and payable to the CJMM.

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

33. FINANCIAL LIABILITIES BY CATEGORY

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

GROUP - 2014

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	987,342	987,342
Finance lease obligations	90,209	90,209
Deferred income	11,823	11,823
Trade and other payables	9,023,360	9,023,360
Non-Current Liabilities		
Loans and borrowings	-	-
Finance lease obligations	12,429,182	12,429,182
Deferred income	328,033	328,033
Consumer deposits	78,259	78,259
	498,510	498,510
	23,446,718	23,446,718

GROUP - 2013

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	625,164	625,164
Finance lease obligations	83,351	83,351
Deferred income	11,384	11,384
Trade and other payables	8,045,306	8,045,306
Non-Current Liabilities		
Loans and borrowings	-	-
Finance lease obligations	11,399,462	11,399,462
Deferred income	390,895	390,895
Consumer deposits	88,462	88,462
	465,108	465,108
	21,109,132	21,109,132

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

33. FINANCIAL LIABILITIES BY CATEGORY (continued)

CJMM - 2014

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	970,551	970,551
Finance lease obligations	76,193	76,193
Trade and other payables	10,016,878	10,016,878
Non-Current Liabilities		
Loans and borrowings	12,428,012	12,428,012
Finance lease obligations	317,366	317,366
Deferred income	48,879	48,879
Consumer deposits	25,320	25,320
	23,883,199	23,883,199

CORE - 2013

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	624,610	624,610
Finance lease obligations	82,483	82,483
Trade and other payables	8,196,122	8,196,122
Non-Current Liabilities		
Loans and borrowings	11,381,478	11,381,478
Finance lease obligations	379,638	379,638
Deferred income	51,804	51,804
Consumer deposits	26,402	26,402
	20,742,537	20,742,537

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
34. OTHER REVENUE				
Advertising	24,493	13,832	-	-
BRT revenue	59,581	74,558	59,581	74,558
Brokerage revenue	921	10,672	921	10,672
Bulk contributions received	66,482	41,449	-	-
Bus fares	110,877	114,683	-	-
Commissions received	334,905	304,146	-	-
Cut off fees	10,541	14,714	-	-
Demand site management levy	65,461	184,266	-	-
Developer funded asset income	146,689	203,228	-	-
Gautrain maintenance fees	5,746	7,151	-	-
Hiring of halls	4,565	6,375	4,565	6,375
Internal recoveries - ME's	-	-	374,766	460,700
Recovery of insurance	8,878	2,954	5,652	1,326
Recovery of legal costs	1,529	1,223	1,529	1,223
Sundry revenue	585,103	511,621	241,787	218,458
Training revenue	29,056	11,429	29,056	10,390
	1,454,827	1,502,301	717,857	783,702

35. REVERSAL OF IMPAIRMENT

Other loans and borrowings	-	-	190,927	-
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The reversal of impairment relates to repayments of loans impaired for PIKITUP. Refer to note 35 for detail on the loans.

36. SERVICE CHARGES

Other service charges	252,866	187,262	89,361	82,106
Refuse removal	1,131,479	974,894	-	761,074
Sale of electricity	12,397,510	12,262,284	-	-
Sale of water	4,129,926	3,960,971	-	-
Sewerage and sanitation charges	2,292,731	1,893,020	-	-
Surcharges : Electricity	116,919	6,835	127,531	139,980
Surcharges : Refuse	3,620	2,787	3,620	3,277
Surcharges : Water	35,162	25,847	35,162	35,709
	20,360,213	19,313,900	255,674	1,022,146

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
37. PROPERTY RATES				
Rates received				
Residential	2,491,080	2,259,207	2,491,080	2,259,207
Commercial	4,887,885	3,646,309	4,887,885	3,646,309
State	170,493	52,624	170,493	52,624
Municipal	-	18,211	-	32,090
	7,549,458	5,976,351	7,549,458	5,990,230
Valuations				
Property rate valuation	912,838,178	785,395,601	912,838,178	785,395,601

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
38. GOVERNMENT GRANTS AND SUBSIDIES				
Provincial grants : Capital projects	259,816	84,189	174,500	-
Urban settlements development grant	1,511,649	1,367,187	1,511,649	1,367,187
Financial management grant	1,250	1,250	1,250	1,250
Provincial grants : Top structure of houses	207,950	134,722	207,950	134,722
Provincial grants : Operating projects	9,419	8,448	9,419	8,448
2010 Public transport (SPTN)	793,100	805,528	793,100	805,528
Neighbourhood development partnership grant	34,652	42,097	34,652	42,097
World Anti-Doping Agency (WADA)	10,000	10,387	10,000	10,387
Expanded Public Works Programme (EPWP)	36,430	61,312	36,430	61,312
Orange African cup of nations	-	20,763	-	20,763
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	32,474	12,972	32,474	12,972
Public Transport Network operations Grant	255,748	-	255,748	-
Ambulance subsidy	100,334	79,578	100,334	79,578
Equitable share and fuel levy	4,452,207	4,084,995	4,452,207	4,084,995
Provincial health subsidies	81,491	95,304	81,491	95,304
	7,786,520	6,808,732	7,701,204	6,724,543

Provincial grants : Capital projects

Balance unspent at beginning of year	139,793	104,484	139,294	103,003
Current year receipts	192,643	121,925	107,826	38,718
Grants paid back	(252)	-	(252)	-
Transfer to debtors	79,428	(2,427)	79,428	(2,427)
Conditions met - transferred to revenue	(259,816)	(84,189)	(174,500)	-
Conditions still to be met - transferred to liabilities	151,796	139,793	151,796	139,294

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	-	76,439
Current year receipts	1,488,878	1,290,748	1,488,878	1,290,748
Transfer to EPWP	22,771	-	22,771	-
Conditions met - transferred to revenue	(1,511,649)	(1,367,187)	(1,511,649)	(1,367,187)
Conditions still to be met - transferred to liabilities	-	-	-	-

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)
Conditions still to be met - transferred to liabilities	-	-	-	-

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

38. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Provincial grants : Top structure of houses

Balance unspent at beginning of year	392,202	81,892	392,202	81,892
Current year receipts	7,055	428,020	7,055	428,020
Transfers to debtors	18,520	17,012	18,520	17,012
Conditions met - transferred to revenue	(207,950)	(134,722)	(207,950)	(134,722)
Conditions still to be met - transferred to liabilities	209,827	392,202	209,827	392,202

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

Provincial grants : Operating projects

Balance unspent at beginning of year	7,226	5,802	7,226	5,802
Current year receipts	10,489	9,872	10,489	9,872
Conditions met - transferred to revenue	(9,419)	(8,448)	(9,419)	(8,448)
Conditions still to be met - transferred to liabilities	8,296	7,226	8,296	7,226

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

These grants are provided to finance community projects.

2010 Public transport (SPTN)

Balance unspent at beginning of year	736,859	492,387	736,859	492,387
Current year receipts	843,781	1,050,000	843,781	1,050,000
Grants payback	(388,700)	-	(388,700)	-
Conditions met - transferred to revenue	(793,100)	(805,528)	(793,100)	(805,528)
Conditions still to be met - transferred to liabilities	398,840	736,859	398,840	736,859

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

This grant is provided to finance 2010 Public Transport System.

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
38. GOVERNMENT GRANTS AND SUBSIDIES (continued)				
Neighbourhood development partnership grant				
Balance unspent at beginning of year	14,769	8,866	14,769	8,866
Current year receipts	32,868	48,000	32,868	48,000
Grants payback	(3,136)	-	(3,136)	-
Conditions met - transferred to revenue	(34,652)	(42,097)	(34,652)	(42,097)
Conditions still to be met - transferred to liabilities	9,849	14,769	9,849	14,769
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	10,000	10,387	10,000	10,387
Conditions met - transferred to revenue	(10,000)	(10,387)	(10,000)	(10,387)
Conditions still to be met - transferred to liabilities	-	-	-	-
Expanded Public Works Programme (EPWP)				
Balance unspent at beginning of year	32,789	65	32,789	65
Current year receipts	89,434	140,615	89,434	140,615
Debtor Adjustments	(43,989)	(46,579)	(43,989)	(46,579)
Transfer between grants	(22,771)	-	(22,771)	-
Conditions met - transferred to revenue	(36,430)	(61,312)	(36,430)	(61,312)
Conditions still to be met - transferred to liabilities	19,033	32,789	19,033	32,789
Conditions still to be met - remain liabilities (see note 26)				
Orange African Cup of Nations				
Balance unspent at beginning of year	4,737	-	4,737	-
Current year receipts	-	-	-	25,500
Transfers from creditors	-	25,500	-	-
Adjustments	(4,737)	-	(4,737)	-
Conditions met - transferred to revenue	-	(20,763)	-	(20,763)
Conditions still to be met - transferred to liabilities	-	4,737	-	4,737
Conditions still to be met - remain liabilities (see note 26)				
Provincial grant : Jozi Ihlomihle (Hiv/Aids)				
Balance unspent at beginning of year	15,282	13,971	15,282	13,971
Current year receipts	17,888	14,283	17,888	14,283
Conditions met - transferred to revenue	(32,474)	(12,972)	(32,474)	(12,972)
Conditions still to be met - transferred to liabilities	696	15,282	696	15,282
Conditions still to be met - remain liabilities (see note 26)				

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

38. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Public Transport Network Grant

Current year receipts	268,000	-	268,000	-
Conditions met - transferred to revenue	(255,748)	-	(255,748)	-
Conditions still to be met - transferred to liabilities	12,252	-	12,252	-

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

Social housing foundation

Balance unspent at beginning of year	42,186	7,814	-	-
Current year receipts	-	34,372	-	-
Repayments during the year	(2,746)	-	-	-
Conditions still to be met - transferred to liabilities	39,440	42,186	-	-

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

The grant relates to funds received to finance the development of the City Deep project. The funds are ring-fenced in a separate bank account and the interest receivable is capitalised to the unspent grant.

Ambulance subsidy

Current year receipts	100,334	79,578	100,334	79,578
Conditions met - transferred to revenue	(100,334)	(79,578)	(100,334)	(79,578)
Conditions still to be met - transferred to liabilities	-	-	-	-

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

Equitable share and fuel levy

Current year receipts	4,452,207	4,084,995	4,452,207	4,084,995
Conditions met - transferred to revenue	(4,452,207)	(4,084,995)	(4,452,207)	(4,084,995)
Conditions still to be met - transferred to liabilities	-	-	-	-

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

Provincial health subsidies

Current year receipts	97,303	95,304	97,303	95,304
Adjustments	(15,812)	-	(15,812)	-
Conditions met - transferred to revenue	(81,491)	(95,304)	(81,491)	(95,304)
Conditions still to be met - transferred to liabilities	-	-	-	-

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

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	2014	2013	2014	2013
39. EMPLOYEE RELATED COSTS				
Employee related costs : Salaries and wages	5,800,994	5,391,375	3,237,540	3,042,692
Employee related costs : Pension contributions	714,596	705,157	386,604	366,889
Employee related costs : Gratuities	20,839	21,200	18,507	19,105
Employee related costs : Medical aid contributions	289,145	261,856	260,821	241,412
Employee related costs : Skills development levy	52,024	50,010	38,080	36,421
Actuarial (gains)/losses	4,506	2,045	-	-
Housing benefits and allowances	33,307	33,003	20,875	21,816
Overtime payments	237,099	241,377	59,718	43,367
Bonus	349,910	316,903	184,172	179,249
Travel, motor car, accommodation, subsistence and other allowances	360,814	349,655	254,211	246,872
Other employee costs	10,211	75,763	8,413	73,021
	7,873,445	7,448,344	4,468,941	4,270,844

Remuneration of the City Manager

Annual Remuneration	2,562	2,562
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	2	-
	2,692	2,690

Remuneration of the Group Head : Risk Assurance Services

Annual Remuneration	1,459	-
Car Allowance	288	-
Contributions to UIF, Medical and Pension Funds	39	-
	1,786	-

Remuneration of the Group Head : Strategy, Policy Coordination and Relations

Annual Remuneration	1,080	931
Car Allowance	108	108
Performance Bonuses	-	50
Contributions to UIF, Medical and Pension Funds	107	95
Eminence	-	(5)
	1,295	1,179

Remuneration of the Group Head : Communication and Tourism

Annual Remuneration	1,402	1,323
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	71	64
Eminence	72	72
	1,673	1,587

Remuneration of the Group Head : Legal and Contracts

Annual Remuneration	862	871
Car Allowance	87	86
Contributions to UIF, Medical and Pension Funds	119	121
	1,068	1,078

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
39. EMPLOYEE RELATED COSTS (continued)				
Remuneration of the Group : Chief Financial Officer				
Annual Remuneration			1,382	-
Car Allowance			48	-
Contributions to UIF, Medical and Pension Funds			1	-
			1,431	-
Remuneration of the Executive Director : Economic Development				
Annual Remuneration			978	1,742
Contributions to UIF, Medical and Pension Funds			1	-
			979	1,742
Remuneration of the Executive Director : Community Development				
Annual Remuneration			1,427	1,142
Car Allowance			103	86
Contributions to UIF, Medical and Pension Funds			154	126
			1,684	1,354
Remuneration of the Executive Director : Development Planning and Urban Development				
Annual Remuneration			1,595	923
Car Allowance			144	108
Contributions to UIF, Medical and Pension Funds			89	45
Eminence			105	-
			1,933	1,076
Remuneration of the Executive Director : Environmental Management				
Annual Remuneration			-	266
Car Allowance			-	18
			-	284
Remuneration of the Executive Director : EISD				
Annual Remuneration			1,569	1,150
Car Allowance			97	78
Performance Bonuses			-	81
Contributions to UIF, Medical and Pension Funds			44	28
			1,710	1,337
Remuneration of the Executive Director : Housing				
Annual Remuneration			1,284	1,130
Car Allowance			96	88
Contributions to UIF, Medical and Pension Funds			126	88
			1,506	1,306

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
39. EMPLOYEE RELATED COSTS (continued)				
Remuneration of the Chief of Police				
Annual Remuneration			-	765
Car Allowance			-	68
Performance Bonuses			-	43
Contributions to UIF, Medical and Pension Funds			-	114
Eminence			-	147
			-	1,137
Remuneration of the Executive Head : Emergency Management Services				
Annual Remuneration			-	703
Contributions to UIF, Medical and Pension Funds			-	32
			-	735
Remuneration of the Executive Director : Transportation				
Annual Remuneration			1,688	1,596
Car Allowance			73	73
Contributions to UIF, Medical and Pension Funds			255	239
			2,016	1,908
Remuneration of the Executive Director : Health				
Annual Remuneration			1,753	1,655
Car Allowance			108	108
Contributions to UIF, Medical and Pension Funds			2	-
			1,863	1,763
Remuneration of the Executive Director : Corporate Services				
Annual Remuneration			1,676	1,583
Car Allowance			128	128
Contributions to UIF, Medical and Pension Funds			86	78
			1,890	1,789
Remuneration of the Executive Director : Office of the City Manager				
Annual Remuneration			1,160	1,079
Contributions to UIF, Medical and Pension Funds			56	49
			1,216	1,128

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
39. EMPLOYEE RELATED COSTS (continued)				
Chief of Staff				
Annual Remuneration			1,508	834
Car Allowance			128	75
Contributions to UIF, Medical and Pension Funds			161	84
			1,797	993
Remuneration of the Group Head : Urban Management and Citizen Relationship Management				
Annual Remuneration			1,113	743
Car Allowance			128	54
Performance Bonuses			-	79
Contributions to UIF, Medical and Pension Funds			101	69
			1,342	945
Remuneration of the Group Head : Governance				
Annual Remuneration			1,283	606
Car Allowance			96	48
Contributions to UIF, Medical and Pension Funds			69	31
			1,448	685
Remuneration of the Chief Operations Officer				
Annual Remuneration			2,296	2,171
Car Allowance			144	144
Contributions to UIF, Medical and Pension Funds			125	114
			2,565	2,429
Remuneration of the Secretary of Council				
Annual Remuneration			1,501	472
Car Allowance			128	43
Contributions to UIF, Medical and Pension Funds			81	24
			1,710	539
Remuneration of the Executive Director : Public Safety				
Annual Remuneration			491	-
Car Allowance			43	-
			534	-
Remuneration of the Executive Director : Social Development				
Annual Remuneration			938	-
Car Allowance			78	-
Contributions to UIF, Medical and Pension Funds			74	-
			1,090	-

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40. REMUNERATION OF COUNCILLORS				
Executive Mayor	1,008	1,052	1,008	1,052
Mayoral Committee Members	8,255	8,812	8,255	8,812
Speaker	763	855	763	855
Councillors	87,658	78,374	87,658	78,374
Councillors' pension contribution	10,943	7,859	10,943	7,859
Chairpersons	12,012	13,459	12,012	13,459
	120,639	110,411	120,639	110,411

Remuneration of the Executive Mayor - Parks Tau

Annual Remuneration	854	808
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	42	133
Cell Allowance	140	40
	1,164	1,109

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 paid for by CJMM.

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	2014	2013	2014	2013

41. DEPRECIATION AND AMORTISATION

Property, plant and equipment	1,755,036	1,766,170	1,174,206	1,193,805
Investment property	111,003	12,557	111,003	12,557
Biological assets	545	420	-	-
Intangible assets	195,248	272,857	150,031	223,753
	2,061,832	2,052,004	1,435,240	1,430,115

42. IMPAIRMENT LOSSES

Impairments

Property, plant and equipment	6,306	10,002	-	-
Investment property	23	23	-	-
Intangible assets	-	4,072	-	-
Investments in Municipal Entities	-	-	31,314	29,103
These investments were impaired due to the possible absorption of these entities into the CJMM. The Pikitup Johannesburg (Pty) Ltd Investment was fully impaired due to the technical insolvency that the entity was facing at year end. For a more detailed description of these impairments, refer to Note 18				
Loans to Municipal Entities	-	-	27,265	22,398
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	1,136	3,761	-	-
Trade and other receivables	-	3,000	-	-
	7,465	20,858	58,579	51,501

43. ALLOWANCE FOR IMPAIRMENT OF CURRENT RECEIVABLES

Allowance - Trade and other receivables	4,352,078	3,920,428	1,836,706	285,692
Allowance - Consumer debtors	(2,775,051)	(2,630,903)	(758,794)	919,890
Impairment loss - Trade and other receivables	(70,579)	367	-	-
Impairment loss - Consumer debtor	1,564,002	1,554,256	529,013	21,917
Reversal of allowance - Consumer debtors	98,964	35,505	98,964	-
	3,169,414	2,879,653	1,705,889	1,227,499

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44. BULK PURCHASES				
Electricity	8,515,003	8,265,993	-	-
Water	3,248,444	2,839,333	-	-
Sewer purification	29,288	25,976	-	-
	11,792,735	11,131,302	-	-

45. CONTRACTED SERVICES

Information Technology Services	263,680	213,011	258,535	206,322
Fleet Services	475,088	539,188	7,262	49,919
Operating Leases	189,631	109,858	189,631	109,858
Specialist Services	825,197	724,994	828,455	732,464
Other Contractors	296,539	229,806	20,883	20,892
	2,050,135	1,816,857	1,304,766	1,119,455

Refer to note 51 for future operating lease commitments.

46. GRANTS AND SUBSIDIES PAID

Grants paid to MOE's

City of Joburg Property Company SOC Limited	-	-	24,850	10,726
Johannesburg City Parks NPC	-	-	568,075	502,705
Johannesburg Development Agency SOC Limited	-	-	24,977	24,308
Johannesburg Metropolitan Bus Services SOC Limited	-	-	329,703	319,450
Johannesburg Roads Agency SOC Limited	-	-	651,103	495,047
Johannesburg Social Housing Company SOC Limited	-	-	18,397	16,900
Metropolitan Trading Company SOC Limited	-	-	-	34,596
Pikitup Johannesburg SOC Limited	-	-	564,569	1,148,779
Roodepoort City Theatre	-	-	-	10,134
Joburg Theatre SOC Limited	-	-	56,504	26,724
The Johannesburg Zoo NPC	-	-	-	22,887
The Soweto Theatre	-	-	-	10,000
	-	-	2,238,178	2,622,256

Other subsidies

Grant paid : Housing top structures	289,578	141,160	289,578	141,160
Grant paid : Other	19,053	11,648	19,053	11,648
Grant paid : Sporting Organisations (Marks Park Sports Club)	1,208	1,147	1,208	1,147
	309,839	153,955	309,839	153,955
	309,839	153,955	2,548,017	2,776,211

Grants paid to MOE's 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.

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
47. GENERAL EXPENSES				
Advertising	69,087	45,303	43,374	19,422
Auditors remuneration	44,710	46,914	20,610	19,306
Bank charges	74,155	68,984	67,192	58,977
Cleaning	21,281	14,262	-	-
Commission paid	36,097	33,170	-	-
Computer expenses	29,860	28,906	-	-
Conferences and seminars	27,521	16,362	15,106	15,555
Consulting and professional fees	253,042	176,030	60,945	46,445
Cost of inventories expensed	184,054	128,076	14,349	14,256
Debt collection	35,853	194,137	35,853	194,137
Entertainment	193	123	-	-
Legal settlement	65,464	-	-	-
Fleet	8,009	3,970	-	-
Free electricity	14,610	3,644	-	-
Fuel and oil	86,191	79,973	-	-
Gas	447	717	-	-
Hire	14,344	4,642	13,430	4,245
Horticulture	9,488	14,516	-	-
Hostel charges	1,445	3,418	-	-
IT expenses	27,109	16,968	-	-
Incident management fund	42,006	36,338	42,006	36,338
Insurance	173,125	142,650	171,046	123,474
Lease rentals on operating lease	650,131	465,351	315,013	223,465
ME - charges	-	-	450,246	487,822
Marketing	55,975	50,040	28,003	27,806
Motor vehicle expenses	65,127	53,462	-	-
Other expenses	620,492	569,603	327,962	279,871
Placement fees	7,594	8,199	-	-
Post retirement expenses	99,200	97,272	99,200	97,272
Printing and stationery	231,483	182,316	176,493	127,213
Productions	21,721	14,760	-	-
Road maintenance	397,283	346,297	-	-
Security (Guarding of municipal property)	376,581	309,392	184,473	154,986
Software expenses	99,917	49,041	69,816	23,816
Staff welfare	46,610	(589)	27,273	1
Subscriptions and membership fees	19,121	16,606	14,736	12,710
Telephone and fax	98,102	95,057	42,659	41,822
Training	43,187	35,185	25,478	22,190
Travel - local	18,407	15,992	9,941	5,287
Travel - overseas	18,971	7,084	12,958	5,447
Utilities	651,698	411,663	544,084	533,637
	4,739,691	3,785,834	2,812,246	2,575,500
48. FAIR VALUE ADJUSTMENTS				
Other	45,103	(115)	-	-
Other financial assets				
• Fair value movement on the sinking fund	108,457	159,620	108,457	159,620
• Cash flow hedge (Ineffective portion)	3,516	3,079	3,516	3,079
	157,076	162,584	111,973	162,699

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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

49. DISCONTINUED OPERATIONS

The City of Johannesburg decided to transfer the advertising revenue portfolio account budget to Johannesburg Property Company which was under the Johannesburg Road Agency. The assets and liabilities of the discontinued operations are set out below.

The advertising revenue portfolio account will be fully controlled by Johannesburg Property Company (JPC).

The effective date of the transfer is 1 July 2014.

Surplus

Revenue	39,872	44,731	-	-
Expenses	(9,347)	(8,615)	-	-
	30,525	36,116	-	-

Assets and liabilities

Assets of discontinued operations

Trade and other receivables	22,409	23,501	-	-
Other receivables- JPC prepaid commission	9,707	15,289	-	-
Bank	3,089	5,473	-	-

Liabilities of discontinued operations

Trade payables - outdoor advert payments	(38,827)	(61,157)	-	-
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Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
50. CASH GENERATED FROM OPERATIONS				
Surplus	4,209,264	3,487,755	2,513,621	1,220,873
Adjustments for:				
Depreciation and amortisation	2,061,832	2,052,004	1,435,240	1,430,115
Share of (deficit)/surplus of associate accounted for under the equity method	(11,032)	(6,137)	-	-
Fair value adjustments	(157,076)	(162,584)	(111,973)	(162,699)
Reversal of Impairment	-	-	(190,927)	-
Provision	25,537	(15,219)	25,537	(15,219)
Allowance for impairment of current receivables	3,169,414	2,879,653	1,705,889	1,227,499
Impairment in MOE investments	-	-	58,579	51,501
loss/gain on sale of Assets	528,032	3,711	522,911	(38,777)
Impairment	7,465	20,858	-	-
Post retirement benefits net expenditure	130,566	215,376	104,068	168,783
Discontinued operations	(30,525)	(36,116)	-	-
Gain on biological assets and agricultural produce	(2,922)	-	-	-
Changes in working capital:				
Inventories	48,315	(31,489)	6,779	(5,664)
Trade and other receivables	(107,383)	(283,821)	(2,060,125)	(609,027)
Consumer debtors	(892,259)	435,969	(211,573)	293,159
Other receivables from non-exchange transactions	(9,709)	44,363	-	-
Increase/decrease in deferred tax liability	363,820	54,000	-	-
Increase/decrease in deferred tax asset movement	(9,513)	(3,347)	-	-
Adjustment of impairment of current receivable	(3,169,414)	(2,879,653)	(1,705,889)	(1,227,499)
Increase/(decrease) in project funds payable	5,787	(4,386)	-	-
Refuse debtors transferred to PIKITUP	-	-	(31,314)	-
Trade and other payables	1,215,116	2,126,439	1,839,871	2,674,645
Decrease/(increase) VAT receivables	(285,989)	(30,015)	(285,232)	(39,464)
(Decrease)/increase VAT payable	(115,224)	(167,263)	-	-
Obligations arising from conditional grants and receipts	(526,148)	603,158	(541,758)	558,423
(Increase)/ decrease current tax receivable	(160)	(12,164)	-	-
Deferred income	(9,764)	(10,636)	(2,925)	(2,640)
Increase/ decrease in current tax payable	(309)	(1,526)	-	-
Consumer deposits	33,402	1,727	(1,082)	10,714
	6,471,123	8,280,657	3,069,697	5,534,723

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	2014	2013	2014	2013

51. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and not yet contracted for

• Infrastructure	4,435,990	5,112,265	623,206	999,677
• Community	204,728	276,186	112,611	216,977
• Other	1,798,972	909,087	1,432,783	868,526
• Heritage	52,225	7,724	21,725	7,724
• Investment property	-	1,000	-	1,000
	6,491,915	6,306,262	2,190,325	2,093,904

Authorised and contracted for

• Infrastructure	3,530,070	1,133,997	2,081,520	866,389
• Community	115,975	50,000	115,975	50,000
• Other	687,190	104,813	153,189	104,813
• Heritage	50,000	-	50,000	-
	4,383,235	1,288,810	2,400,684	1,021,202
	10,875,150	7,595,072	4,591,009	3,115,106

This expenditure will be financed from:

External Loans	3,276,000	1,458,631	646,563	772,701
Capital Replacement Reserve	4,481,367	1,593,087	2,139,755	804,830
Government Grants	3,117,783	2,895,582	928,529	1,516,645
Internal cash	-	1,569,742	-	-
District Council Grants	-	78,030	876,162	20,930
	10,875,150	7,595,072	4,591,009	3,115,106

Operating leases - as lessee (Fleet)

Minimum lease payments due

- within one year	77,011	97,652	17,691	49,469
- in second to fifth year inclusive	233,148	214,297	125,533	96,258
- later than five years	22,323	3,545	22,121	2,074
	332,482	315,494	165,345	147,801

Operating leases – as lessee (Buildings)

Minimum lease payments due

- within one year	47,939	14,710	17,691	7,753
- in second to fifth year inclusive	63,421	32,155	22,121	4,608
- later than five years	21,859	21,134	4,560	2,309
	133,219	67,999	44,372	14,670

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

Johannesburg City Parks NPC: Operating lease payments represent rentals payable by the entity to the CJMM for certain vehicles in terms of the lease agreement with the CJMM. No contingent rent is payable.

City of Joburg Property Company SOC Limited: Operating lease payments represent rentals payable by the entity for its head office and office accommodation for 8 buildings for various City departments. Leases are negotiated for a term of 2 to 5 years for City department occupied buildings and 9 years and 11 months for the JPC head office. All leases are subject to yearly escalations. No contingent rent is payable.

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	2014	2013	2014	2013

51. COMMITMENTS (continued)

Johannesburg Water SOC Limited: 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.

Johannesburg Roads Agency SOC Limited: Operating lease payments represent rentals payable by the entity according to the fleet lease agreement from the City of Johannesburg Metropolitan Municipality. The fleet lease is for 5 years or more and will expire in the 2018/19 financial year.

Johannesburg Social Housing Company SOC Limited: 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, JOSCO 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. 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.

City Power Johannesburg SOC Limited: 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 the facilities management department.

Operating leases – as lessee (Other)

Minimum lease payments due

- within one year	545,209	417,855	-	-
- in second to fifth year inclusive	1,827,856	1,650,769	-	-
- later than five years	949,049	1,208,171	-	-
	3,322,114	3,276,795	-	-

Operating leases – as lessor (income)

Minimum lease payments due

- within one year	2,992	8,376	-	-
- in second to fifth year inclusive	1,033	3,638	-	-
	4,025	12,014	-	-

Johannesburg Development Agency SOC Limited: 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.

Johannesburg Roads Agency SOC Limited: Operating lease payments represent rentals payable by the entity according to the rental agreement. The six month lease expired in September 2013 and the entity is on a month to month lease term. No contingent rent is payable.

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52. CONTINGENCIES

GROUP

Joburg Theatre SOC Limited

The Board resolved that a civil action should be instituted to recover the amount of R477,032 of allowances/acting allowances and study loans in the form of educational assistance. Civil action has been instituted under case number J5885/13 at the Labour Court of SA. An affidavit for the default judgment has been prepared for the trial. This amount has been reclassified as a contingent asset in accordance with GRAP 105.

Subsequent to the disciplinary hearing in respect of the acting allowances referred to above, civil proceedings have commenced against the employees concerned to recover an amount of R477,032. It is probable that the proceedings will result in the recovery of the full amount, but this is uncertain.

Johannesburg Roads Agency SOC 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:

- Midnight Moon Trading (Pty) Ltd (Dispute on quality of work) – R 3,870,167
- PMPZ Construction (The contractor has sent a letter of demand through their attorneys for retention fees on work that was completed in Braamfischerville (Contract no 0123A/2010) – R 249,678
- A.Britz (warrant of execution was served on JRA for outstanding bill of costs) – R 2,502
- Dark Fibre Africa (a letter of demand was served on JRA for the payment to damages to optical fibre cables by workmen on site) – R 42,038
- Shopi Ngema (The complainant sought work for R 150,000 to make up the R 200,000 they were offered when they were appointed) – R 150,000
- Ubuntu Kraal (The plaintiff is suing the JRA (3rd respondent) for the flooding on their property since the construction of the BRT system. They allege that it narrowed the water channel resulting in backwater effect on the flood flows which caused a diversion of the flood flows – R 23,555,160

Joburg Market SOC 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 further provision is required in respect of these legal proceedings as at 30 June 2014. The total estimated claims amount to R8,509,802 which is in respect of disputes with suppliers.

Johannesburg Metropolitan Bus Services SOC Limited

There are two classes of labour disputes that exist between Metrobus and four of its current employees. Two are related to promotion and the other two are related to locomotion allowance. Management feels they have a strong case and is of the opinion that this will not result in a liability.

Unfair dismissal matter relating to a former employee which Metrobus lost at Bargaining Council. Management felt it had a strong case and a review application was made. The matter was heard by the labour court on the 09 October 2014 and judgement in favour of Metrobus was made on the 17 October 2014. The application to have the arbitration award issued was dismissed. However, the legal representatives of the employee in question have served Notice of Leave to Appeal. Should Metrobus lose the case, it would be required to settle an amount of R600,000 in salaries backpay.

City Power Johannesburg SOC Limited

The entity has an ongoing legal action instituted by a supplier for the entity to absorb its employees in term of section 197 of the LRA. The applicant's appeal was dismissed with costs by the Appeal Court. An application has been made for leave to appeal to the Constitutional Court. The potential liability is estimated at R750,000.

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52. CONTINGENCIES (continued)

A supplier has launched legal action against the entity on the basis of an irregular award of a tender. It is alleged that the consultant appointed by the entity interfered with the tender process to the detriment of the applicant. An agreement between the winning bidder and the applicant is currently being negotiated. No monetary value was attached to the claim.

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

A summons was issued in favour of a customer for a refund amounting to R357,000 that was paid out. The matter is being defended and the trial date has been set for 16 April 2015.

A supplier is claiming a sum of R17,100 from the entity and other defendants. The matter is at a pleading stage.

City Power is currently in a dispute with a supplier regarding data and voice cellphone charges. The supplier is claiming a sum of R10,640,719.

Johannesburg City Parks NPC

Contingent Liabilities

There is a claim against the company for possible contractual non-performance brought by Full Circle Construction for approximately R2,300,000. The company has opposed the matter and filed a defendant's plea.

There is a claim against the company for the alleged wrongful exclusion from the tender process brought by Khusini Holdings (Pty) Ltd for R214,635.

Contingent Asset

There is a claim against the service provider, Datavision for an amount of R1,409,622 for the non-performance on the tender awarded to them for the installation of the access control system.

Johannesburg Development Agency SOC Limited

Bertrams Priority Block

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 since 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. Since this, no progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accommodation is found by the JDA and CJMM.

Ubuntu Kraal (Pty) Ltd vs JDA & CJMM

The JDA has been served with summons for loss of income and damages to property by the operators of the establishment known as Ubuntu Kraal in Soweto, Johannesburg. The damages were alleged to have been caused by flooding due to the JDA activities in the construction of the Rea Vaya BRT infrastructure along Klipspruit Valley Road. The amount of damages claimed by the plaintiffs is R23,500,000.

Achvsim Chijoike vs JDA and Skymark Security (Pty) Ltd

JDA was incorrectly cited as a party to the proceedings relating to a claim for injury suffered by the Plaintiff resulting from a shooting incident that occurred in Randburg in December 2010. The plaintiff alleged that the person implicated in the shooting, (a security guard), was in the employ of the JDA and was acting on behalf of the JDA. The JDA disputes all the allegations. The proceedings have not been set down yet.

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52. CONTINGENCIES (continued)

BRT Themba Convenience Store

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 R17,000,000, as a result of BRT construction works. The City has filed its papers defending the matter in the South Gauteng High Court. The matter has still not been put on a trial roll and the plaintiffs have applied for a set down.

SARS VAT Ruling

Up to May 2008, it was thought 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 the South African Revenue Services, 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 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, the 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." The South African Revenue Services 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 the South African Revenue Services, based on calculations prepared by Deloitte. In June 2012, the South African Revenue Services 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.

Pikitup Johannesburg SOC Limited

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 R7,576,000 in respect of disputed claims with respect to service providers.

CJMM

Uninsured claims and 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 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.

Claim for damages for R10,000,000 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. 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.

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52. CONTINGENCIES (continued)

Claim for R50,000,000 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 plus legal costs in respect of monies allegedly owing by the City of Johannesburg to a previous service provider for IT services rendered. Trial date set for 12 March 2015.

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. 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. The service provider has applied for a trial date and called for discovery. The City is proceeding with the drafting of discovery affidavit. The trial date is 30 January 2015.

The City of Johannesburg is appealing the judgement handed down on 17 May 2012. A dispute which centers around the method COJ uses in charging rates on properties categorized as multiple purpose properties. Financial impact of the ruling unknown. Matter heard in the supreme Court of Appeal on 18 February 2014 and the City's appeal was dismissed. The City is currently engaged in quantifying the potential amount.

The City is being sued in the amount of R52,000,000 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 despite signing of a settlement agreement in full and final settlement of all claims with regard to this contract. Set down for trial.

Claim for breach in the amount of R12,842,449 arising from the City's cancellation of security contract for operational requirements. The claim is being defended on the basis that the contract was cancelled lawfully.

Claim for breach in the amount of R3,255,674 arising from the City's cancellation of security contract for operational requirements. The claim is being defended on the basis that the contract was cancelled lawfully.

Claim for breach in the amount of R6,289,511 for allegedly failing to provide sufficient electricity for development after rezoning a property. The claim is defended on the basis that sufficient electricity is available and that the plaintiff was aware of the available supply.

Contingencies arising from pending litigation on wage curve agreement

On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system.

Subsequent to the signing of the agreement, the Unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the Court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.

In order to implement the CJEWCC (Categorisation and Job Evaluation Wage Curve Collective Agreement), it is a prerequisite that all municipalities must have finalised and signed off job descriptions as provided by the TASK Job Evaluation Collective Agreement. To implement the CJEWCC, the CoJ therefore first had to convert to the TASK Job Evaluation System from the HAY Job Evaluation and JE Manager Job Evaluation System.

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52. CONTINGENCIES (continued)

The dispute that the Unions declared meant that the CJEWCC could not be implemented. However, the City continued with the process to prepare for the implementation and to this end had started to do the conversion to the TASK Job Evaluation System. There were some challenges in this process since Labour had stopped participating in the CoJ Principal Job Evaluation Committee. The CoJ managed to submit a large number of Job Descriptions to the SALGBC Gauteng Principal Job Evaluation Committee (GPJEC) for benchmarking and the issuing of a Provisional Outcomes Report (POR).

Due to capacitation problems at the GPJEC, the Job Evaluations and Provisional Outcomes Report (POR) were delayed and the City eventually obtained approval to use a correlation table that can be used to correlate the HAY and JE Manager Job Evaluation outcomes to the TASK Job Grading Results.

The City further made the required configuration changes to the Payroll System for implementation upon the resolution of the dispute. As part of SALGA, we await the ruling of the Labour Court.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/payable for employee wages, depending on the outcome of the pending litigation. The amount of the obligation cannot be measured with sufficient reliability due to the requirement of the CJEWCC, that all positions must be graded according to the TASK Grading System. Once a TASK Grade is established the individual employee's grading must be compared to a TASK Grading table and placed into 1 of 26 grading results. The applicable salary for the grading result must then be compared to the employee's salary and the employee's salary must then be adjusted to the applicable notch salary. There are several rules attached to the adjustment of the employee's salary. In order to implement this, each employee's salary must be compared to the TASK notch and without the applicable TASK Grading per Job, the calculations of the liability amount cannot be accurately calculated.

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	2014	2013	2014	2013	
53. PRIOR PERIOD ERRORS					
Management considered explaining only adjustments which are material.					
The correction of the error(s) results in the restatement of comparative figures as follows - Group - 2013					
Statement of Financial Position	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
ASSETS					
Current Assets					
Inventories	3	354,468	-	1,314	355,782
Current tax receivable		9,187	-	5,320	14,507
Trade and other receivables	7	846,366	-	371,225	1,217,591
Receivables from non-exchange transactions	8	8,421	-	2,422	10,843
VAT receivable	9	154,008	-	(2,560)	151,448
Consumer debtors	10	4,488,971	-	(529,441)	3,959,530
Cash and cash equivalents	12	5,400,918	-	(72)	5,400,846
Non-Current Assets					
Zoo animals	13	16,872	-	(4,748)	12,124
Investment property	14	1,271,254	-	19,459	1,290,713
Property, plant and equipment	15	41,131,710	-	1,053,682	42,185,392
Intangible assets	16	492,541	-	(992)	491,549
Heritage assets	17	553,870	-	37,931	591,801
Investment in joint venture	19	31,691	-	3,908	35,599
Deferred tax	21	24,094	-	(3)	24,091
LIABILITIES					
Current Liabilities					
Finance lease obligations	24	(35,506)	-	(47,845)	(83,351)
Trade and other payables	25	(8,808,261)	-	(308,861)	(9,117,122)
VAT payable	9	(526,705)	-	(1,516)	(528,221)
Obligations arising from conditional grants and receipts	26	(1,410,169)	-	42,186	(1,367,983)
Consumer deposits	31	(6,313)	-	6,313	-
Non-Current Liabilities					
Finance lease obligations	24	(336,515)	-	(54,380)	(390,895)
Obligations arising from conditional grants and receipts	26	-	-	(42,186)	(42,186)
Deferred tax	21	(1,118,049)	-	(6)	(1,118,055)
NET ASSETS					
Accumulated surplus		(30,475,440)	-	(501,851)	(30,977,291)
		12,067,413	-	49,299	12,116,712

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	2014	2013	2014	2013	
53. PRIOR PERIOD ERRORS (continued)					
Statement of Financial Performance	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
Revenue					
Revenue from exchange transactions					
Income from agency services		(219,256)	-	19,443	(199,813)
Interest received		(561,710)	-	(22,209)	(583,919)
Other income	34	(1,416,135)	-	(86,166)	(1,502,301)
Rental facilities and equipment		(220,480)	-	22,701	(197,779)
Service charges	36	(19,220,098)	-	(93,802)	(19,313,900)
Rendering of services		-	-	(3,021)	(3,021)
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	37	(6,034,946)	-	58,595	(5,976,351)
Transfer revenue					
Government grants and subsidies	38	(6,823,877)	-	15,145	(6,808,732)
Public contributions, Donated and contributed property, plant and equipment		(2,842)	-	(119)	(2,961)
Expenditure					
Employee related costs	39	7,450,682	-	(2,338)	7,448,344
Depreciation and amortisation	41	1,997,802	-	54,202	2,052,004
Finance costs		1,477,487	-	(17,935)	1,459,552
Allowance for impairment of current receivables	43	2,850,709	-	28,944	2,879,653
Repairs and maintenance		690,616	-	754	691,370
Bulk purchases	44	11,113,587	-	17,715	11,131,302
Contracted services	45	1,882,488	-	(65,631)	1,816,857
General Expenses	47	3,715,386	-	70,448	3,785,834
(Loss)/gain on disposal assets		1,743	-	1,968	3,711
Fair value adjustments	48	(159,931)	-	(2,653)	(162,584)
Income from equity accounted investments		(2,226)	-	(3,911)	(6,137)
Surplus before taxation					
Taxation		75,732	-	(5,313)	70,419
Surplus for the year from continuing operations					
Discontinued operations	49	-	-	(36,116)	(36,116)
		(3,405,269)	-	(49,299)	(3,454,568)

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53. PRIOR PERIOD ERRORS (continued)

Description of errors:

City Power Johannesburg SOC Limited

The accrual for electricity sales includes a decrease in revenue reported for the 2012 financial period and previous reporting periods.

Specialised vehicles leased from the City of Johannesburg since 1 March 2012 were previously reported as operating leases. The specialised nature of the asset requires the lease to be classified as a finance lease which has been capitalised as property plant and equipment retrospectively.

The allowance for doubtful debts has been adjusted to be inclusive of vat. The effect of the adjustment is to ensure fair presentation of the net position of consumer debtors.

Vat payables has been decreased by the transfer of the vat component on doubtful debts outstanding. The transfer of the vat liability was to ensure fair presentation of the net consumer debtor balance.

The fair value of trade payables has been adjusted to correct an error in the number of days used to fair value trade payables.

Johannesburg Water SOC Limited

The City of Johannesburg Metropolitan Municipality has recalculated the accrual value in relation to the 2012 and 2013 financial years, as well as recalculated the impact of meters that have not been read for greater than twelve months. The combination of these transactions results in an adjustment to revenue for the 2012 and 2013 financial years as disclosed.

Pikitup Johannesburg SOC Limited

The retained earnings were restated due to debtors adjustments.

The prior period errors relates to commercial revenue adjustments for the 2012/13 and 2011/12 financial periods.

Johannesburg Social Housing Company SOC Limited

The JMJV has restated its financial position in light of the 35 year lease period of the property from the Gauteng Provincial Housing Department. This required that the investment be depreciated over the useful life of the lease.

City of Joburg Property Company SOC Limited

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

Tax deduction receivable from the accounting of the expenditure transferred from GCSS.

The net asset value for the transfer from MTC has been reclassified to accumulated surpluses in the 2013/14 financial year in line with the early adoption of the GRAP 105 standard.

As per GRAP 105, JPC has 2 years to account for all transactions affecting the integration of FMMU into JPC. Expenditure was incurred by the City on behalf of FMMU post integration and has subsequently transferred the expenses to JPC. The movement has been accounted for against the Group Corporate Shared Services loan account.

Johannesburg Development Agency SOC Limited

The restatement of the property, plant and equipment was as a result of restating the prior year carrying values for GRAP compliance of zero value assets. This resulted in the earliest prior year adjustment as these assets had previous carrying values of Rnil.

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53. PRIOR PERIOD ERRORS (continued)

Johannesburg Metropolitan Bus Services SOC Limited

Management discovered a number of errors that were made in the previous periods for which comparative figures have been restated accordingly.

Management identified assets that were on the floor but not on the asset register, these were brought in at depreciated fair market values.

Management conducted a review of useful lives and restated the amounts retrospectively. This had a reduction in expensed depreciation, a reduction on loss on retirement of assets expensed and a increase in accumulated depreciation and a reduction in revaluation reserves.

Johannesburg City Parks NPC

Overprovision of bad debts.

Reclassification of spare parts from property, plant and equipment to inventory.

Reclassification of bank overdrafts from cash and cash equivalents to payables from exchange transactions.

Reclassification of deposits held from receivables from exchange transactions to payables from exchange transactions. The Vat receivable is reclassified to VAT payable.

Profit on sale of animals was overstated and adjustments to account for births and deaths of animals.

Sundry income duplicated.

Depreciation on fair value adjustments to assets and depreciation on finance leased assets incorrectly calculated.

City of Johannesburg Metropolitan Municipality

The Kelvin Power debtor was incorrectly valued. The debtor amount was recalculated by a) accruing for concession fees and interest and b) providing for an equal Allowance for Impairment due to a consistent non-payment pattern from the debtor. This error was identified in the current year and retrospectively corrected.

In the current year, the City of Johannesburg performed a three way reconciliation. The exercise entailed reconciling Deeds office, JPC and City of Johannesburg to ensure completeness of land in the City of Johannesburg register. During the process, it came to our attention that there were properties in the deeds register that are in the name of the City of Johannesburg which are not in the asset register. The investigation included verifying each property with the Surveyor General's Cadastral information, as well as the GIS system to ensure that accuracy and reliability of the findings. The findings of the investigation resulted in City of Johannesburg adjusting the financial statements retrospectively because of the ownership which has always been with City of Johannesburg.

Investment property was completed in 2012/13 financial year which was erroneously not capitalised. the adjustment for costs and depreciation of investment property was accounted retrospectively to correct the error.

During the current year management picked up an error of heritage assets incorrectly classified as property plant and equipment. A reclassification journal was processed to correct the error.

The restatement of Consumer debtors results from prior year adjustments for refuse and property rates accruals not raised in the prior year, which the information was available. The error was corrected to restate prior year figures and no effect in the current year. This effect is also on Property rates and Service charges.

A finance lease relating to Emergency services was previously incorrectly classified as an operating lease. This error was identified in the current year and corrected retrospectively. The effect is also on Contracted services and Finance costs.

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53. PRIOR PERIOD ERRORS (continued)

A creditor was prematurely raised before the asset had been delivered. This error was identified in the current year and corrected retrospectively. The effect is also on:

- Interest
- Other income and;
- Allowance for impairment of current receivables.

The adjustment relates to the correction of an overstatement of a grant that was due to us. The error was identified in the current year and was corrected retrospectively.

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54. RISK MANAGEMENT

GROUP

Price risk

City Power Johannesburg SOC Limited

Distribution losses

The electricity energy losses can be classified into technical losses and non-technical losses, during 2013/14 financial year.

The entity's technical losses for the year are measured at 9%, amounting to R742 442. Technical losses relates to energy that is lost in the transportation of electricity from the point of supply to point of distribution through evaporation.

The entity's non-technical losses increased from 16.59% to 19.18%. Non-technical losses, if sold would have generated additional revenue of R3 026 900 (2013: R1 525 363) in the current year. 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 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

Johannesburg Water SOC Limited

Water losses are included in Cost of sales. The level of physical and commercial losses for the year under review is 35,7% [R1,16 billion], (2013: 28,9% [R0,82 billion]). The level of physical losses for the year under review is 9,5% [R308,6 million], (2013: 9,8% [R278,2 million]). The level of commercial losses for the year under review is 26,20% [R851,1 million], (2013: 19,1% [R542,3 million]).

It is acknowledged and accepted that a certain level of water losses cannot be avoided from a technical perspective and is considered acceptable from an economic perspective. This means the cost of interventions to reduce water losses from a technical perspective should be less than the savings to be realised. The industry norm for water losses is 18%. Taking consideration hereof would result in a reduction of the level of water losses for the year under review to 17,7% [R575,0 million], (2013: 10,9% [R309,5 million]). The industry norm of 18% applied is 2% more stringent than the benchmark of 20% as published by the South African Water Research Commission.

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.

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54. RISK MANAGEMENT (continued)

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

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

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

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

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

Financial Risk Management Framework

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

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

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

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

Liquidity and Concentration Risk

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

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

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

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54. RISK MANAGEMENT (continued)

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 and the 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 2014:

Details	Approved Funding R'000	Total Utilised R'000	Available for use R'000
Short-Term Borrowings			
Standard Bank	675	-	675
Long Term Borrowings			
Borrowing	(1,458)	1,458	-
Total	(783)	1,458	675

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	(26,788)	(16,317)	(9,982)	(6,222)	-	-

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	2,183,410	195,714	114,724	114,724	1,114,724	68,386	575,138
Fixed Rate Loans	11,220,070	788,034	1,458,694	409,869	1,995,654	284,255	6,283,564
		-	-	-	-	-	-

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54. RISK MANAGEMENT (continued)

Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 30 June 2014

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		565,702	-	-	-	-	-
Short Term Investments		4,131,800	-	-	-	-	-
Escrows		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 optimising 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.

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	2,407,871	2,348,462	2,378,167	2,407,871	2,437,576	2,467,281	2,496,986	2,526,690

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 R118 million, and a 1% decrease in interest rates will decrease the fair value of floating rate liabilities by R59.4 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.

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54. 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%
DBSA 13541-1	DBSA	75,829	31 Mar-02	30-Sep-14	3 months JIBAR + 2.535%	Floating	3,783	3,863	3,942	4,022	4,102	4,181	4,261
				31-Dec-14			3,867	3,943	4,020	4,096	4,173	4,249	4,326
				31-Mar-15			3,908	3,980	4,051	4,123	4,195	4,266	4,338
				30-Jun-15			3,982	4,051	4,121	4,190	4,259	4,329	4,398
				30-Sep-15			4,050	4,117	4,184	4,251	4,318	4,385	4,452
DBSA 102761-1	DBSA	425,000	20-Aug-09	31-Dec-14	6 months JIBAR + 2.85%	Floating	29,476	30,453	31,429	32,406	33,383	34,359	35,336
				30-Jun-15			31,965	32,895	33,824	34,754	35,684	36,614	37,544
				31-Dec-15			32,805	33,719	34,632	35,546	36,460	37,374	38,287
				30-Jun-16			31,850	32,723	33,595	34,468	35,341	36,213	37,086
				31-Dec-16			34,537	35,388	36,239	37,089	37,940	38,791	39,641
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
DBSA 103345-1	DBSA	495,000	17-Apr-09	31-Dec-14	6 months JIBAR + 2.96%	Floating	34,963	36,098	37,232	38,366	39,500	40,635	41,769
				30-June-15			37,817	38,895	39,974	41,052	42,131	43,209	44,288
				31-Dec-15			38,759	39,817	40,876	41,935	42,993	44,052	45,110
				30-June-16			37,613	38,623	39,633	40,642	41,652	42,662	43,671
				31-Dec-16			40,682	41,665	42,648	43,631	44,614	45,597	46,580
CALYON	CALYON	190,469	05-Sep-06	30-Sep-14	3 months JIBAR less 0.35%	Floating	11,151	11,207	11,264	11,320	11,376	11,433	11,489
				31-Dec-14			11,313	11,370	11,427	11,484	11,541	11,598	11,655
				31-Mar-15			11,377	11,435	11,492	11,549	11,607	11,664	11,722
				30-Jun-15			11,483	11,541	11,599	11,657	11,715	11,773	11,831
				30-Sep-15			11,558	11,617	11,675	11,733	11,792	11,850	11,908

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54. RISK MANAGEMENT (continued)

NEDBANK	NEDBANK	154,648	21-Apr-10	31-Dec-14	3 months JIBAR + 2.8%	Floating	40,636	40,841	41,047	41,252	41,457	41,662	41,867
R315m													
		-		21-Apr-15			42,386	42,600	42,814	43,028	43,242	43,456	43,670
		-					-	-	-	-	-	-	-
		-					-	-	-	-	-	-	-
NEDBANK 1b	NEDBANK	1,000,000	04-Mar-10	30-Sep-14	3 months JIBAR + 2.8%	Floating	43,776	43,997	44,219	44,440	44,661	44,882	45,103
		-		31-Mar-15			44,631	44,857	45,082	45,308	45,533	45,759	45,984
		-		30-Sep-15			46,965	47,203	47,440	47,677	47,914	48,151	48,389
		-		31-Mar-16			49,043	49,290	49,538	49,786	50,033	50,281	50,529
		-		30-Sep-16			50,527	50,783	51,038	51,293	51,548	51,803	52,059
SCMB 200m	SCMB	69,942	19-Sep-03	30-Sep-14	CPI plus Margin	Floating	3,300	3,317	3,333	3,350	3,367	3,383	3,400
		-		31-Dec-14			3,300	3,317	3,333	3,350	3,367	3,383	3,400
		-		31-Mar-15			3,300	3,317	3,333	3,350	3,367	3,383	3,400
		-		30-Jun-15			3,300	3,317	3,333	3,350	3,367	3,383	3,400
		-		30-Sep-15			3,300	3,317	3,333	3,350	3,367	3,383	3,400

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54. 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 period 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 2014 as per the Dollar-Offset Method was calculated as shown below:

Date	Swap Value	Hypothetical Swap Value	Cumulative Effectiveness Test	Per Period Effectiveness Test
31-Mar-11	(23,701)	-	- %	- %
30-Jun-11	(51,288)	(26,773)	- %	103.04 %
30-Jun-12	(117,932)	(95,323)	- %	97.22 %
30-Jun-13	(76,629)	(57,469)	- %	109.11 %
30-Jun-14	(54,113)	(38,470)	- %	118.51 %

The effectiveness of the cash flow hedge is 118.51 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 2014 are shown below.

Current movement on swap	(22,516)
Effective portion (OCI)	(19,000)
In-effective portion (P/L)	(3,516)

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54. 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

SWAP CASHFLOW SENSITIVITY ANALYSIS							
Date	-1%	-0.50%	0	0.50%	1%	1.50%	2%
30-Sep-14	(17,578)	(16,291)	(15,004)	(13,717)	(12,430)	(11,143)	(9,856)
31-Mar-15	(16,656)	(14,213)	(11,784)	(9,347)	(6,923)	(4,504)	(2,092)
30-Sep-15	(13,681)	(11,372)	(9,080)	(6,803)	(4,544)	(2,300)	(72)
31-Mar-16	(11,510)	(9,359)	(7,237)	(5,132)	(3,055)	(1,001)	1,030
30-Sep-16	(9,687)	(7,695)	(5,735)	(3,806)	(1,905)	(34)	1,809
31-Mar-17	(7,844)	(6,027)	(4,247)	(2,497)	(781)	902	2,553
29-Sep-17	(6,782)	(5,117)	(3,489)	(1,899)	(344)	1,177	2,665
29-Mar-18	(5,705)	(4,199)	(2,733)	(1,304)	89	1,448	2,773
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	(89,443)	(74,273)	(59,309)	(44,505)	(29,893)	(15,455)	(1,190)

From the above table we note that a 1% decrease in interest rates would decrease swap cashflows by 51%.

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.

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	(81,619)	(67,671)	(54,113)	(40,893)	(28,033)	(15,507)	(3,301)

On the basis of the above assumptions, a 1% change in interest rates will result in a 48% change in the value of the swap. There is a positive relationship between the swap value and interest rates, thus if interest rates increase, the value of the swap will increase.

Estimation of Fair Values

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

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

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54. RISK MANAGEMENT (continued)

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

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

Fair Value Hierarchy

In terms of 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. The Level 2 all-inclusive fair value of the swap stood at -R54,1 million as at the end of 30 June 2014.

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 2014. Total investments were R 5,227 billion. The table also shows the credit limit approved per counterparty. Treasury constantly monitors the percentage limit utilized.

Counterparty Class	Approved Limit	Operational		Ringfenced		Total Exposure	Available for use	Percentage Utilised
		Call Deposits	Term Deposits	Call Deposits	Term Deposits			
Domestic Banks	4,825,000	24,348	431,000	72,542	3,392,800	3,920,691	904,309	81 %
International Banks	1,050,000	3,114	-	-	308,000	311,114	738,886	30 %
Public Sector	1,200,000	49,050	-	-	-	49,050	1,150,950	4 %
Asset Management Firms	2,850,000	417,103	-	-	-	417,103	2,432,897	15 %
	9,925,000	493,615	431,000	72,542	3,700,800	4,697,958	5,227,042	47 %

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54. RISK MANAGEMENT (continued)

Credit quality of Investments

The credit qualities of CJMM's counterparties as at 30 June 2014 are shown in the table below.

Counterparty Class	Long Term Rating									Short Term Rating							
	AAA	AA+	AA	AA-	A+	A	A-	BBB +	BBB	Govt Guaranteed	Not Rated	F1+	F1	F2	F3	Govt Guaranteed	Not Rated
Domestic Banks	1		3		1							4	1				
International Banks				1	1	1						2	1				
Public Sector		1								2		1				2	
Asset Management Firms			1	1							4	2					4
Total	1	1	4	2	2	1	0	0	0	2	4	9	2	0	0	2	4

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.

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54. RISK MANAGEMENT (continued)

Credit Risk

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 2014. The Fund was invested in securities the following credit quality:

Instrument Type	Fair Value
Bonds	2,769,282
Bond Repos	(513,910)
Floating Rate Note	825,080
Forward Rate Agreement	(126)
Investor Relations Society	138,699
Current Account	99,263
Standard Bank Collateral	35,501
Nedbank Collateral	(120,529)
	-
	-
	-

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.

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54. RISK MANAGEMENT (continued)							
Maturity analysis for financial instruments							
The following are the contractual maturities of financial assets and liabilities, including estimated interest payments:							
Class	Cashflow	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
Unsettled Bond Repos Assets	-	(719,974)	-	-	-	-	-
Class	Cashflow	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
Unsettled Bond Repos Liabilities	-	205,716	-	-	-	-	-
Class	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	-	(17,508)	11,150	16,173	15,755	1,492	92,699
Class	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	-	-	-	-	-	(12,420)	-
Class	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
Floating Rate Note Assets	-	6,195	-	3,860	7,629	-	-
Class	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
Forward Rate Agreement Assets	-	3,033	-	-	3,745	5,588	-
Class	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
Forward Rate Agreement Liabilities	-	(8,775)	-	(3,239)	-	(3,270)	-
Class	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
Swap Assets	-	8,363	(2,115)	4,553	5,098	2,034	8,538

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54. RISK MANAGEMENT (continued)							
Class	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
Swap Liabilities	-	1,761	(3,294)	2,169	(2,099)	(4,882)	4,107
Class	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
Amort Investor Relations Society Assets	-	(1,723)	-	-	-	-	(3,212)
Class	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
ASM Investor Relations Society Assets	-	15,709	-	-	-	-	-
Class	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
ASM Investor Relations Society Assets	-	(589)	-	-	-	-	-

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.

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.

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54. RISK MANAGEMENT (continued)

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	(5,581,975)	(5,454,904)	(5,332,046)	(5,213,231)	(5,098,299)	(4,987,096)	(4,879,475)
Contributions	2,178,396	2,155,550	2,133,119	2,111,095	2,089,468	2,068,228	2,047,368
Bonds	2,955,020	2,860,065	2,769,282	2,682,459	2,599,394	2,519,899	2,443,794
Bonds Repos	(513,973)	(513,941)	(513,910)	(513,879)	(513,847)	(513,816)	(513,785)
Floating Rate Note	826,404	825,740	825,080	824,423	823,770	823,120	822,473
Forward Rate Agreement	6,045	2,953	(126)	(3,191)	(6,244)	(9,284)	(12,311)
Investor Relations Society	206,529	171,157	138,699	108,993	81,882	57,221	34,873
ABSA Call	99,263	99,263	99,263	99,263	99,263	99,263	99,263
Standard Bank Collateral	35,501	35,501	35,501	35,501	35,501	35,501	35,501
Nedbank Collateral	(120,529)	(120,529)	(120,529)	(120,529)	(120,529)	(120,529)	(120,529)
Net	90,681	60,855	34,333	10,904	(9,641)	(27,493)	(42,828)

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 has 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.

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54. RISK MANAGEMENT (continued)

Valuation of financial instruments

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 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Bonds	2,769,282	-	-	2,769,282
Bond Repos	-	(513,910)	-	(513,910)
Floating Rate Notes	-	825,080	-	825,080
Forward Rate Agreements	-	(126)	-	(126)
Interest Rate Swaps	-	138,699	-	138,699
	2,769,282	449,743	-	3,219,025

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55. FRUITLESS AND WASTEFUL EXPENDITURE				
Reconciliation of fruitless and wasteful expenditure				
Opening balance	24,069	18,690	6,200	5,769
Fruitless and wasteful expenditure current year	2,288	4,121	19	446
Approved by Council or condoned	(443)	-	(649)	(15)
Transfer to receivables	(6,760)	1,258	(3,250)	-
Transfer to other debtors for verification	19,154	24,069	2,320	6,200

GROUP - 2014

Johannesburg City Parks NPC:

The interest was incurred as a result of late receipts of certified invoices and supplier statements by the accounts payable department.

Disciplinary steps/criminal proceedings : None.

Johannesburg Roads Agency SOC Limited:

Telkom interest charged on a late payment.

Disciplinary steps/criminal proceedings : The entity is currently in the process of investigating the interest accrued on the Telkom account and once finalized, disciplinary action will be taken on individuals responsible for the fruitless expenditure.

Pikitup Johannesburg SOC Limited:

Catering for Employee Wellness, a department meeting was arranged and a supplier order was issued. The relevant official failed to timeously cancel the order with the supplier and resulting in the food being delivered and returned. The amount is R2,975.

Disciplinary steps/criminal proceedings : Relevant disciplinary action was being taken in terms of MFMA.

Payment for the supply and delivery of 240l bins - The service provider Phambili Services (Pty) Ltd was appointed in the 2012/13 financial period to provide 240l bins to Pikitup. A fraudulent request to change banking details was processed and a payment made and it was subsequently established that payment was made into a fraudulent account . By the time the account was suspended by the bank, 5 days had lapsed and R1,261,960 of the original payment had been withdrawn or transferred. The service provider claimed this amount to be refunded.

Pikitup staff recommended a review of internal controls and disciplinary action for possible negligence against applicable employees. The control environment regarding the changing of banking details have been reviewed and additional controls put in place and disciplinary steps against three employees have been taken.

Johannesburg Development Agency SOC Limited:

In July 2013, an incident of fraud was discovered internally. The fraud was committed at an employee level and a team of forensic auditors was contracted to quantify the amount of the fraud and uncover any further involvement of other employees in the incident. The information was received after the reporting date but prior to the date of authorisation of the 2012/13 Annual Financial Statements. The amount of the fraud committed over a four year period was estimated at R2,935,688.

The interest and penalties paid relates to an amount charged by the South African Revenue Services on VAT return submissions. An objection was filed in dispute of this. A letter was received from the South African Revenue Services dated 9 September 2014, indicating that the interest and penalties previously charged had been waived. Total interest charged and recovered was R243,604.

Interest relating to late receipt of Telkom invoices - R3,621.

Disciplinary steps/criminal proceedings : None

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	2014	2013	2014	2013

55. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

City of Joburg Property Company SOC Limited:

The penalties reflected relates to the late submission of the August 2013 VAT due to a banking error on the day of submission. There were outstanding payments on the PAYE returns of MTC from the 2009 financial year that accumulated penalties and interest. Disputes with creditors over contracts and invoices resulted in interest being accumulated. Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts in the 2013/14 financial year, this cost is to be transferred to the relevant departments and levied on overdue accounts in the 2013/14 financial year.

Disciplinary steps/criminal proceedings : None.

GROUP - 2013

Johannesburg City Parks NPC:

Interest was raised for late payments.

Disciplinary steps/criminal proceedings : None.

Johannesburg Development Agency SOC Limited:

In July 2013, an incident of fraud was discovered internally. The fraud was committed at an employee level and a team of forensic auditors was contracted to quantify the amount of the fraud and uncover any further involvement of other employees in the incident. The information was received after the reporting date but prior to the date of authorisation of the 2012/13 Annual Financial Statements. The amount of the fraud committed over a four year period was estimated at R2,935,688.

The interest and penalties paid relates to an amount charged by the South African Revenue Services on late payment of VAT returns. An objection was filed in dispute of this and no communication was received as yet regarding the result of the objection. Total interest charged R158,391.

Interest relating to late receipt of Telkom invoices - R1,858.

Disciplinary steps/criminal proceedings : None

Johannesburg Roads Agency SOC Limited:

Interest and penalties on late accounts.

Disciplinary steps/criminal proceedings : None.

Johannesburg Metropolitan Bus Services SOC Limited:

The amount for fruitless and wasteful expenditure relates to traffic fines incurred.

Disciplinary steps/criminal proceedings : None.

City of Joburg Property Company SOC Limited:

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.

Metropolitan Trading Company SOC 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.

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	2014	2013	2014	2013

55. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

Disciplinary steps/criminal proceedings : None.

Johannesburg Tourism Company NPC:

Interest levied on late payments.

Disciplinary steps/criminal proceedings : None.

The Johannesburg Zoo NPC:

The fruitless and wasteful expenditure relates to a 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.

CJMM - 2014

Revenue Department

The fruitless and wasteful expenditure for R18,974 relates to interest charged for late payment.

Disciplinary steps / Criminal proceedings: None

EMS

An amount of R647,758 was condoned in the current year.

Reversal of Fruitless and Wasteful Expenditure.

The amount of R3,250 relates to fruitless and wasteful expenditure incorrectly classified. This error was identified in the current year and thus the reversal in the current year.

CORE - 2013

Revenue and Customer Relations

Interest charged for the payment of late accounts - R10,569.

Legal expenses - R18,713.

Disciplinary steps/criminal proceedings : None.

Group Corporate and Shared Services

Interest on late payment of TSS Managed Services (Pty) Ltd Account. ICT authorised the account for payment (including interest).

Disciplinary steps/criminal proceedings : None.

Housing

Interest paid on late accounts - R196,470.

Disciplinary steps/criminal proceedings : None.

Development Planning and Urban Management

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	2014	2013	2014	2013

55. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

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 R3,121.

Interest charged on various invoices from Post Office for bulk postage to the value of R0,420.

Disciplinary steps/criminal proceedings : None

Economic Development

Telkom Interest - R8,231.

Disciplinary steps/criminal proceedings : None.

Emergency Management Services

The expenditure for R206,398 was for Alexandra Forbes, after a court order was issued for the payment to be processed.

Disciplinary steps/criminal proceedings : None.

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	2014	2013	2014	2013
56. UNAUTHORISED EXPENDITURE				
Reconciliation of unauthorised expenditure				
Opening balance	53,166	51,711	51,711	51,711
Unauthorised expenditure current year	-	3,855	-	-
Approved by Council or condoned	-	(2,400)	-	-
Transfer to receivables for recovery	(1,077)	-	-	-
	52,089	53,166	51,711	51,711

GROUP - 2014

Johannesburg Development Agency SOC Limited:

- Over expenditure on approved budget was mainly due to the fraud identified in the prior year.
- Disciplinary steps/criminal proceedings : Criminal case was opened and investigation was done.

GROUP - 2013

Johannesburg Development Agency SOC Limited:

- 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.

CORE - 2013

Emergency Management Services

Payments made to Fleet Africa for the leasing of vehicles, in the absence of sufficient budget R518,207.

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.

Disciplinary steps/criminal proceedings : None

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	2014	2013	2014	2013
57. IRREGULAR EXPENDITURE				
Reconciliation of irregular expenditure				
Opening balance	1,066,636	930,924	726,043	575,120
Irregular expenditure current year	54,311	205,597	283,249	152,216
Approved by Council or condoned	(5,600)	(83,912)	(260)	(1,293)
Transfer to receivables for recovery	(14)	14,027	(14)	-
	1,115,333	1,066,636	1,009,018	726,043

GROUP - 2014

Johannesburg Development Agency SOC Limited:

The supplier had previously declared in the initial supplier documentation that they were in the service of the state. The supplier was erroneously included in the panel of professional services and subsequently services were rendered from the supplier. Expenditure incurred with a service provider that is in service of the state in terms of the MFMA and Supply Chain processes of the JDA is considered irregular. To remedy the situation, the supplier was notified of their removal from the panel and any further interaction was cancelled.

Disciplinary steps/criminal proceedings : A disciplinary process was undertaken against the Supply Chain Manager for negligence and a warning letter issued. No loss was suffered by the JDA as the payment was for actual work performed.

Johannesburg City Power SOC Limited.

Verbal instructions were given to a supplier CBI Electric (African Cable) to conduct work without following the official purchase orders.

The employee concerned pleaded guilty at a disciplinary hearing and a sanction was imposed.

Johannesburg Roads Agency SOC Limited:

Expired Contract

Disciplinary steps/criminal proceedings: A circular was issued to all staff , advising that employees who cause the company to incur irregular expenditure will face a disciplinary hearing. JRA Supply Chain is in the process of investigating the irregular expenditure, and if found to have a case, notices will be issued to employee/s.

Johannesburg Metropolitan Bus Services SOC Limited:

Non-application of SCM Policy. The irregular expenditure relates to proper tender procedures not being followed. The tender procedures have been completed in 100% of all contracts were proper tender procedures had previously not been followed.

The irregular expenditure relates to contracts on which the contracted amounts have been exceeded. The expenditure is directly related to unexpected or unplanned bus breakdowns which cannot be foreseen, but which have to be fixed. The tender procedures have been completed in 100% of all contracts involving contract amounts being exceeded.

The expenditure relates to deviations approved by the accounting officer as required by the procurement regulations. Deviations based on urgency and emergency have been approved by the accounting officer.

Disciplinary steps/criminal proceedings : None.

Pikitup Johannesburg SOC Limited

The amount relates to the information technology contract that lapsed and was running on a month-on-month basis until the finalization of the new tender process.

Disciplinary steps/criminal proceedings : None

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57. IRREGULAR EXPENDITURE (continued)

Joburg Water SOC Limited:

Expenditure amounting to R7,400,000 has been incurred as a result of transactions that impacted some awards in the supply chain management processes, in that transactions that was not in accordance with the requirements of the Preferential Procurement Regulations which require that no points be awarded for BBBEE status if a bidder or supplier did not submit an original and valid BBBEE Status Level verification certificate or certified copy, as well as tax clearance certificates which were not originals. BBBEE points were however awarded to these suppliers, who submitted copies that were not original or certified, but reliance was placed in good faith on verification agencies that issued these BBBEE certificates and these agencies are accredited by South African National Accreditation System as required by legislation.

Furthermore, it was noted that expenditure amounting to R4,800,000 was incurred as a result of transactions that impacted some awards that were made to suppliers who had provided tax clearance certificates that were neither original nor certified as well as those who had supplied expired certificates at the closing date of the tender rendering the documentation invalid.

Disciplinary steps/criminal proceedings : None

Johannesburg City Parks NPC:

Procurement without three quotations and without having followed proper tender process.

Disciplinary steps/criminal proceedings : None.

GROUP - 2013

Johannesburg Development Agency SOC Limited:

On renewal of the professional team related to the COJ Clinics programme, one of the service providers was omitted. This resulted in services being provided without a duly approved contract. Expenditure incurred without a valid contract in terms of the Supply Chain processes of the JDA was therefore irregular. To remedy the situation, the Board of Directors were requested to condone this expenditure in accordance with the MFMA.

The supplier had previously declared in the initial supplier documentation that they were in the service of the state. The supplier was erroneously included in the panel of professional services and subsequently services were rendered from the supplier. Expenditure incurred with a service provider that is in service of the state in terms of the MFMA and Supply Chain processes of the JDA is considered irregular. To remedy the situation, the supplier will be notified of their removal from the panel and any further interaction will be cancelled.

Disciplinary steps/criminal proceedings : A disciplinary process has been initiated against the employee for negligence. No loss was suffered by the JDA as the payment was for actual work performed.

Joburg Market SOC Limited:

The Directors have approved a condonaton report to the value of R 52,435,319. The report was submitted the mayoral committee for condonation.

Disciplinary steps/criminal proceedings : None.

Johannesburg Metropolitan Bus Services SOC Limited:

The irregular expenditure relate to month-to-month extensions that were granted to existing suppliers pending tender procedures. The tender procedures have been completed for 100% of all contracts involving month to month extensions.

Non-application of SCM Policy. The irregular expenditure relates to proper tender procedures not being followed. The tender procedures have been completed in 100% of all contracts were proper tender procedures had previously not been followed.

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57. IRREGULAR EXPENDITURE (continued)

The irregular expenditure relates to quotation based suppliers. Declarations of independence were not obtained for these suppliers. Declarations have subsequently been obtained, and were requested during the year.

The irregular expenditure relates to contracts on which the contracted amounts have been exceeded. The expenditure is directly related to unexpected or unplanned bus breakdowns which cannot be foreseen, but which have to be fixed. The tender procedures have been completed in 100% of all contracts involving contract amounts being exceeded.

The expenditure relates to deviations approved by the accounting officer as required by the procurement regulations. Deviations based on urgency and emergency have been approved by the accounting officer.

Disciplinary steps/criminal proceedings : None.

Johannesburg Roads Agency SOC Limited:

Expired Contracts

Disciplinary steps/criminal proceedings: A circular was issued to all staff, advising that employees who cause the Company to incur irregular expenditure will face a disciplinary hearing. A condonation report was written and this expenditure is reported to the Executive Management Team, Audit Committee, Board of Directors and the 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.

Non compliance to SCM policies and procedures.

Disciplinary steps/criminal proceedings : Supply Chain Management (SCM) is in the process of investigating the irregular expenditure and once finalised, the responsible officials will be issued with notices. All staff members were notified that disciplinary action will be taken against employees who transgress.

Pikitup Johannesburg SOC Limited:

The amount relates to the information technology contract that lapsed and was running on a month-on-month basis until the finalization of the new tender process.

Disciplinary steps/criminal proceedings : None

Johannesburg City Parks NPC:

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

Disciplinary steps/criminal proceedings : None.

Joburg Theatre SOC Limited:

On 27 November 2013 the RCT Board reconstructed the resolutions confirming that payments of R1,944,685 made by RCT during 2012/13 to Cut to Black Media and Danse L'Afrique were approved at the Board meeting held on 23 November 2012. Reconstructed resolutions were submitted to the Auditor General South Africa for noting.

A condonation report for payments of R4,581,459 made by RCT for the opening of the Soweto Theatre in 2011/12 was approved by the COJ Mayoral Committee on 26 June 2014.

The Board resolved that a civil action should be instituted to recover the amount of R477,032 of allowances/acting allowances and study loans in the form of educational assistance. Civil action has been instituted under case number J5885/13 at the Labour Court of SA. An affidavit for the default judgement has been prepared for the trial. This amount has been reclassified as a contingent asset in accordance with GRAP 105.

The Board of Directors minutes for the meeting that approved the payment of R1,944,685 could not be located at the end of June 2013. The minutes were reconstructed to regularise the expenditure of R1,944,685 in line with GRAP 105 principles.

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57. IRREGULAR EXPENDITURE (continued)

Disciplinary steps/criminal proceedings : None.

CORE - 2013

1. Ratification of SCM processes Regarding the Appointment of Consultants, R 165,000.
Reason
A request for quotations was placed on the board for a period of seven (7) days. Two service providers submitted quotations. The most suitable company with the lowest cost estimate, Media Tenor South Africa, was appointed to provide the media monitoring services for the amount of R165,000 (Excl VAT). A breach of practice of the SCM policy was incurred as the company selected by Group Head Communication & Tourism had not supplied rates and taxes for the directors and company, and was not on the City's supplier database.
2. Request to Deviate from the Normal Procurement Processes to Re-Appoint Real Time Travel Connections (RTTC) to host, maintain and support the Group Communications & Tourism's (Tourism) Websites and Travel Management Systems, R103,854.
Reason
RTTS is the Sole Provider of Tourism and Travel Management System Website.
3. Ratification of SCM processes regarding the Appointment of Catgraphics (Pty) Ltd from the Marketing Service Panel A459, R142,819
Reason
An appointment of Catgraphics (Pty) Ltd was made in accordance with the City's Supply Chain Management policy and procedures as the supplier is on the approved panel. The purpose to request ratification is because of a minor breach as only 5 service providers were requested to submit quotations as opposed to all service providers on the panel.
4. Ratification of SCM processes regarding the Appointment of Zenone Production from the Marketing Services Panel A459, R40,453.66
Reason
An appointment of Zenone Productions was made in accordance with the City's Supply Chain Management policy and procedures as the supplier is on the approved panel. The purpose to request ratification is because of a minor breach, as only 5 service providers were requested to submit quotations as opposed to all service providers on the panel.
5. Approval of payment to Mandisa Personnel for a Temporary Receptionist, R75,000.
Reason
The department followed the normal procurement process in terms of advertising on the notice board for temporary agencies to provide a resource for a period of three months. This was to facilitate the position be advertised and filled within the period. However the position could not be filled and the department extended the contract without the service provider, without authority.
6. Payment of Staffing Direct Training Academy for a Temporary Executive Secretary, R141,930
Reason
The Institutional Review has brought its own challenges, amongst others, transfer of the Executive Secretary to the Revenue Department. This movement crippled the office of the Group Head to the extent that it became extremely difficult to complete some tasks and assignments on time and with good quality. Request to circulate the vacant position was sent to HR with an intention to fill within three months. The process took longer than expected and due to the complexity of the position, the department deemed it imperative to appoint a temporary Executive Secretary to assist in the office of the Group Head, without following the normal procurement process.
7. Ratification of actions of officials from Budget Office for their failure to adhere to SCM Policies in engaging a Service Provider to Advertise for the public consultation process on the proposed tabled tariffs for 2013/2014 without CAC Approval (Panel A459) , R378,743.
Reason
The department solicited three quotations from the approved Panel A459, however proceeded to engage the service provider without following Practice Note 004/2011 with regards the utilisation of panels.

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57. IRREGULAR EXPENDITURE (continued)

8. Failure to comply with the Provisions of Supply Chain Management Policies and approval of payment of the service provider: Eletsanang Business Enterprise CC , R101,045
Reason
In the absence of a valid contract and without following the normal procurement process and in compliance to Occupational Health and Safety standards, Group Finance requested Eletsanang Business Enterprise CC to continue to provide hygienic services from 01 February 2013 to 30 April 2013 at 28 Harrison (Technical Call Centre). This service could not be discontinued as this was going to pose a health risk to call centre staff and management.
9. Failure to comply with the provisions of Supply Chain Management Policy and approval of payment of JMPD Uniform Embroidery, R395,826
Reason
The City undertook, as the top priority to address the wide scale of non-identification of officers in terms of their uniform items, the RFQ process was followed and three quotations were solicited and the recommended service provider was found to be the cheapest for the embroidery per item. However the quantity of uniform items to be embroidered increased and as such the price increased and the department continued to receive the services without obtaining proper authority for the increase in the contract price.
10. Ratification of GSPCR officials for acting outside Delegated Authority in relation to the Quarterly Assurance of the 2013/2014 Institutional SDBIP, R50,726.
Reason
The RFQ for the request for consultants to assist with the Institutional Services delivery and Budget Implementation Plan was solicited from the approved Panel A425 and only two service providers responded and Deloitte Consulting (Pty) Ltd was appointed. Later on the extension of scope of work was done without obtaining the necessary approval and the additional work carried out by the service provider was authorised by GSPCR and was aimed at ensuring quality completion of the Institutional SDBIP, hence the ratification.
11. Extension of the Revenue Management Contract for Statement Printing and Distribution report for the City of Johannesburg: Contract C281/10, R4,100,000.
Reason
The Revenue and Shared Services Centre (RSSC) is in the process of enhancing the distribution process and upgrading the Systems to ensure that the City improves the service delivery that will improve Revenue collection by adding MMS Statements as a going Green Campaign. The current printing and posting Contract No. C281/10 with Mailtronics Direct Marketing CC as a service provider officially expired at the end of August 2013. Hence the request for extension for four months to facilitate the completion of the process for a new contract.
12. Extension of provision of GIS Enterprise License Agreement, technical support and development for the City of Johannesburg, R5,000,000.
Reason
The procurement for the new contract commenced in June 2013 and is to be replaced with contract 418/13, and due to delay in the procurement process it is envisaged that the new contract will only be awarded by mid December 2013. Due to this there will be no GIS Enterprise Licence Agreement, technical support and development for the City in place if the current contract is not extended for a period of approximately four (4) months to allow the conclusion of the tender process that is currently taking place to be concluded.
13. Ratification of Actions of Transport Rea Vaya in relation to Unauthorised Expenditure incurred for the provision of Financial Modelling and Advisory Service of Phase 1B, R793,921.
Reason
The Transport Department awarded a tender for Financial Advisory and Modelling Services to BnP Capital and Goba(Pty) Ltd for a period of 2 years. The reason for the extension was due to the fact that the Phase 1B negotiations were not finalised as well as the operational and business plans that were developed for Metrobus. At the time when the EAC approved the extension of BnP Capital contract, 20% of the budget was not spent. However after further investigation it was discovered that there were outstanding invoices which were not submitted to the Department and resulted in unauthorised expenditure of R793,921, hence the ratification.

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57. IRREGULAR EXPENDITURE (continued)

14. Authorisation for payment of suppliers appointed for repairs and maintenance outside the Panel 402/12, R167,530
Reason
The Housing department has been sourcing three quotes from suppliers who are on the COJ database for the repairs and maintenance of Housing stock. The regional officials only became aware of the existence of the panel when invoices were returned by Finance: Merchant Payments, informing 222 Smit Street finance officials that there is a panel for general repairs and maintenance. The invoices that were returned were for those of the contractors who were not in the panel of Contract 402/12, were the request for ratification as the department has not used an established panel of service providers as approved by the City.
15. Payment of a Supplier, BN Catering and Hospitality for Catering Services rendered for EMS, R27,000.
Reason
The interview for fire-fighters were held by the Human Resources division over a period of seventeen (17) days, due to the overwhelming response received for the advertisement. Three (3) catering companies were contacted telephonically and only one (1) company, BN Catering and Hospitality responded. The user department solicited the quotations telephonically and could not provide proof that they have solicited three quotations. The process followed was inadequate, hence the request for the ratification.
16. Payment of a supplier, Gourmet Food Services (Pty) Ltd for Catering rendered at EMS, R132,981.
Reason
The quotations were solicited from the service provider in Contract A473: Panel of Service Providers for the Event Management Services for the City of Johannesburg. Out of twelve (12) service providers that were contacted telephonically, only seven (7) responded. The service provider scored the highest number of points and was awarded the quotation. EMS failed to ensure that the full Supply Chain Management process (That the submission be signed by the delegated authority) was followed and continued to engage the service provider without the necessary approval.
17. Payment of LexisNexis (IR Network Solution) as Sole Service Provider, R2,202,043.
Reason
In the past, Group Central HR and Group Legal and Contracts solicited quotations for services that provide research engine licenses for law reports, cases, training etc, for HR related cases and ordinary cases. Three service providers Sabinet, Juta and LexisNexis submitted their products and were interviewed and presentations were held to determine which product best suits the requirements of the City. The product by LexisNexis proved to provide a reliable reference and research engine that can be used as a reference work. The City has been using the product by LexisNexis since then, hence the request to deviate from the normal procurement process and appoint LexisNexis to provide licenses and services to be used as a research engine for the City.
18. Deviation Report to rescind the first appointment of the Design Engineer in Terms of Contract A396 for the design, supply and installation of a Pedestrian Bridge at KYA Sands Informal Settlement and make a new appointment for same, R2,046,991.
Reason
Extension of scope of work and value for Kya Sands Pedestrian Bridge from 30m to 69.9m to avoid having to apply for water licenses of which the approval of the licenses could take between 18 to 60 months to be granted.
19. Extension of Lease to Accommodate the Department of Economic Development at Jorissen Place, Braamfontein, Estimated amount of R7,700,000.
Reason
Economic Development is currently occupying Jorissen Place, and the contract expired. The department is currently residing in the same building and awaiting the Kine Centre Building Lease Agreement with Medical Empowerment Consortium (Pty) Ltd.
20. Regularisation of Service Agreement entered into with PanSolutions Pty, R41,945 & R33,754.
Reason
During the 2012/13 financial year, the City instituted the Institutional and Policy Programme changes that resulted in the region performing increased functions of liaising and engaging with citizens through meetings and stakeholder forums. Also, the region has to embark on education and awareness campaigns as part of engaged citizenry trajectory. This in turn resulted in an increased need to duplicate copies of documents to be made available to citizens during public meetings. Hence the ratification.

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57. IRREGULAR EXPENDITURE (continued)

21. Payment of the Service Provider, R25,800.
Reason
The service provider (Cardinal Stationers) that was initially awarded the translation services advised the City a day before the Council meeting that they were unable to provide the translation services. The department approached Village Exhibitions and Events to provide the translation and interpretation services as there was not enough time to follow the normal procurement process. Hence the ratification.
22. Payment of the service provider, R46,349 & R68,433.
Reason
The department solicited three quotation from the panel of recruitment agencies, due to the delays in the approval of the department's organisational structure that resulted in the services and extension of contracts for a temporary receptionist, administration officer and personal assistant to the Executive Director: Group Assurance Services, the department had to extend the contract of the temporary staff services with NT Ngidi.
23. Ratification of the Actions of Group Human Capital Management in Relation to the over Expenditure on CEEF Breakaway R 5 738.
Reasons
The initial quotation for the CEEF Breakaway was R90,819. The Group Executive Director: Corporate Shared Services, later requested management representatives from different departments, be invited to attend the workshop. This, together with providing lunch for guest speakers and special dietary requirements for some of the attendees, resulted in an additional amount of R5,738 (VAT inclusive) being incurred, it was impractical at that stage and time to request new quotations for the additional requirement.
24. Ratification of actions of JMPD to pay Urban Brew for services rendered, R42 675.
Reason
After hiring mobile toilets during December 2013 and January 2014 from Urban Brew for the Inner City Clean-up Project, Hillbrow, an executive decision was taken to continue with the project. However, this resulted in the mobile toilets being retained for the month of February 2014, and we were only notified on the 03 February 2014 therefore it became impracticable and impossible to follow the normal procurement processes which then resulted in a deviation and thereafter ratification by the EAC.
25. Appointment of a Service Provider to produce Squeeze and Stings advertising material for the Joburg Open 2014, R103,254.
Reason
The department followed the normal procurement processes in terms of soliciting quotations from their panel (A474) but however their process was not completed as they did not comply with Practice Note 4 of 2011 (Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30,000 to R200,000 hence the ratification.
26. Extension of Joburg Tourism rental lease agreement, R140,000.
Reason
The Johannesburg Tourism Company (JTC) has been operating its head office at the Ground Floor, Grosvenor Corner, Parktown North since its inception in 2005. Due to the incorporation of JTC to Group Communication and Tourism Department (GC&T), the rental agreement for the current lease expires at end May 2014. GC&T is currently finalising new Tourism office space with the Joburg Property Company (JPC) at the Sandton Library (owned by the City of Johannesburg), Nelson Mandela Square. The process has not yet been finalised and is awaiting final signatures before a competitive bidding process can proceed in order to undertake the necessary renovations required for tourism and for the relocation. Hence the deviation.
27. Failure to obtain the necessary approval for quotations sourced from Panel A471 to secure exhibition and advertising space at the International Tourism Bourse (ITB 2014), R124,993.
Reason
The department followed the normal procurement process in terms of soliciting quotations from their panel (A471), but however their process was not completed as they did not comply with Practice Note 4 of 2011 (Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30,000 to R200,000 hence the ratification.

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57. IRREGULAR EXPENDITURE (continued)

28. Professional service providers to embark on the Consolidation, Subdivisions and Rezoning of the existing Industrial Township of Rand Leases Extension 5 to a Residential Township.
Reason
In 2010 City of Johannesburg's Housing Department conducted feasibility studies on land known as Rand lease Extension 5 which is currently zoned industrial. The Rand lease Extension 5 property is owned by the City of Johannesburg and has been invaded by approximately 150 families. The name of the informal settlement is Rugby Club which has been recorded under the City of Johannesburg's master list as per the report approved during January 2008. The available land has potential to yield +- 2500 housing opportunities. Following recommendations within the feasibility studies conducted, that Rand lease Extension 5 be developed as a mixed income residential development, the City of Johannesburg Housing Department commenced with the procurement of professional services providers from the approved panel of consultants A311 during October 2011. Professional services were procured in an effort to undertake consolidation, subdivision and rezoning of the existing industrial township of Rand leases Extension 5 to (conclude and submit a township establishment application for a mixed income), mixed residential development, this process was also employed as an endeavour to formalize existing informal settlements, in particular Rugby Club, within the City of Johannesburg and furthermore to provide housing opportunities to the surrounding communities. Aurecon South Africa (Pty) Ltd and Batalala Construction CC were appointed under Contract A311 as part of the upgrading of the existing informal settlement Rugby Club, and both their contracts expired in October 2012. Hence the request for the completion of the outstanding work as part of the consolidation, subdivision and rezoning of the existing industrial township of Rand leases Extension 5 to a residential township.
29. Supply Chain management policy not adhered to. Only one quote was sourced from one supplier for décor services needed for a council meeting held on 09 December 2013, R25,791.
Responsible official – Busisiwe Ngwenya: Director Legislative Oversight.
30. A temp worker was hired without adherence to the correct procedures being followed, R165,356.
Responsible official – Ntombifuthi Mbanjwa.
31. JPC transactions was previously captured under our books as irregular expenditure and it should have been under JPC Financials. JPC had an amount of R141,215 condoned and only R125,207 is awaiting condonement.
Reason
Disciplinary steps / Criminal proceedings : None
32. KRB Law Firm (A466)
Award made to supplier whose municipal accounts were in arrears for more than 90 days (overdue Ramapala W LMJ R46,570, issued on 02/05/2012, and Kunene 90 days overdue R5,204, 02/04/2012).
33. Axton Matrix Construction CC
Award made to supplier without submission of a valid original tax clearance certificate, R24,846,985.
34. M2M Projects CC, R2,472,462.
35. Iqhayiya
Award made to supplier without submission of a valid original tax clearance certificate and BBEEE scores awarded without a valid BBEEE certificate, R341,572.
36. Branded Head
Award made to supplier without submission of a valid original tax clearance certificate and BBEEE scores awarded without a valid BBEEE certificate, R124,993.
37. Vimtsiri Security and Protection Services, R15,103,757.

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58. IN-KIND DONATIONS AND ASSISTANCE

The Health Department received the following:

- Glucoflash plus glucometers safarmex-daibetic disease worth R200,000.
- Management patient files worth R73,847.

The JMPD Department received the following:

- 2X Canon DSLR EOS 1100D digital cameras @ R4,900 each.
- 2X Samsung H400 Video Cameras @ R2,800 each.
- 2X Bell IC DVR recorder @ R550 each.
- 16X SanDisk Cruzer Blade USB 32 memory sticks @ R400 each.
- 4X Laptop Computers @ R13,359.
- 4X Printers @ R3,214.
- Acer Projector @ R4,500.

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59. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
Contributions to organised local government				
Council subscriptions	10,264	9,620	10,264	9,620
Amount paid - current year	(10,264)	(9,620)	(10,264)	(9,620)
	-	-	-	-
Audit fees				
Opening balance	6,568	2,424	1,639	1,555
Current year audit fee	44,711	44,971	20,639	19,317
Amount paid - current year	(39,034)	(35,269)	(20,366)	(19,233)
Amount paid - previous years	(6,289)	(5,558)	-	-
	5,956	6,568	1,912	1,639
PAYE and UIF				
Opening balance	81,095	57,646	56,104	50,701
Current year payroll deductions	1,145,221	1,024,876	723,929	691,536
Amount paid - current year	(1,074,511)	(950,726)	(662,635)	(635,432)
Amount paid - previous years	(56,104)	(50,701)	(56,104)	(50,701)
	95,701	81,095	61,294	56,104
Pension and Medical Aid Deductions				
Opening balance	100,282	87,994	99,751	87,994
Current year payroll deductions and council contributions	1,888,314	1,666,802	1,358,500	1,247,514
Amount paid - current year	(1,781,180)	(1,566,520)	(1,251,794)	(1,147,763)
Amount paid - previous years	(99,751)	(87,994)	(99,751)	(87,994)
	107,665	100,282	106,706	99,751
VAT				
VAT receivable	437,437	151,448	429,077	143,845
VAT payable	(412,997)	(528,221)	-	-
	24,440	(376,773)	429,077	143,845

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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59. 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 2014. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2014	Outstanding less than 90 days Rands	Outstanding more than 90 days Rands	Total R
Clarke SNM	1,957	-	1,957
Dyodo P	1,190	2,517	3,707
Jane DK	534	14	548
Lemao SJ	3,911	586	4,497
Louw MA	2,866	1,260	4,126
Mahlanga JP	399	1,200	1,599
Matladi JM	-	19	19
Motlhamme SBE	518	43	561
Netnow DM	9,754	302,647	312,401
Nyengeza MP	274	1,194	1,468
Radebe C	2,589	13,890	16,479
Tsobane MM	1,413	165	1,578
	25,405	323,535	348,940

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59. 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 2013. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2013	Outstanding less than 90 days (Rands)	Outstanding more than 90 days (Rands)	Total R
Jane DK	534	14	548
Jane DK	523	1	524
Mackay G	1,877	1,037	2,914
Mahlanga JP	574	889	1,463
Matladi JM	-	125	125
Mazibukwana M	147	815	962
Nefotoni RT	290	4,447	4,737
Netnow DM	7,364	279,656	287,020
Ntombela-Letsolo P	784	2,579	3,363
Nyengeza Mp	134	337	471
Pretorius LR	516	4,241	4,757
Valentine ML	465	223	688
Valentine ML	73	45	118
	13,281	294,409	307,690

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59. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)				
During the year under review the following Councillors' had arrear accounts outstanding for more than 90 days.				
		Highest outstanding amount > 90 days	Total (Rands)	Comments
Clarke SNM		-	70	
Dawes RIH		17,444	19,113	Up to date
Dyodo P		2,517	3,707	
Hlomendlini IN		4,962	7,038	Salary deduction
Jane DK		548	2,421	
Jane DK		241	2,108	Up to date
Kekana S		417	1,170	Up to date
Lemao SJ		586	4,496	
Louw MA		2,150	4,919	
Mabunda HD		1,291	5,909	Up to date
Mackay G		721	2,553	Up to date
Mackenzie C		138	1,498	Up to date
Mafuna MS		706	1,764	Up to date
Mahlanga JP		1,200	1,574	
Mahlatsi WJ		110	1,230	Up to date
Maimane MA		307	4,500	Up to date
Mathang RF		479	2,366	Up to date - Salary deduction
Matladi JM		125	125	
Matlou MG		451	3,067	Up to date
Mazibukwana M		238	449	Up to date
Motlhamme SBE		43	561	
Mulauzi MS		819	3,522	Up to date
Nefotoni RT		4,042	4,663	Up to date - Salary deduction
Netnow DM		302,647	312,401	
Nkqayi ZE		468	1,742	Up to date
Ntombela -Letsolo P		4,296	5,480	Up to date -Salary deduction
Nyengeza MP		1,194	1,469	
Pretorius LR		3,678	4,148	Up to date - Salary deduction
Radebe C		15,281	17,873	
Ramaru G		3,533	5,417	Up to date
Thomo JJ		565	1,304	Up to date
Tsobane MM		311	1,683	
Valentine ML		269	906	Up to date
Zulu MH		203	545	Up to date
		371,980	431,791	-

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60. 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

Joburg Market SOC Limited

1.	Sole supplier deviations	R275,278.
2.	Single source deviations	R28,000.
3.	Extension of contracts	R1,196,725.
6.	Avoidable deviations	R297,300.

Johannesburg Social Housing Company SOC Limited

1.	Human Communications - Placed a notice/brief on Sunday World about Industrial Action, R11,012.
2.	21st Century - Job grading services, R61,560.
3.	Kya Guards - Guarding offices during Industrial Action, R10,759.
4.	E. Martin - Conflict resolution consultation during Industrial Action, R2,850.
5.	Werksmans Attorneys - Involved in labour relations matters during Industrial Action, R217,595.
6.	Sinden & Associates - Private investigation services as a staff member's life was in danger due to the duties she carried out, R20,538.
7.	Eller Security Services - Provided security services during eviction in Pennyville, R285,000.
8.	PC Plug - BIC reporting tool updates, R5,706.
9.	Dempster McKinnon - Cost of property and conveyancing fees for property (195 Commissioner Street Johannesburg), R6,987,261.
10.	MDA Property Systems - License renewal, R193,408.
11.	Ethiqs - Professional Services - Antea Hostel, R1,133,258.
12.	BKS/ AECOM - Professional Services - Orlando Ekhaya Hostel Project, R12,183,346.
13.	Shabangu Architects - Professional Services - Dobsonville, R21,000,000.
14.	Delta-Link (Mfiles) - Migrating files/data between servers, R4,446.
15.	The Housing Development Agency - ERF 4570 and ERF 4897 transferred by Housing Development Agency (HDA) to JOSHCO, R30,000,000.
16.	Mahlatsi Tumelo - Professional Services - Selby Hostel, R5,762,145.

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

Johannesburg Roads Agency SOC Limited

- Emergency repairs to damaged embankment causing a mudslide at M1 southbound near Killarney - Bophelong Construction (Pty) Ltd: R197,122.
- Emergency procurement of asphalt for the launch of the resurfacing programme (the Asphalt Plant was down) - Much Asphalt: R299,592.
- Emergency repairs to Asphalt Plant after a lighting strike hit the plant – Powerbars and Controls: R50,170.
- Supply of asphalt when the plant is not operational as and when required until panel of service providers were appointed: R1,997,280.
- Emergency repairs of a sinkhole on Empire Road: SCIP Engineering Group: R3,149,000.
- Emergency roof repairs at regional and strategic asserts depots as well as Head Office – MJP Projects: R3,698,865.
- Emergency appointment for the reconstruction of a storm water culvert in Empire Road, Parktown – WBHO Construction (Pty) Ltd: R21,586,647.
- Consulting engineers for the investigation, design and construction monitoring of the sinkhole at 33 Quellerie Street, Witpoortjie: R1,365,756.

Pikitup Johannesburg SOC Limited

- | | | |
|-----|--------------------------------------|-----------|
| 1. | Repairs and maintenance of equipment | R110,265. |
| 2. | Plumbing services | R62,324. |
| 3. | Cleaning | R68,421. |
| 4. | Information Technology | R175,462. |
| 5. | Consulting and advisory | R336,290. |
| 6. | Conference | R41,643. |
| 7. | Training | R81,599. |
| 8. | Casual workers | R200,467. |
| 9. | Advertising | R9,228. |
| 10. | Staff Welfare | R62,700. |
| 11. | Subscriptions | R5,000. |

City Power Johannesburg SOC Limited

- Emergency replacement of cable in Nick Toomey Street R102,310.
- Emergency replacement of air conditioners R30,000.
- Emergency repairs to feeder cable supplying Bridgeport substation R70,000.
- Emergency repairs to 88kV cable between San Souci and Ridge substation R682,155.

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

5. Emergency procurement for the production of a dvd covering strike activities R32,000.
6. Emergency repairs to cable at Penny street substation R1,010,259.
7. Emergency procurement for security resources to secure substations and other hotspots R9,011,569.
8. Emergency repairs to faulty cable on Cydna R1,100,000.
9. Emergency repairs to tripped cable R120,000.
10. Emergency repairs to cable in the Westgate shopping centre area R120,000.
11. Emergency repairs to Robertville substation R15,000,000.
12. Emergency procurement for outages notices R22,395.
13. Emergency repairs to transformers and cable at Ridge substation R600,000.
14. Emergency repairs to cable at Florida substation R700,000.
15. Emergency replacement of low voltage fuse units R2,367,548.
16. Emergency procurement of temporary switchboard rental R4,000,000.
17. Emergency procurement of internal firewall to replace Microsoft TMG firewall R500,000.
18. Emergency procurement of medical practitioner R201,000.
19. Emergency procurement of metering equipment R11,921,000.
20. Emergency repairs on Nirvana 88kV overhead transmission lines and towers R12,378,826. An additional amount of R7,669,553 is being paid in the new financial year.
21. BDFM - Advertising R645,373.
22. Sowetan - Advertising R963,249.

The entity applies multi year budgeting for it's capital programme in line with section 16(3) of the MFMA. An over expenditure of R275,000,000 was incurred against budget during the year. The entity has fully complied with the requirements of section 31 of the MFMA in appropriating the funds.

Johannesburg City Parks NPC

1. Purchase order REQ14157 for procurement of trees for Madiba Day event was made to Brandopp (Pty) Ltd for the amount of R400,000 as they are the sole provider of the project.
2. Purchase order REQ13994 for procurement of Billboards adverts was made to Prime Media (Pty) Ltd for the amount of R187,140 as they have sole ownership of the particular required advertising sites.
3. Purchase order REQ13997 for procurement of Pole adverts was made to Fikelela Media (Pty) Ltd for the amount of R28,845.00 as they are the sole provider that can sell and place advertisements on poles in Johannesburg.
4. Purchase order REQ13983 for procurement of Bus Shelter adverts was made to Pro-Vantage (Pty) Ltd for the amount of R173,820 as they are the sole provider that can sell and place advertisements on bus shelters in Johannesburg.
5. Purchase order REQ14096 for procurement of the running of the Musical Fountain at Pioneer Park Pool was made to Pool Spa for the amount of R107,420 as they are the sole provider of the required service.

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

- Purchase order REQ15382 for procurement of a cisco catalyst was made to Dimension Data for the amount of R221,579 as emergency network switches were damaged during ESKOM's load shedding and as a result thereof connectivity was lost at JCPZ Head Office.
- Purchase order REQ15759 for procurement of the installation of an animal incinerator was made to Johnson Thermal Engineers for the amount of R1,982,611 as they were the only service provider's that responded to a bid that was advertised twice.
- Purchase order REQ16006 for procurement of Tropical fish for the Temple of Ancient was made to WCB Imports for the amount of R1,087,028 as the project was advertised twice with no good response.

Johannesburg Development Agency SOC Limited

- Tender advert period reduced from 30 days to 14 days – R2,476,941.

Johannesburg Water SOC Limited

- Emergencies: procured via negotiations at bid committees R9,441,000 while those procured via written price quotations amounted to R9,289,000. Thus total spent R18,730,000.
- Sole suppliers: procured via negotiations at bid committees R49,456,000, while those procured via written price quotations amounted to R14,686,000. Thus total spent R64,142,000.
- Impracticality: procured via negotiations at bid committees R70,829,000, while those procured via written price quotations amounted to R35,747,000. Thus total spent R106,576,000.

The above indicates instances where it was impractical to invite competitive bids for the entity's specific requirements. The entity's supply chain management policy and the Local Government Municipal Finance Management Act, 2003 as per Regulation 36 (1) allows the Accounting Officer to dispense with the official procurement processes established, to procure any required goods or services through any convenient process which may include direct negotiations or price quotations in the following instances:

Emergencies – where immediate action is necessary to avoid a dangerous or risky situation or misery or disaster. Sole suppliers – where such goods or services are produced or available from a single provider only. Any other exceptional cases where it is impractical or impossible to follow the official procurement processes.

It is further noted that the deviations referred to above have been ratified by the Accounting Officer on a monthly basis and the appropriate reasons recorded, where officials or bid committees acted in terms of delegated powers which are purely of a technical nature. All these deviations have also in terms of the regulations been reported to the board of directors as required. Total deviations of R189,400,000, (2012/13: R244,600,000) for the period under review indicates a 22.6% year on year improvement.

Joburg Theatre SOC Limited

- Acquisition of Trainers/Facilitators for Youth Development Workshops and Training Programmes 2013/2014 - R300,000, the Acquisition of Skilled Professional Production Company (Exceptional Case).
- In-House Productions at Joburg - Monthly Python Spamalot; 2014 Pantomime, Peter Pan; Anthems of Democracy-R4,255,000. Acquisition of creative properties for in-house production and Acquisition Services from Marketing Partners/Special Barter, Arrangements for Individual Productions Presented at Joburg City Theatres for 2013/2014 Financial Year (Special works of art – specifications are difficult to compile and Special barter arrangements).

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

3. In-House productions At Soweto Theatre - Freedom Tales; Eclipse; Are you Dik; Book of Rebellations; Dlala Mapantsula; And the Girls in their Sunday Dresses; Skierlik; Freedom tales; Birthday Celebrations and Ndlovukazi R2,098,080. Acquisition of creative properties for in-house productions and co-productions and utilisation of specific media suppliers to provide services to the Soweto theatre and the acquisition of programming and event management services for the Soweto theatre celebration (Special works of art; media advertising and event management specifications are difficult to compile).
4. In-House Productions at Roodepoort Theatre - My Band project; Too Much Punch for Judy; Youth and Community Projects; Aria Opera; Soofah Comedy; Charl du Plessis – R 1,449,328. Acquisition of creative properties for in-house productions and co-productions (Special works of art –specifications are difficult to compile).
5. Artslink – R7,800. Arts Website Distributing Theatre Information (Sole Supplier).
6. Carel Controls – R26,895. Control for Air Handling Units for Building Management System (Sole Supplier of Original. Parts Needed For Maintenance).
7. Cool Runners – R11,746. Ola Ice-Creams (Sole Supplier).
8. CQS Consulting – R48,645. Renewal of Caseware Licence (Sole Supplier).
9. Datategra - R59,713. Antivirus (Sophos) (Sole Supplier).
10. Drain Surgeon – R31,444. Unblocking Of Drain /Burst Manhole (Emergency).
11. DWR Distributors – R103,796. Le Maitre Haze/Smoke Machine; LSC Haze machine fluid; repair of robe fixtures; DF 50 Haze Fluid. (Sole Supplier).
12. Electrosonic SA CC - R820,377. Electrosonic (Jem Martin Splitter; versalight LED RGB high power PAR64 3W) (Sole Supplier).
13. Finware – R37,356. Data Integration (Exceptional Case).
14. Indian Spice Website – R3,050. Marketing for History of India Production (Website Targeted At Indian Communities).
15. Intellpark – R2,301. Card Reader (Sole Supplier).
16. Jubzin Security – R2,500. Staff Transportation (Additional Staff Transportation).
17. Kena Media – R7,763. Billboard Services in Locations That Service Community of Soweto (Sole Supplier).
18. MGG Production – R12,013. Show Merchandise (Show Settlement; History of India) (Exceptional Case).
19. Mocon Systems – R19,289. Stage Wagon (Sole Supplier).
20. Moody & Robertson – R7,247. Legal services (Exceptional case).
21. Noona Creations – R82,570. Upgrade of Auditorium and Restaurant – Roodepoort Theatre (Additional Work Performed On Bid 00030/13).
22. Prosound (Pty) Ltd – R38,273. Sound equipment (Sole Supplier).
23. Quattro Security – R16,006. Security Additional Security for Youth Arts Festival.
24. Red Base Services CC – R314,457. Upgrade to the Air-Conditioning for the Dressing Rooms (Sole Supplier).
25. Rock It Cargo – R27,375. Clear Of Shipment from UK (Sole Supplier).

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

26. SA Institute of Government Auditors – R8,892. Annual Subscription (Sole Supplier).
27. Sage Pastel – R32,300. Renewal of Pastel Partner and Pastel Payroll Licence (Sole Supplier).
28. SAMRO – R98,577. Performing Rights Fees Musical Shows Licence (Sole Supplier).
29. Schindler Lifts – R314,457. Lifts Maintenance (Sole Supplier).
30. Sennheiser Electronics – R65,167. MK E2 EW Gold microphones (Sole Supplier).
31. Slo Jo – R16,627. Slo - Jo Syrups (Sole Supplier).
32. Slush Puppy – R 9,047. Slush Puppy Syrups (Sole Supplier).
33. Sono Luminus – R3,215. Atomizer Units for Tiny Fogger Vaporiser Units.
34. Starcoded Solutions – R7,980. IT consultant (Extension on month to month contract).
35. Sysman Public Safety Systems – R12,735. Radio Link Soweto Theatre to Emergency Services (Sole Supplier).
36. Thompson Attorneys – R93,318. Appointment as Initiator of a Disciplinary Hearing (Exceptional case).
37. Toyota Westrand – R12,970. Service On Motor Vehicle (Original Dealer /Supplier).
38. Video Africa – R15,480. Show merchandise (Exceptional case paid the supplier on behalf of an international show).
39. G4S – R53,724. Cash collection services (Ratification of minor breaches).
40. Svend's Violin – R8,375. Rental of Double Bass (To hire one double bass for "Tango Fire" on behalf of the producers at their request. The amount to be deduct from their final settlement).
41. Westpoint Executive Suites – R214,500. Accommodation for Tango Fire Dance Company (Exceptional Case).
42. PNA Flora – R2,703. Compliance with various acts by acquiring and displaying appropriate documentation in the form of Basic Conditions of Employment, Summary of Employment Equity Act and the Occupational Health and Safety Act. (Exceptional Case).
43. Continental outdoor – R2,264,435. Billboard (Sole Supplier).
44. MZ security services – R59,202. Repairing of central processing unit of the building management system (Sole Supplier).
45. New way power – R6,669. Inspections, regulated refilling and maintenance of stand by generator at Soweto Theatre (Sole Supplier).
46. The fine art travel – R32,970. Transportation for Tango Fire (Exceptional case).
47. South African State Theatre – R2,527. Props hire for Tango Fire (Exceptional case).
48. Zwane media – R4,200. Billboard advertising for productions at Soweto Theatre (Sole Supplier).
49. Alive advertising – R22,914. Billboard advertising in the M1 south (Sole Supplier).

Johannesburg Metrobus Company (Pty) Ltd

1. Month-to-month extensions. The irregular expenditure relates to month-to-month extensions that was granted to existing suppliers pending tender procedures. The tender procedures have been completed for 100% of all contracts involving month to month extensions, R1,811,004.

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

- Non-application of SCM Policy. The irregular expenditure relates to proper tender procedures not being followed. The tender procedures have been completed in 100% of all contracts were proper tender procedures had previously not been followed, R942,801 and R1,450,915.
- Quotation based. The irregular expenditure relate quotation based suppliers. Declarations of independence were not obtained for these suppliers. Declarations have subsequently been obtained, and were requested during the year, R111,522.
- Contract amount exceeded. The irregular expenditure relate to contracts on which the contracted amounts have been exceeded. The expenditure is directly related to unexpected or unplanned bus breakdowns which cannot be foreseen, but which have to be fixed. The tender procedures have been completed in 100% of all contracts involving contract amounts being exceeded, R4,745,759 and R765,832.
- Deviations. The expenditure relates to deviations approved by the accounting officer as required by the procurement regulations. Deviations based on urgency and emergency have been approved by the Accounting Officer, R19,617,959 and R15,519,615.

Johannesburg Property Company

- Emergencies, Superb Remedial Contractors, R2,343.
- Sole Service Providers, Innate Investment Solutions and Schindler Lifts, R1,808,297.
- Extensions on operating lease rentals, R39,079,012.
- Extensions on cleaning contracts, R9,649,274.
- Extensions on other contracts, R7,968,928.

CORE

1st Quarter Deviations.

- Payment for the Discovery 702 Walk the Talk Event for 2013. R62,598.
Reason
Primedia Broadcasting is the Sole Provider of Discovery 702 Walk the Talk.
- Payment of the services provided during the Launch of the IDP Outreach Process held on the 9th April 2013, R460,467.
Reason
Quotations were solicited from service providers on Panel A473, however the request for the planning and facilitation of the IDP outreach programme was only communicated to the department two days before the event, and hence the department could not fully comply with the Supply Chain Management policies and procedures in the engagement of the service provider. The service provider was therefore engaged without proper Supply Chain Management process fully being complied with.
- Deviation for Expenditure incurred on EOH Contract No. A392 Where amount has been exceeded. R8,650,933.
Reason:
The Revenue and Customer Relations Management Department requested the assistance of EOH resources in the clearing or error logs for Billing, Invoicing and the Print Workbench.

These extra resources were not included in the initial budget for 1st Line and 2nd Line SAP Support. The huge volume of errors was impacting on Revenue performance, with the bill quality an bill quantity.

The additional services requested resulted in the budgeted amount to be exceeded by R8,650,933. Hence the deviation.

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

4. SAP Training: Management Support R373,464.
Reason
SAP Africa is the Sole Provider.
5. Proposed lease of rental agreement with current vendor for office accommodation and facilities for 28 Harrison Street Building, R3,001,786.
Reason
Revenue Services is currently occupying 28 Harrison Street, and the contract expired on the 20th June 2013. The department is currently residing in the same building and to the fact that the public are familiar with the place it will i.e.impractical for the department to go on tender to relocate their offices.
6. Extension of the Contract with CAB Holding (Pty) Ltd for the Printing of Payslip, IRP 5's and Payslip A4 Bound Booklets for Seven Months. R306,000.
Reason
Transactional Services in consultation with SCM started an investigation of the implications for the provision of Electronic Payslips for employees and councillors. It was established that the E-Services can only be rolled out once SAP HCM 4.7 System is upgraded to SAP ECC6.
It is for the above reason that to be able to provide a continuous service of RIP 5 and Read Payslip, the services of CAB Holding (Pty) Ltd needs to be extended for the period of six months, and during this period the tender process will be followed to appoint a new Service Provide.
7. Agreement with the SPCA within various areas in the City to render Animal Pound related services on behalf of the Council, R5,487,153.
Reason
The SPCA is the only society registered in terms of legislation in South Africa to enforce the Animal Protection Act and other relevant legislation and therefore the only body suitable for rendering these services on behalf of Council.

2nd Quarter Deviations.

8. Deviation from the normal procurement processes for the use of High Site Providers: ESKOM, MULTISOURCE and WEBB INDUSTRIES, R2,975,870.
Reason
The department requested that Eskom, Multisource and Webb Industries to be appointed as sole providers due to the fact that they are each sole owners of the strategically positioned sites and no substitute sites with the area coverage of each is available. GICT & IM still needs to provide this network service due to the BOT project lack of readiness to take over this service.
9. Request for authority to proceed with the implementation of the SAP Enterprise resource planning (ERP) System Upgrade Prerequisites, R63,000,000.
Reason
SAP Africa is the sole owner of the Original Product Designer and License issuer of SAP upgrades and licences.
10. Renewal of the PWC Combined Systems, Baud Premier Licences for COJ Asset Verification Process, R400,000.
Reason
The Assets Monitoring and Accounting Department has in the past procured a business solution in managing the assets of the City. Contract A293 expired in 2013, as a result the Assets Monitoring and Accounting Department could no longer pay the payable annual Licence fee for the usage of the BAUD PREMIER system that the City is using for the annual asset verification process under the SCM processes.
The risks of changing suppliers that assist COJ in the preparation of the asset verification process are that, the National Treasury Standard Chart of Accounts (SCOA) Requirements and Operational Challenges, and considering the pending Municipal SCOA Regulation the National Treasury issued MFMA Circular No. 57 Municipal Financial Systems and Processes.
However, municipalities are strongly advised not to proceed with any configuration or upgrades to their current core financial system owing to pending requirements of the SCOA Regulations, hence the request for a deviation in terms of Reg 36(1)(a)(v) to proceed to procure the licences of a Software the City already provided previously and has been in use.

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

11. Payment of a Service Provider for Temporary Emergency Accommodation Facilities rendered by Methodist Evangelical Services (MES). Ekerhuleni - R1,570,257.44 and Linatex - R1,380,689.
Reason
As per the judgement handed down by the ConCourt in December 2011 the COJ was obligated to provide temporary emergency accommodation to evictees from both private and state led eviction matters, that will be rendered homeless as result of the eviction. The Blue Moonlight decision necessitated the COJ to have in place a model for providing such temporary accommodation, hence the MES was requested to refurbish the Ekuthuleni and Linatex facilities to accommodate the evictees in the Blue Moonlight matter and Chang Hua Tikwelo House matter.
12. Condonation and Ratification with Long Term Resolution, R25,791.
Reason
Ratification and condonation of the actions of the COJ Legislature Officials for utilizing Events Galore for the provision of décor services in the absence of a Request for Quotation and Purchase Order number for the Special Council Meeting held on 09 December 2013, as a memorial service for the former President, Dr Nelson Mandela.
13. Office Accommodation of Group Risk & Assurance Services Department at 48 Ameshoff Street Building, R15,079,699.
Reason
To Request the Executive Adjudication Committee (EAC) to rescind the approval of Office Accommodation in 125 Simmonds Street for the Group Risk and Assurance Services Department (GRAS). This office building was sold to City Campus while the Department was in the process of obtaining approval from the EAC.
To seek the approval for the Department to enter into a three year lease agreement for suitable and adequate office space at 48 Ameshoff Street.
14. Ratification: Reg. 36(1)(b) Ratification of Actions of Community Development to pay Microsoft CorporationI for services rendered, this was Renewal Of The Microsoft Enterprise Agreement For A Period Of Three Years R95,042,005.

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61. 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 79%

CASH FLOW RESERVE

Opening Balance	54,928	94,065	54,928	94,065
Fair value movement - SWAP	(20,723)	(39,137)	(20,723)	(39,137)
	34,205	54,928	34,205	54,928
Interest expense recognised in the statement of financial performance during the financial period	34,205	35,509	34,205	35,509

SWAP value represents the clean fair value as at 30 June 2014 (all inclusive price less any SWAP interest accrual outstanding).

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62. RELATED PARTIES

Relationships

Controlling entity

Other members of the group

City of Johannesburg Metropolitan Municipality
 Johannesburg City Parks NPC
 Johannesburg Metropolitan Bus Services SOC Limited
 Johannesburg Social Housing Company SOC Limited
 City Power Johannesburg SOC Limited
 Johannesburg Development Agency SOC Limited
 Johannesburg Roads Agency SOC Limited
 Johannesburg Water SOC Limited
 Joburg Theatre SOC Limited
 Joburg Market SOC Limited
 Pikitup Johannesburg SOC Limited
 City of Joburg Property Company SOC Limited
 Golden Triangle Development Company (Pty) Ltd

Joint ventures

Related party balances

Amounts included in Loans,

Trade and other receivables regarding related parties

City Power Johannesburg SOC Limited	2,706,007	3,553,737
City of Joburg Property Company SOC Limited	414,101	1,263
Johannesburg City Parks NPC	69,445	36,481
Johannesburg Development Agency SOC Limited	11,503	554
Johannesburg Metropolitan Bus Services SOC Limited	242,558	166,554
Johannesburg Roads Agency SOC Limited	208,006	154,394
Johannesburg Social Housing Company SOC Limited	36,586	98,318
Johannesburg Water SOC Limited	3,921,665	3,175,360
Pikitup Johannesburg SOC Limited	1,130,326	414,767
Joburg Theatre SOC Limited	2,550	2,935
Joburg Market SOC Limited	153,968	175,935
	8,896,715	7,780,298

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62. RELATED PARTIES (continued)

Amounts included in Loans,

Trade and other payables regarding related parties

City Power Johannesburg SOC Limited	2,704,046	3,294,211
City of Joburg Property Company SOC Limited	393,954	96,945
Johannesburg City Parks NPC	533,864	414,726
Johannesburg Development Agency SOC Limited	493,165	196,307
Johannesburg Metropolitan Bus Services SOC Limited	32,233	-
Johannesburg Roads Agency SOC Limited	557,449	570
Johannesburg Social Housing Company SOC Limited	141,786	124,812
Johannesburg Water SOC Limited	688,680	277,848
Pikitup Johannesburg SOC Limited	912,256	236,654
Joburg Theatre SOC Limited	6,046	2,634
Joburg Market SOC Limited	94,463	67,706
	6,557,942	4,712,413

Related party transactions

Revenue from related parties

City Power Johannesburg SOC Limited	437,454	534,975
City of Joburg Property Company SOC Limited	4,575	134
Johannesburg City Parks NPC	49,649	34,560
Johannesburg Development Agency SOC Limited	27,380	-
Johannesburg Metropolitan Bus Services SOC Limited	21,517	6,681
Johannesburg Roads Agency SOC Limited	32,932	39,889
Johannesburg Water SOC Limited	565,205	581,916
Pikitup Johannesburg SOC Limited	60,096	37,287
Joburg Theatre SOC Limited	6,742	7,322
Joburg Market SOC Limited	17,710	54,487
	1,223,260	1,297,251

Operating Expenditure

City Power Johannesburg SOC Limited	178,067	239,152
City of Joburg Property Company SOC Limited	282,970	136,775
Johannesburg City Parks NPC	585,177	517,966
Johannesburg Development Agency SOC Limited	775	29,913
Johannesburg Metropolitan Bus Services SOC Limited	1,346	319,450
Johannesburg Roads Agency SOC Limited	660,483	499,308
Johannesburg Social Housing Company SOC Limited	-	16,900
Johannesburg Water SOC Limited	12,531	4,066
Pikitup Johannesburg SOC Limited	583,788	1,169,497
Joburg Theatre SOC Limited	63,913	37,994
Joburg Market SOC Limited	8,614	2,291
	2,377,664	2,973,312

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63. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

During the year under review the municipality gave the following award to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state for the previous twelve months

Name of the person (Service of the State)	Capacity	Name of the person/company award	Name of company	Amount
Hamilton Nhlapo	Operational Manager	Nokukganya Eugenia Nhlapo	MKN Clothing CC	44,810
Amelia Cynthia Marks	Operational Manager	Andrew Richard Marks	Andrew's Blinds CC	28,574
Stephen Lethoba	Corporate services	Joyce Lethoba	Balotech 242	-
Miriam Moalusi	Operational Manager	Samuel Moalusi	Temoso Trading 387 CC	240,111
Sello Mashao Rasethaba	Ward Comm Member	Galetlane Juliana Rasethaba	Trudon pty Ltd	2,330,899