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CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
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)

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 158 Loveday Street Braamfontein 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

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

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Abbreviations

AUC	Assets Under Construction
BESA	Bond Exchange South Africa
CJMM	City of Johannesburg Metropolitan Municipality
WIP	Work In Progress
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
DMTN	Domestic Medium Term Note
GAMAP	Generally Accepted Municipal Accounting Practice
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
MIG	Municipal Infrastructure Grant (Previously CMIP)
NDR	Non-distributable Reserve
PAYE	Pay As You Earn
PPE	Property, plant and equipment
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SARS	South Africa Revenue Services
SCA	Supreme Court of Appeal
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation

Municipal Manager's approval of the Annual Financial Statements

I am responsible for the preparation of the 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 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

Statement of Financial Position as at 30 June 2014

Figures in Rand thousand	Note(s)	2014	2013 Restated*
ASSETS			
Current Assets			
Inventories	3	113 073	119 852
Loans to Municipal Entities	4	980 592	906 089
Other financial assets	5	186 361	38 851
Finance lease receivables	6	80 984	34 485
Trade and other receivables	7	3 348 662	1 599 850
VAT receivable	8	429 077	143 845
Consumer debtors	9	649 517	401 461
Other financial assets at fair value	10	1 401 255	619 364
Cash and cash equivalents	11	5 144 077	5 193 519
		12 333 598	**9 057 316**
Non-Current Assets			
Investment property	12	1 261 859	1 290 199
Property, plant and equipment	13	28 339 489	26 304 564
Intangible assets	14	234 260	197 117
Heritage assets	15	590 473	590 208
Investment in Municipal Entities	16	407 442	181 985
Loans to Municipal Entities	4	4 997 924	5 256 977
Other financial assets	5	104 332	284 317
Finance lease receivables	6	193 949	114 116
Consumer debtors	9	-	36 483
Other financial assets at fair value	10	1 832 005	1 972 106
		37 961 733	**36 228 072**
Total Assets		**50 295 331**	**45 285 388**

* See Note 44

Statement of Financial Position as at 30 June 2014

Figures in Rand thousand	Note(s)	2014	2013 Restated*
LIABILITIES			
Current Liabilities			
Loans and borrowings	18	970 551	624 610
Finance lease obligation	19	76 595	82 884
Trade and other payables	20	10 311 298	8 598 755
Obligations arising from conditional grants and receipts	21	835 072	1 356 139
Provisions	22	25 537	-
Financial liabilities at fair value	25	7 816	9 609
		12 226 869	**10 671 997**
Non-Current Liabilities			
Loans and borrowings	18	12 419 473	11 381 478
Finance lease obligation	19	316 964	379 237
Employee benefit obligation	23	1 843 061	1 863 909
Provisions	22	20 000	20 000
Deferred income	24	48 879	51 804
Financial liabilities at fair value	25	46 297	67 020
Consumer deposits	26	25 320	26 402
		14 719 994	**13 789 850**
Total Liabilities		**26 946 863**	**24 461 847**
Net Assets		**23 348 468**	**20 823 541**
NET ASSETS			
Reserves			
Cashflow hedge reserve		(37 721)	(54 928)
Accumulated surplus		23 386 189	20 878 469
Total Net Assets		**23 348 468**	**20 823 541**

* See Note 44

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Income from agency services		193 643	199 813
Interest received		1 150 706	1 087 639
Licences and permits		1 170	958
Other revenue	31	717 857	783 702
Rental of facilities and equipment		82 749	84 985
Reversal of impairment		190 927	-
Sale of housing stock		-	6 973
Service charges	29	255 674	1 022 146
Total revenue from exchange transactions		**2 592 726**	**3 186 216**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	7 549 458	5 990 230
Transfer revenue			
Fines		190 184	320 336
Government grants	30	7 680 513	6 724 543
Public contributions, donated and contributed property, plant and equipment		14 923	2 961
Total revenue from non-exchange transactions		**15 435 078**	**13 038 070**
Total revenue		**18 027 804**	**16 224 286**
Expenditure			
Employee related costs	32	(4 468 941)	(4 270 844)
Remuneration of councillors	33	(120 639)	(110 411)
Provision	22	(25 537)	-
Depreciation and amortisation	34	(1 435 240)	(1 430 115)
Impairment losses	35	(58 579)	(51 501)
Finance costs		(1 526 624)	(1 494 858)
Allowance for impairment of current receivables	36	(831 285)	(1 227 499)
Repairs and maintenance		(286 705)	(138 639)
Contracted services	37	(1 314 406)	(1 134 224)
Grants and subsidies paid	38	(2 548 017)	(2 776 211)
Cost of housing sold		-	(9 856)
General Expenses	39	(2 813 504)	(2 575 500)
Total expenditure		**(15 429 477)**	**(15 219 658)**
Operating surplus		**2 598 327**	**1 004 628**
(Loss) gain on disposal of assets		(522 911)	38 777
Fair value adjustments	40	111 973	162 699
		(410 938)	**201 476**
Surplus for the year		**2 187 389**	**1 206 104**

* See Note 44

Statement of Changes in Net Assets

Figures in Rand thousand	Hedging reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	(94 065)	19 020 708	18 926 643
Adjustments			
Prior year adjustments	-	454 027	454 027
Balance at 01 July 2012 as restated*	**(94 065)**	**19 474 735**	**19 380 670**
Changes in net assets			
Amount recognised directly in other comprehensive income during the year	39 137	-	39 137
Land recognition	-	197 630	197 630
Net income (losses) recognised directly in net assets	39 137	197 630	236 767
Surplus for the year	-	1 206 104	1 206 104
Total recognised income and expenses for the year	39 137	1 403 734	1 442 871
Total changes	39 137	1 403 734	1 442 871
Opening balance as previously reported	(54 928)	20 254 593	20 199 665
Adjustments			
Prior year adjustments	-	623 876	623 876
Restated* Balance at 01 July 2013 as restated*	**(54 928)**	**20 878 469**	**20 823 541**
Changes in net assets			
Amount recognised directly in other comprehensive income during the year	17 207	-	17 207
Land recognition	-	320 331	320 331
Net income (losses) recognised directly in net assets	17 207	320 331	337 538
Surplus for the year	-	2 187 389	2 187 389
Total recognised income and expenses for the year	17 207	2 507 720	2 524 927
Total changes	17 207	2 507 720	2 524 927
	-	-	-
Balance at 30 June 2014	**(37 721)**	**23 386 189**	**23 348 468**

* See Note 44

Cash Flow Statement

Figures in Rand thousand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		6 384 601	7 086 429
Grants		7 159 446	7 282 966
Interest income		944 772	855 851
		14 488 819	15 225 246
Payments			
Cash paid to suppliers and employees		(10 114 260)	(8 149 752)
Finance costs paid		(1 530 486)	(1 568 281)
		(11 644 746)	(9 718 033)
Net cash flows from operating activities	41	**2 844 073**	**5 507 213**
Cash flows from investing activities			
Purchase of capital assets	13	(3 411 073)	(1 786 415)
Investment in sinking fund	15	(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	5	61 950	279 258
Loans to Municipal Entities		(1 001 111)	(747 729)
Net cash flows from investing activities		**(4 110 580)**	**(1 540 434)**
Cash flows from financing activities			
Proceeds from borrowings		2 066 000	703 000
Repayment of borrowings		(662 571)	(1 473 589)
Finance lease obligation		(68 562)	71 430
Repayment of post retirement benefits		(117 802)	(116 715)
Net cash flows from financing activities		**1 217 065**	**(815 874)**
Net increase/(decrease) in cash and cash equivalents		**(49 442)**	**3 150 905**
Cash and cash equivalents at the beginning of the year		5 193 519	2 042 614
Cash and cash equivalents at the end of the year	11	**5 144 077**	**5 193 519**

* See Note 44

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	274 544	(43 988)	**230 556**	255 674	**25 118**	
Rental of 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**	7 680 513	**(141 788)**	
Transfer revenue						
Fines	574 741	(251 000)	**323 741**	190 184	**(133 557)**	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**	**16 138 012**	**604 115**	
Total revenue	**16 803 701**	**451 826**	**17 255 527**	**18 027 804**	**772 277**	
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**	1 340 990	**(333 798)**	6
Impairment losses	-	-	**-**	58 579	**58 579**	
Finance costs	1 420 750	(151 937)	**1 268 813**	1 526 624	**257 811**	7
Allowance for impairment of current receivables	378 083	7 350	**385 433**	839 095	**453 662**	8
Repairs and maintenance	315 531	(2 355)	**313 176**	286 705	**(26 471)**	
Contracted Services	1 560 622	210 154	**1 770 776**	1 314 406	**(456 370)**	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**	2 815 228	**219 869**	
Total expenditure	**14 606 703**	**746 167**	**15 352 870**	**15 344 761**	**(8 109)**	
Operating surplus	**2 196 998**	**(294 341)**	**1 902 657**	**2 683 043**	**780 386**	
(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**	**2 272 106**	**369 449**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

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

Reference:

1 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. .

2. 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 negetively due to the payment of license fees at SAPO.

3. The positive variance is attributable to valuation increases based on the implementation of the latest valuation roll.

4. A Service Level Agreement between JMPD and RTMC has not yet been signed and the RTIA have not been complying to the enforcement orders which has resulted in a drop in the payments of fines.

5. 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 acadamy. There was also a decrease in the concession fees to be recovered from the Kelvin Power Station.

6. Depreciation is under budget as a result of a significant portion of the assets that were expected to be capitalised but are however still sitting as Work-inprogress.

7. 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.

8. The difference on the allowance is due to an increase in the provision for bad debts resulting from an increase in 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.

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City of Johannesburg Metropolitan Municipality

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
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	7 680 513		1 963 612	134 %	150 %
Other own revenue	2 714 965	(436 670)	2 278 295	-		2 278 295	1 488 503		(789 792)	65 %	55 %
Total revenue (excluding capital transfers and contributions)	**14 910 753**	**301 604**	**15 212 357**	**-**		**15 212 357**	**18 124 854**		**2 912 497**	**119 %**	**122 %**
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)	(831 285)	-	(445 852)	216 %	220 %
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)	(1 526 624)	-	(257 811)	120 %	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)	(4 963 063)	-	2 089 903	70 %	76 %
Total expenditure	**(14 752 923)**	**(734 992)**	**(15 487 915)**	**-**	**-**	**(15 487 915)**	**(15 952 388)**	**-**	**(464 473)**	**103 %**	**108 %**
Surplus/(Deficit)	**157 830**	**(433 388)**	**(275 558)**	**-**		**(275 558)**	**2 172 466**		**2 448 024**	**(788)%**	**1 376 %**

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**	**2 187 389**		**298 364**	**116 %**	**100 %**
Surplus/(Deficit) for the year	**2 196 998**	**(307 973)**	**1 889 025**	**-**		**1 889 025**	**2 187 389**		**298 364**	**116 %**	**100 %**

Capital expenditure and funds sources

	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
Total capital expenditure	-	-	-	-		-	4 042 835		4 042 835	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)**	**- %**	**- %**

Accounting Policies

1. Statement of compliance

Basis of Preparation and Presentation

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

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

1.1 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality 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 municipality so as to benefit from its activities.

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

1.1 Significant judgements and sources of estimation uncertainty (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The municipality considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the municipality revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Acquisition-related costs

Acquisition-related costs are costs that the municipality incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement

The municipality subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.2 Significant judgements and sources of estimation uncertainty

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

Significant judgements include:

Financial instruments at amortised cost

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 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 municipality for similar financial instruments.

Impairment testing

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

The municipality 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.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

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

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

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 municipality 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 municipality 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.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

Cost model

Initial Recognition

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

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

Subsequent Measurement.

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

Depreciation is provided to write down the cost, less estimated residual value using the straight-line basis over the useful life of the property, which is as follows:

Item	**Useful life**
Property - Buildings	30 years

Land is not depreciated.

Accounting Policies

1.3 Investment property (continued)

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

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

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

1.4 Property, plant and equipment

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

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

Cost Model.

Initial Measurement.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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:

Item	Average useful life
Buildings	30 years
Plant and equipment	10 - 15 years
Furniture and fittings	7 - 10 years
Motor vehicles	5 years
Office equipment	3 - 7 years
Computer equipment	3 years

1.4 Property, plant and equipment (continued)

Infrastructure	
• Pedestrian Malls	30 years
• Roads and Paving	30 years
• Sewerage Infrastructure	100 years
Community	
• Recreational Facilities	20 - 30 years
Other	
• Dogs and horses	5 - 7 years
Bins and containers	5 years
	10 years
Specialised vehicles	
Library books	10 years
Emergency equipment	5 - 15 years

1.5 Heritage assets

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

A heritage asset shall be recognised as an asset if, and only if:
(a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
(b) the cost or fair value of the asset can be measured reliably..

Cost Model..

Initial Measurement.

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

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

Subsequent Measurement.

Heritage assets are carried at cost less accumulated impairment losses.

Heritage assets are not depreciated.

Transfers

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

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

Derecognition

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

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

1.5 Intangible assets (continued)

Transitional provision

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

According to the transitional provision, the municipality 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 2015-06-30.

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

Until such time as the measurement period expires in terms of Directive 2, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

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

1.6 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality 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 municipality; and
- the cost or fair value of the asset can be measured reliably.

Cost Model.

Initial Recognition.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

Subsequent Recognition.

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

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

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

Accounting Policies

1.6 Intangible assets (continued)

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

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

Computer software internally generated has an indefinite useful life. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 - 8 years

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

1.7 Investment in Municipal Entities

Investment in Municipal Entities are carried at cost less any accumulated impairment.

The cost of an investment in a controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

1.8 Financial instruments

Non-derivative financial assets.

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

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

The municipality classifies its non-derivative financial assets into the following categories:
- Amortised cost; and
- Cost.

Financial assets at amortised Cost

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

Cash and cash equivalents

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.

1.8 Financial instruments (continued)

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

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

Non-derivative financial liabilities

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

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

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

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

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

Derivative financial instruments, including hedge accounting

The municipality holds derivative financial instruments to hedge its interest rate risk exposures.

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

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

Cash flow hedges

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.

Accounting Policies

1.9 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 municipality 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 municipality's net investment in the finance lease.

Finance leases - lessee

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

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

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

Operating leases - lessor

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

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

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

Operating leases - lessee

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

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

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and net realisable value where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

1.10 Inventories (continued)

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

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

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

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

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.

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

1.12 Impairment of non-cash-generating assets (continued)

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 municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.13 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

1.13 Employee benefits (continued)

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

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

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

Other post retirement obligations

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

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

Bonus pensionable service and medical boarding's.

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

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality 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 municipality 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 22 - 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.

1.14 Provisions and contingencies (continued)

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

No obligation arises as a consequence of the sale or transfer of an operation until the municipality 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 43.

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

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

The municipality 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 municipality 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 municipality considers that an outflow of economic resources is probable, an municipality 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.

Accounting Policies

1.15 Revenue from exchange transactions

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

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

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 municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality 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 municipality; 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 municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

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

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

1.16 Revenue from non-exchange transactions

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

1.16 Revenue from non-exchange transactions (continued)

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

Fines

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

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

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

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

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

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

1.17 Investment income

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

1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality 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.

1.18 Borrowing costs (continued)

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

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

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

The Municipality recognises irregular expenditure as defined in section 1 of the MFMA when:-
(a) expenditure incurred by the municipality is in contravention of, or is not in accordance with, a requirement of this MFMA, and which has not been condoned by National Treasury;
(b) expenditure incurred by the municipality is in contravention of, or is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality is in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or.
(d) expenditure incurred by a municipality is in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure.

Accounting Policies

1.22 Irregular expenditure (continued)

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

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

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

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

1.23 Offsetting

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

1.24 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.

1.25 Conditional grants and receipts

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

1.26 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 municipality 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.

Accounting Policies

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 2013-07-01 to 2015-06-30.

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

The 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.

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

2. STATEMENT AND INTERPRETATIONS NOT YET EFFECTIVE

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

Name	Effective Date
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

		2014	2013
Consumable stores		52 023	58 802
Housing stock		61 050	61 050
		113 073	**119 852**
Cost of inventories expense	Note 39	14 349	14 256

Cost of inventory expense is included under general expenses.

4. LOANS TO MUNICIPAL ENTITIES

Controlled entities

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

Figures in Rand thousand	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 = Jiabar 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

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013
4. LOANS TO MUNICIPAL ENTITIES (continued)		
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = Rate = 10.9% Maturity = 30 June 2020	333 818	371 244
Johannesburg Water (Pty) Ltd Terms and conditions: Jiabar 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 20234	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
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2015	1 958	3 728

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013
4. LOANS TO MUNICIPAL ENTITIES (continued)		
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	11 878	12 976
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	-
	5 274 946	5 367 238
Less impairment of loans to Pikitup Johannesburg (Pty) Ltd	(181 179)	(153 915)
	5 093 767	**5 213 323**

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	4 997 924	5 256 977
Current assets	980 592	906 089
	5 978 516	**6 163 066**

Reconciliation of provision for impairment of loans to municipal entities

Opening balance	153 915	131 517
Additional impairment	27 265	22 398
	181 180	**153 915**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

5. OTHER FINANCIAL ASSETS

At amortised cost		
Other financial asset	186 361	195 738
Housing Selling scheme loans	27 891	29 979
Other loans and receivables	76 441	99 540
	290 693	325 257
Loans and receivables - Impairments	-	(2 089)
	290 693	**323 168**
Non-current assets		
At amortised cost	104 332	284 317
Current assets		
At amortised cost	186 361	38 851

	2014 Amortised Cost	**2013 Amortised Cost**
SCMB Maturity - 31.08.2013	-	29 390
Investment: RMB - E Maturity - 30.11.2014	88 703	75 314
Investment: RMB - R10 Maturity - 30.11.2014	93 371	79 279
Fixed Deposit - RMB Maturity - 30.11.2014	4 287	11 755
	186 361	**195 738**

Notes to the Annual Financial Statements

Figures in Rand thousand	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
	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%

Figures in Rand thousand		2014	2013

7. TRADE AND OTHER RECEIVABLES

Loans and receivables			
Accrued VAT		134 578	36 984
Housing debtors		132 945	18 905
Insurance debtor		54	49 611
Related party debtors		2 677 355	1 254 137
Sundry debtors		307 747	226 266
		3 252 679	1 585 903
Other receivables			
Fruitless and wasteful expenditure to be investigated	46	2 321	6 200
Prepayments		93 662	7 747
		95 983	13 947
Total trade and other receivables		**3 348 662**	**1 599 850**

8. VAT RECEIVABLE

VAT	429 077	143 845

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

9. CONSUMER DEBTORS

	2014	2013
Gross balances		
Rates	5 980 074	4 992 288
Refuse	-	560 326
Housing rental	256 607	341 676
	6 236 681	**5 894 290**
Less: Allowance for impairment		
Rates	(5 341 665)	(4 599 978)
Refuse	-	(529 012)
Housing rental	(245 499)	(327 356)
	(5 587 164)	**(5 456 346)**
Net balance		
Rates	638 409	392 310
Refuse	-	31 314
Housing rental	11 108	14 320
	649 517	**437 944**
Current Assets	649 517	401 461
Non-Current Assets	-	36 483
	649 517	**437 944**

Figures in Rand thousand	2014	2013

9. CONSUMER DEBTORS (continued)

Rates

	2014	2013
Current (0 - 30 days)	956 015	759 247
31 - 60 days	290 671	216 834
61 - 90 days	294 971	196 224
91 - 120 days	199 942	181 092
121 - 365 days	1 234 887	883 128
> 365 days	3 003 588	2 755 763
	5 980 074	**4 992 288**

Refuse

	2014	2013
Current (0 - 30 days)	-	38 340
31 - 60 days	-	34 194
61 - 90 days	-	26 761
91 - 120 days	-	31 344
121 - 365 days	-	141 942
> 365 days	-	287 745
	-	**560 326**

Housing rental

	2014	2013
Current (0 - 30 days)	9 723	4 121
31 - 60 days	4 654	4 281
61 - 90 days	4 589	3 944
91 - 120 days	4 510	3 897
121 - 365 days	4 485	17 692
> 365 days	228 646	307 741
	256 607	**341 676**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

9. CONSUMER DEBTORS (continued)

Summary of debtors by customer classification

	2014	2013
Consumers		
Current (0 - 30 days)	766 688	533 504
31 - 60 days	216 823	168 361
61 - 90 days	206 213	137 496
91 - 120 days	157 061	143 019
121 - 365 days	906 652	725 632
> 365 days	2 036 325	2 456 195
	4 289 762	4 164 207
Less: Allowance for impairment	(3 848 090)	(3 858 256)
	441 672	**305 951**

	2014	2013
Consumers - Past due and impaired		
Current (0 - 30 days)	680 251	492 695
31 - 60 days	193 761	155 149
61 - 90 days	183 062	127 141
91 - 120 days	140 501	131 989
121 - 365 days	809 986	657 487
> 365 days	1 840 529	2 293 795
	3 848 090	**3 858 256**

	2014	2013
Consumers - Past due and not impaired		
Current (0 - 30 days)	80 996	40 574
31 - 60 days	22 842	12 698
61 - 90 days	21 659	10 379
91 - 120 days	16 477	10 789
121 - 365 days	96 499	54 189
> 365 days	203 199	177 323
	441 672	**305 952**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

9. CONSUMER DEBTORS (continued)

Industrial/ commercial

Current (0 - 30 days)	352 744	266 834
31 - 60 days	86 855	35 115
61 - 90 days	88 027	52 853
91 - 120 days	40 192	25 954
121 - 365 days	320 104	213 209
> 365 days	973 892	1 044 530
	1 861 814	1 638 495
Less: Allowance for impairment	(1 663 054)	(1 513 490)
	198 760	**125 005**

Industrial/ commercial - Past due and impaired

Current (0 - 30 days)	315 086	246 476
31 - 60 days	77 582	32 436
61 - 90 days	78 631	48 821
91 - 120 days	35 901	23 974
121 - 365 days	285 931	196 943
> 365 days	869 923	964 840
	1 663 054	**1 513 490**

Industrial/ commercial - Past due and not impaired

Current (0 - 30 days)	37 658	20 358
31 - 60 days	9 272	2 679
61 - 90 days	9 397	4 032
91 - 120 days	4 291	1 980
121 - 365 days	34 173	16 266
> 365 days	103 969	79 690
	198 760	**125 005**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

9. CONSUMER DEBTORS (continued)

National and provincial government		
Current (0 - 30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	4 162
91 - 120 days	2 961	2 255
121 - 365 days	26 992	13 565
> 365 days	55 152	71 606
	85 105	91 588
Less: Allowance for impairment	(76 020)	(84 600)
	9 085	**6 988**

National and provincial government - Past due and impaired		
Current (0 - 30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	3 844
91 - 120 days	2 646	2 083
121 - 365 days	24 110	12 530
> 365 days	49 264	66 143
	76 020	**84 600**

National and provincial government - Past due and not impaired		
Current (0 - 30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	318
91 - 120 days	316	172
121 - 365 days	2 882	1 035
> 365 days	5 887	5 463
	9 085	**6 988**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

9. CONSUMER DEBTORS (continued)

Total		
Current (0 -30 days)	1 119 432	800 338
31 - 60 days	303 678	203 476
61 - 90 days	294 240	194 511
91 - 120 days	200 214	171 228
121 - 365 days	1 253 748	952 406
> 365 days	3 065 369	3 572 331
	6 236 681	5 894 290
Less: Allowance for impairment	(5 587 164)	(5 456 346)
	649 517	**437 944**

Less: Provision for debt impairment		
Current (0 - 30 days)	995 337	739 171
31 - 60 days	271 343	187 585
61 - 90 days	261 693	179 806
91 - 120 days	179 048	158 046
121 - 365 days	1 120 027	866 960
> 365 days	2 759 716	3 324 778
	5 587 164	**5 456 346**

Total debtor past due but not impaired		
Current (0 - 30 days)	118 654	60 932
31 - 60 days	32 114	15 377
61 - 90 days	31 056	14 729
91 - 120 days	21 084	12 941
121 - 365 days	133 554	71 490
> 365 days	313 055	262 476
	649 517	**437 945**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(5 456 346)	(4 574 514)
Contributions to allowance	(758 794)	(919 890)
Debt impairment transferred to PIKITUP	529 012	-
Debt impairment written off against allowance	98 964	38 058
Balance at the end of the year	**(5 587 164)**	**(5 456 346)**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

10. OTHER FINANCIAL ASSETS AT FAIR VALUE

The total investments pledged as collateral for CJMM Bonds

The investments pledged as collateral cannot be sold until the related liability is settled in full.

The Terms and conditions are such that the collateralized asset upon maturity should be of the same value as the liability so that the liability can be redeemed.

Sinking Fund
Maturity - 05.06.2023

	2014	2013
Other financial assets through profit or loss		
Bonds	866 677	1 328 965
Floating rate notes	825 080	514 482
FRA	136	4 774
Amortising Swap	40 942	-
Swaps	512 723	587 926
Non-Current Assets	**2 245 558**	**2 436 147**
Other financial liabilities through profit or loss		
Floating rate notes	-	11 381
Swaps	413 553	405 365
Amort swaps	-	47 295
Non-Current Liabilities	**413 553**	**464 041**
Net Non-Current Assets	**1 832 005**	**1 972 106**
Other financial assets through profit or loss		
Bonds	2 108 113	959 526
Bond Options	205 624	-
Bond Repos	-	1 487 263
Floating rate notes	-	65 609
Cash	99 263	69 880
Cash collateral	35 501	5 018
Forward rate Agreement	15 031	57 178
Swaps	19 619	8 690
Current Assets	**2 483 151**	**2 653 164**
Other financial liabilities through profit or loss		
Bonds	205 508	1 489 192
Bonds Repos	719 534	420 579
Cash - collateral	120 529	75 313
Forward rate Agreement	15 294	30 495
Amortising Swaps	21 031	18 221
Current Liabilities	**1 081 896**	**2 033 800**
Net Current Assets	**1 401 255**	**619 364**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

10. 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
Held for trading non-derivative financial assets	3 109 554	3 775 752
	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
Held for trading non-derivative financial assets	1 045 572	1 985 084
	1 495 450	**2 497 841**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	128	123
Bank	443 798	1 148 209
Call investment deposits	4 700 151	4 045 187
	5 144 077	**5 193 519**

Call investment deposits

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

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

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

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

12. INVESTMENT PROPERTY

	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

Reconciliation of investment property - 2014

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

Reconciliation of investment property - 2013

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

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.

Figures in Rand thousand

13. PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7 626 138	-	7 626 138	7 798 195	-	7 798 195
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
Other	717	(586)	131	717	(532)	185
Bins and containers	10 474	(6 491)	3 983	10 333	(5 480)	4 853
Work in progress	3 669 145	-	3 669 145	1 816 352	-	1 816 352
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
Total	**36 421 240**	**(8 081 751)**	**28 339 489**	**33 242 381**	**(6 937 817)**	**26 304 564**

Notes to the Annual Financial Statements

Figures in Rand thousand

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Depreciation	Total
Land	7 798 195	319 708	-	(512 558)	20 793	-	7 626 138
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
Other	185	-	-	-	-	(54)	131
Bins and containers	4 853	-	-	-	147	(1 017)	3 983
Work in progress	1 816 352	2 695 237	-	-	(842 444)	-	3 669 145
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
	26 304 564	**3 873 438**	**-**	**(563 770)**	**(100 537)**	**(1 174 206)**	**28 339 489**

Notes to the Annual Financial Statements

Figures in Rand thousand

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Depreciation	Total
Land	7 565 737	189 186	26 068	(46 411)	63 615	-	7 798 195
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
Other	263	4	-	(1)	2	(83)	185
Bins and containers	5 210	162	-	(10)	365	(874)	4 853
Work in progress	2 242 255	1 403 660	-	-	(1 829 563)	-	1 816 352
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
	25 599 514	**2 120 693**	**26 088**	**(156 072)**	**(90 457)**	**(1 195 202)**	**26 304 564**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	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.

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

14. INTANGIBLE ASSETS

	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

Reconciliation of intangible assets - 2014

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

Reconciliation of intangible assets - 2013

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

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

15. HERITAGE ASSETS

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	486 385	70 006	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	**520 467**	**70 006**	**590 473**	**590 208**	**-**	**590 208**

Reconciliation of heritage assets 2014

	Opening balance	Additions	Disposals	Transfers	Total
Art Collections, antiquities 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 2013

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities 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**

Figures in Rand thousand

16. INVESTMENT IN MUNICIPAL ENTITIES

Gross investment	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
City of Johannesburg Property Company (Pty) Ltd	100 %	100 %	103 113	103 113
City Power Johannesburg (Pty) Ltd	100 %	100 %	112 466	112 466
Johannesburg City Parks	100 %	100 %	29 958	29 958
Johannesburg Development Agency (Pty) Ltd	100 %	100 %	16 278	16 278
Johannesburg Metropolitan Bus Services (Pty) Ltd	100 %	100 %	54 774	54 774
Johannesburg Roads Agency (Pty) Ltd	100 %	100 %	123 840	89 311
Pikitup Johannesburg (Pty) Ltd	100 %	100 %	31 315	1
Johannesburg Civic Theatre	100 %	100 %	1 784	1 784
The Johannesburg Fresh Produce Market (Pty) Ltd	100 %	100 %	20 000	20 000
			493 528	**427 685**

Impairments	Carrying amount 2014	Carrying amount 2013
Johannesburg Metropolitan Bus Services (Pty) Ltd	(54 774)	(54 774)
Johannesburg Roads Agency (Pty) Ltd	-	(89 311)
Pikitup Johannesburg (Pty) Ltd	(31 314)	-
Metropolitan Trading Company (Pty) Ltd	-	(97 972)
Roodepoort City Theatre	-	(1 784)
The Johannesburg Zoo	-	(1 860)
	(86 088)	**(245 701)**

Net investment	Carrying amount 2014	Carrying amount 2013
City of Johannesburg Property Company (Pty) Ltd	103 115	5 142
City Power Johannesburg (Pty) Ltd	112 466	112 466
Johannesburg City Parks	29 958	28 098
Johannesburg Development Agency (Pty) Ltd	16 278	16 278
Johannesburg Roads Agency (Pty) Ltd	123 840	-
Johannesburg Tourism Company	-	-
Pikitup Johannesburg (Pty) Ltd	1	1
The Johannesburg Civic Theatre (Pty) Ltd	1 784	-
The Johannesburg Fresh Produce Market (Pty) Ltd	20 000	20 000
	407 442	**181 985**

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

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

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

Figures in Rand thousand

17. FINANCIAL ASSETS BY CATEGORY

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

2014

	Loans and receivables	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	3 252 679	-	-	3 252 679
Consumer debtors	649 517	-	-	649 517
Call investment deposits	4 700 151	-	-	4 700 151
Bank balances and cash	443 926	-	-	443 926
Non-Current Assets				
Loans to Municipal Entities	4 997 924	-	-	4 997 924
Other financial assets	76 441	1 832 005	-	1 908 446
	15 101 230	**3 233 260**	**186 361**	**18 520 851**

2013

	Loans and receivables	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	1 562 717	-	-	1 562 717
Receivables from non-exchange	1 562 717	-	-	1 562 717
Consumer debtors	664 901	-	-	664 901
Call investment deposits	4 045 187	-	-	4 045 187
Bank balances and cash	1 148 332	-	-	1 148 332
Non-Current Assets				
Loans to Municipal Entities	1 148 332	-	-	1 148 332
Other financial assets	1 148 332	1 972 106	156 887	3 277 325
Consumer debtors	1 148 332	-	-	1 148 332
	13 334 939	**2 591 470**	**195 738**	**16 122 147**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

18. LOANS AND BORROWINGS

Non Current portion of loans and borrowings - At amortised cost		
Structured loans *	43 276	273 683
Development Bank South Africa	1 251 844	1 326 446
Listed bonds	6 251 000	6 584 334
Other financial liabilities	4 873 353	3 197 015
	12 419 473	**11 381 478**
Current portion of loans and borrowings - At amortised cost		
Structured loans *	219 066	13 333
Development Bank South Africa	74 602	130 526
Local registered stock loans	-	30 000
Listed bonds	333 333	166 666
Other financial liabilities	343 550	284 085
	970 551	**624 610**
	13 390 024	**12 006 088**

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

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

19. FINANCE LEASE OBLIGATION

	2014	2013
Minimum lease payments due		
- within one year	109 308	119 508
- in second to fifth year inclusive	253 139	283 349
- later than five years	590 812	179 641
	953 259	582 498
less: future finance charges	(559 700)	(169 880)
Present value of minimum lease payments	**393 559**	**412 618**
Present value of minimum lease payments due		
- within one year	76 193	82 482
- in second to fifth year inclusive	151 084	178 988
- later than five years	166 282	151 148
	393 559	**412 618**
Non-current liabilities	316 964	379 237
Current liabilities	76 595	82 884
	393 559	**462 121**

A register containing the information is available for inspection at the registered office of the CJMM.

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

A lease agreement for Soccer City Stadium was signed on the 7 August 2009 between the Department of Public Works (Lessor) and City of Johannesburg Metropolitan Municipality (Lessee). The 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 regarding 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 (2011: 4-6) years. The effective interest rate on Finance Leases is 9.5% (2011: 9.5%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

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

The carrying values of the finance leased assets are included under other property, plant and equipment.

Bus Operating Company

Finance Lease Liabilities relate to vehicles with a lease term of 12 (2012: 12) years. The effective interest rate on Finance Leases is 9.7% (2012: 9.7%). Capitalised Lease Liabilities are secured by the related finance lease assets. Refer to note 13.

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

20. TRADE AND OTHER PAYABLES

	2014	2013
Financial liabilities		
Accrued interest	112 380	200 827
Credit balances in consumer debtors	916 162	1 581 077
Engineering fees	92 357	78 067
Operating lease payables	1 367	517
Other creditors	925 509	972 104
Related party creditor	5 950 261	4 304 016
Retentions	73 410	37 554
Trade payables	1 945 980	1 148 988
	10 017 426	8 323 150
Other liabilities		
Accrued bonus	24 085	23 366
Accrued leave pay	255 336	233 722
Payments received in advanced	14 451	18 517
	293 872	275 605
	10 311 298	**8 598 755**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

21. 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	139 294
Provincial grants : Top Structure of houses	209 827	392 202
Provincial grants : Operating projects	8 296	7 226
2010 Public transport (SPTN)	398 840	736 859
Neighbourhood development partnership grant	9 849	14 769
Expanded Public Works Programme (EPWP)	39 724	32 789
Orange African cup of nations	-	4 737
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	696	15 282
Unspent grants 18	12 252	-
Unspent public contributions and donations	3 792	12 981
	835 072	**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 30 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

22. PROVISIONS

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Settlement	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 - 2013

	Opening Balance	Utilised during the year	Reversed during the year	Settlement	Total
Provision for Damages Claim	20 000	-	-	-	20 000
Pension fund provisions	15 219	-	(15 219)	-	-
	35 219	**-**	**(15 219)**	**-**	**20 000**

	2014	2013
Non-current liabilities	20 000	20 000
Current liabilities	25 537	-
	45 537	**20 000**

Provision for Cleaning Services

The claim is for cleaning services rendered to the City of Johannesburg on the basis of a verbal contract. The court found against the City and awarded damages to the amount of R1 800 000,00. as a full and final settlement of the matter.

Provision for Consultation fees

This claim is by a firm of consulting engineers for work done on the construction the 2010 Soccer World Cup Stadium. This matter will be settled in full for an amount of R 23 736 797,71

Provision for Damages Claim

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 R10,000,000.00 plus interest of R10,000,000.00 and is not insured. SCA has ruled against the City on the matter of whether the construction amounted to a diversion.

Management is unsure as to when the provision will be paid nor as to how much will be paid.

Pension fund provisions

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

During the 2010 financial year an interest calculation was performed which 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.

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

23. RETIREMENT BENEFIT OBLIGATION

23.1Post retirement liabilities

Post-Retirement Medical Aid Plan	(1 375 982)	(1 375 251)
Post-Retirement Housing Subsidy Plan	(351)	(459)
Retirement Gratuity Plan	(466 728)	(488 199)
	(1 843 061)	**(1 863 909)**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

23. RETIREMENT BENEFIT OBLIGATION (continued)

23.1.1 Post retirement medical aid plan

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

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	1 241 051	1 247 105
In respect of notional accounts for employees of ME's	134 931	128 146
	1 375 982	**1 375 251**

Movements for the year

Opening balance	1 247 105	1 208 785
Benefits paid	(99 200)	(97 272)
Net expense recognised in the statement of financial performance	93 146	135 592
	1 241 051	**1 247 105**

Net expense recognised in the statement of financial performance

Current service cost	3 027	478
Interest cost	94 296	103 355
Actuarial (gains) losses	(4 177)	31 759
	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**

Sensitivity analysis

	Change in assumption		
	-1%	**0%**	**1%**
Liability	1 187 042	1 241 051	1 282 682
Percentage change	-4.35	0%	3.35
	-	-	-

Post-Retirement Mortality

		-20%	**0%**	**20%**
Liability		1353483	1241051	1151760
Percentage change	-	9.06	0%	-7.19

23.1.2 Post retirement housing subsidy plan

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

23. RETIREMENT BENEFIT OBLIGATION (continued)

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	351	459

The fair value of plan assets includes:

Movements for the year

Opening balance	459	2 892
Benefits paid	(117)	(76)
Net expense recognised in the statement of financial performance	9	(2 357)
	351	**459**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

23. RETIREMENT BENEFIT OBLIGATION (continued)

Net expense recognised in the statement of financial performance

Interest cost	24	247
Actuarial (gains) losses	(15)	(2 604)
	9	**(2 357)**

Key assumptions used

Assumptions used for the valuation .

Discount rates used	8,94 %	7,89 %
Expected increase in salaries	8,05 %	6,67 %

Sensitivity analysis

	Change in assumption		
	-1%	**0%**	**1%**
Liability	344	351	359
Percentage change	-1.99	0%	2.28

Post-Retirement Mortality

	-20%	**0%**	**20%**
Liability	362	351	342
Percentage change	3.13	0%	-2.56

23.1.3 Post retirement gratuity plan

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

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

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	190 546	198 117
In respect of notional accounts for employees of ME's	276 182	290 082
	466 728	**488 199**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

23. RETIREMENT BENEFIT OBLIGATION (continued)

Movements for the year

	2014	2013
Opening balance	198 117	182 116
Benefits paid	(18 484)	(19 367)
Net expense recognised in the statement of financial performance	10 913	35 368
	190 546	**198 117**

Net expense recognised in the statement of financial performance

	2014	2013
Interest cost	14 884	15 572
Actuarial (gains) losses	(3 971)	19 796
	10 913	**35 368**

Notional loan account

	2014	2013
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 .

The principal actuarial assumptions used were as follows:

	2014	2013
Discount rates used	8,94 %	7,89 %
Expected increase in salaries	8,05 %	6,67 %

Sensitivity analysis

	Change in assumption		
	-1%	**0%**	**1%**
Liability	177 104	190 546	205 470
Percentage change	-7.05	0%	7.83

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

23. 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 employee 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**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

24. DEFERRED INCOME

Bond tap		
Balance unspent at beginning of year	51 804	54 444
Conditions met - transferred to revenue	(2 925)	(2 640)
Conditions still to be met - transferred to liabilities	**48 879**	**51 804**

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

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

Total deferred income	**48 879**	**51 804**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

25. 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

	2014	2013
Opening balance	76 629	117 449
Fair value movement-SWAP	(22 516)	(40 820)
Closing balance	**54 113**	**76 629**

	2014	2013
Current liability	7 816	9 609
Non-Current liability	46 297	67 020
	54 113	**76 629**

26. CONSUMER DEPOSITS

	2014	2013
Non Current portion of Consumer deposits		
Other deposits	25 320	26 402

Consumer deposits relate largely to deposits held in the JPC Portfolio Account (R22,524,738.00). The other balance relates to deposits held by Community Development and the Housing Department. Due to their materiality they are not disclosed. All consumer deposits are non-current in nature.

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

27. FINANCIAL LIABILITIES BY CATEGORY

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

2014

	Financial liabilities at amortised cost	Fair value through profit or loss	Fair value through surplus or deficit - designated	Total
Current Liabilities				
Loans and borrowings	970 551	-	-	970 551
Finance lease obligations	76 595	-	-	76 595
Trade and other payables	10 017 426	-	-	10 017 426
Non-Current Liabilities				
Loans and borrowings	12 419 473	-	-	12 419 473
Finance lease obligations	316 964	-	-	316 964
Consumer deposits	25 320	-	-	25 320
	23 826 329	**-**	**-**	**23 826 329**

2013

	Financial liabilities at amortised cost	Fair value through profit or loss	Fair value through surplus or deficit - designated	Total
Current Liabilities				
Loans and borrowings	624 610	-	-	624 610
Finance lease obligations	36 138	-	-	36 138
Trade and other payables	8 275 997	-	-	8 275 997
Non-Current Liabilities				
Loans and borrowings	11 381 478	-	-	11 381 478
Finance lease obligations	323 758	-	-	323 758
Consumer deposits	26 402	-	-	26 402
	20 668 383	**-**	**-**	**20 668 383**

Figures in Rand thousand	2014	2013

28. PROPERTY RATES

Rates received

Residential	2 491 080	2 259 207
Commercial	4 887 885	3 646 309
State	170 493	52 624
Municipal	-	32 090
	7 549 458	**5 990 230**

Valuations

Property rate valuation	912 838 178	785 395 601

29. SERVICE CHARGES

Other service charges	89 361	82 106
Refuse removal	-	761 074
Surcharges : Electricity	127 531	139 980
Surcharges : Refuse	3 620	3 277
Surcharges : Water	35 162	35 709
	255 674	**1 022 146**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

30. GOVERNMENT GRANTS AND SUBSIDIES

Provincial grants : Capital projects	174 500	-
Urban settlements development grant	1 511 649	1 367 187
Financial management grant	1 250	1 250
Provincial grants : Top structure of houses	207 950	134 722
Provincial grants : Operating projects	9 419	8 448
2010 Public transport (SPTN)	793 100	805 528
Neighbourhood development partnership grant	34 652	42 097
World Anti-Doping Agency (WADA)	10 000	10 387
Expanded Public Works Programme (EPWP)	15 739	61 312
Orange African cup of nations	-	20 763
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	32 474	12 972
Public Transport Network operations Grant	255 748	-
Ambulance subsidy	100 334	79 578
Equitable share and fuel levy	4 452 207	4 084 995
Provincial health subsidies	81 491	95 304
	7 680 513	**6 724 543**

Provincial grants : Capital projects

Balance unspent at beginning of year	139 294	103 003
Current year receipts	107 826	38 718
Grants paid back	(252)	-
Transfer to debtors	79 428	(2 427)
Conditions met - transferred to revenue	(174 500)	-
Conditions still to be met - transferred to liabilities	**151 796**	**139 294**

Conditions still to be met - remain liabilities (see note 21)

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

Conditions still to be met - remain liabilities (see note 21)

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
Conditions met - transferred to revenue	(1 250)	(1 250)
Conditions still to be met - transferred to liabilities	**-**	**-**

Figures in Rand thousand 2014 2013

30. CONSUMER DEBTORS (continued)

Provincial grants : Top structure of houses

	2014	2013
Balance unspent at beginning of year	392 202	81 892
Current year receipts	7 055	428 020
Transfers to debtors	18 520	17 012
Conditions met - transferred to revenue	(207 950)	(134 722)
Conditions still to be met - transferred to liabilities	**209 827**	**392 202**

Conditions still to be met - remain liabilities (see note 21)

Provincial grants : Operating projects

	2014	2013
Balance unspent at beginning of year	7 226	5 802
Current year receipts	10 489	9 872
Conditions met - transferred to revenue	(9 419)	(8 448)
Conditions still to be met - transferred to liabilities	**8 296**	**7 226**

Conditions still to be met - remain liabilities (see note 21)

These grants are provided to finance community projects.

2010 Public transport (SPTN)

	2014	2013
Balance unspent at beginning of year	736 859	492 387
Current year receipts	843 781	1 050 000
Grants payback	(388 700)	-
Conditions met - transferred to revenue	(793 100)	(805 528)
Conditions still to be met - transferred to liabilities	**398 840**	**736 859**

Conditions still to be met - remain liabilities (see note 21)

This grant is provided to finance 2010 Public Transport System.

Figures in Rand thousand

30. CONSUMER DEBTORS (continued)

Neighbourhood development partnership grant

	2014	2013
Balance unspent at beginning of year	14 769	8 866
Current year receipts	32 868	48 000
Grants payback	(3 136)	-
Conditions met - transferred to revenue	(34 652)	(42 097)
Conditions still to be met - transferred to liabilities	**9 849**	**14 769**

Conditions still to be met - remain liabilities (see note 21)

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

World Anti-Doping Agency (WADA)

	2014	2013
Current year receipts	10 000	10 387
Conditions met - transferred to revenue	(10 000)	(10 387)
Conditions still to be met - transferred to liabilities	**-**	**-**

Expanded Public Works Programme (EPWP)

	2014	2013
Balance unspent at beginning of year	32 789	65
Current year receipts	89 434	140 615
Debtor Adjustments	(43 989)	(46 579)
Transfer between grants	(22 771)	-
Conditions met - transferred to revenue	(15 739)	(61 312)
Conditions still to be met - transferred to liabilities	**39 724**	**32 789**

Conditions still to be met - remain liabilities (see note 21)

Orange African cup of nations

	2014	2013
Balance unspent at beginning of year	4 737	-
Current year receipts	-	25 500
Adjustments	(4 737)	-
Conditions met - transferred to revenue	-	(20 763)
Conditions still to be met - transferred to liabilities	**-**	**4 737**

Conditions still to be met - remain liabilities (see note 21)

Provincial grant : Jozi Ihlomihle (Hiv/Aids)

	2014	2013
Balance unspent at beginning of year	15 282	13 971
Current year receipts	17 888	14 283
Conditions met - transferred to revenue	(32 474)	(12 972)
Conditions still to be met - transferred to liabilities	**696**	**15 282**

Figures in Rand thousand	2014	2013

30. CONSUMER DEBTORS (continued)

Public Transport Network Grant

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

Ambulance subsidy

Current year receipts	100 334	79 578
Conditions met - transferred to revenue	(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.

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

30. CONSUMER DEBTORS (continued)

Equitable share and fuel levy

Current year receipts	4 452 207	4 084 995
Conditions met - transferred to revenue	(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
Adjustments	(15 812)	-
Conditions met - transferred to revenue	(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.

31. OTHER REVENUE

BRT revenue	59 581	74 558
Brokerage revenue	921	10 672
Hiring of halls	4 565	6 375
Internal recoveries - ME's	374 766	460 700
Other revenue	241 787	218 458
Recovery of insurance	5 652	1 326
Recovery of legal costs	1 529	1 223
Training revenue	29 056	10 390
	717 857	**783 702**

Figures in Rand thousand	2014	2013

32. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	3 237 540	3 042 692
Employee related costs : Pension contributions	386 604	366 889
Employee related costs : Gratuities	18 507	19 105
Employee related costs : Medical aid contributions	260 821	241 412
Employee related costs : Skills development levy	38 080	36 421
Housing benefits and allowances	20 875	21 816
Overtime payments	59 718	43 367
Bonus	184 172	179 249
Travel, motor car, accommodation, subsistence and other allowances	254 211	246 872
Less: Employee costs included in other expenses	8 413	73 021
	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	**-**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

32. EMPLOYEE RELATED COSTS (continued)

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**

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/Premiums Allowance	105	-
	1 933	**1 076**

Remuneration of the Executive Director : Environmental Management

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

32. EMPLOYEE RELATED COSTS (continued)

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**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

32. 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 Allowance	-	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**

Figures in Rand thousand | 2014 | 2013

32. EMPLOYEE RELATED COSTS (continued)

Chief of Staff

	2014	2013
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

	2014	2013
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

	2014	2013
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

	2014	2013
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

	2014	2013
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

	2014	2013
Annual Remuneration	491	-
Car Allowance	43	-
	534	**-**

Remuneration of the Executive Director : Social Development

	2014	2013
Annual Remuneration	938	-
Car Allowance	78	-
Contributions to UIF, Medical and Pension Funds	74	-
	1 090	**-**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

33. REMUNERATION OF COUNCILLORS

Executive Mayor	1 008	1 052
Mayoral Committee Members	8 255	8 812
Speaker	763	855
Councillors	87 658	78 374
Councillors' pension contribution	10 943	7 859
Chairpersons	12 012	13 459
	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.

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

34. DEPRECIATION AND AMORTISATION

Property, plant and equipment	1 301 302	1 193 864
Investment property	111 003	12 498
Intangible assets	22 935	223 753
	1 435 240	**1 430 115**

35. IMPAIRMENT LOSSES

Impairments		
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 16		
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		
	(58 579)	**(51 501)**
Reversal of impairments		
Investments in controlled entities	190 927	-
Reversal of impairment relating to ME's which were technically insolvent. These ME's have subsequently been merged with other ME's.		
Total impairment losses (recognised) reversed	**132 348**	**51 501**

36. ALLOWANCE FOR IMPAIRMENT OF CURRENT RECEIVABLES

Allowance - Trade and other receivables	67 784	285 692
Allowance - Consumer debtors	758 794	919 890
Impairment loss - Consumer debtors	4 707	21 917
	831 285	**1 227 499**

37. CONTRACTED SERVICES

Fleet Services	7 262	49 919
Information Technology Services	268 175	206 322
Operating Leases	189 631	109 858
Other Contractors	20 883	20 892
Specialist Services	828 455	747 233
	1 314 406	**1 134 224**

Refer to note 42 for future operating lease commitments.

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

38. GRANTS AND SUBSIDIES PAID

	2014	2013
Grants paid to ME's		
City of Johannesburg Property Company (Pty) Ltd	24 850	10 726
Johannesburg City Parks	568 075	502 705
Johannesburg Development Agency (Pty) Ltd	24 977	24 308
Johannesburg Metropolitan Bus Services (Pty) Ltd	329 703	319 450
Johannesburg Roads Agency (Pty) Ltd	651 103	495 047
Johannesburg Social Housing Company (Pty) Ltd	18 397	16 900
Metropolitan Trading Company (Pty) Ltd	-	34 596
Pikitup Johannesburg (Pty) Ltd	564 569	1 148 779
Roodepoort City Theatre	-	10 134
The Johannesburg Civic Theatre (Pty) Ltd	56 504	26 724
The Johannesburg Zoo	-	22 887
The Soweto Theatre	-	10 000
	2 238 178	**2 622 256**
Other subsidies		
Grant paid : Housing top structures	289 578	141 160
Grant paid : Other	19 053	11 648
Grant paid : Sporting Organisations (Marks Park Sports Club)	1 208	1 147
	309 839	**153 955**
	2 548 017	**2 776 211**

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

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

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

39. GENERAL EXPENSES

Advertising	43 374	19 422
Auditors remuneration	20 610	19 306
Bank charges	67 192	58 977
Conferences and seminars	15 106	15 555
Consulting and professional fees	60 945	46 445
Cost of inventories expense	14 349	14 256
Debt collection	35 853	194 137
Hire	13 430	4 245
Incident management fund	42 006	36 338
Insurance	171 046	123 474
Lease rentals on operating lease	315 013	223 465
ME - charges	450 246	487 822
Marketing	28 003	27 806
Other expenses	327 962	279 871
Post retirement expenses	99 200	97 272
Printing and stationery	176 493	127 213
Security (Guarding of municipal property)	184 473	154 986
Software expenses	71 074	23 816
Staff welfare	27 273	1
Subscriptions and membership fees	14 736	12 710
Telephone and fax	42 659	41 822
Training	25 478	22 190
Travel - local	9 941	5 287
Travel - overseas	12 958	5 447
Utilities	544 084	533 637
	2 813 504	**2 575 500**

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

	-	10 392

40. FAIR VALUE ADJUSTMENTS

Other financial assets		
• Fair value movement on the sinking fund	108 457	159 620
• Cash flow hedge (Ineffective portion)	3 516	3 079
	111 973	**162 699**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

41. CASH GENERATED FROM OPERATIONS

Surplus	2 187 389	1 206 104
Adjustments for:		
Depreciation and amortisation	1 435 240	1 430 115
Fair value adjustments	(111 973)	(162 699)
Reversal of Impairment	(190 927)	-
Provision	25 537	-
Allowance for impairment of current receivables	831 285	1 227 499
Impairment in MOE investments	58 579	51 501
loss/gain on sale of Assets	522 911	(38 777)
Changes in working capital:		
Inventories	6 779	(5 664)
Trade and other receivables	(1 748 811)	(631 197)
Consumer debtors	(211 573)	329 642
Adjustment of impairment of current receivable	(831 285)	(1 227 499)
Refuse debtors transferred to PIKITUP	(31 314)	-
Trade and other payables	1 712 542	2 801 155
VAT	(285 232)	(39 464)
Obligations arising from conditional grants and receipts	(521 067)	558 423
Deferred income	(2 925)	(2 640)
Consumer deposits	(1 082)	10 714
	2 844 073	**5 507 213**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

42. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and not yet contracted for		
• Infrastructure	623 206	999 677
• Community	112 611	216 977
• Other	1 432 783	868 526
• Heritage	21 725	7 724
• Housing development fund	-	1 000
	2 190 325	**2 093 904**
Authorised and contracted for		
• Infrastructure	2 081 520	866 389
• Community	115 975	50 000
• Other	153 189	104 813
• Heritage	50 000	-
	2 400 684	**1 021 202**
	4 591 009	**3 115 106**

This expenditure will be financed from:		
External Loans	646 563	772 701
Capital Replacement Reserve	2 139 755	804 830
National Grants	928 529	1 516 645
Urban Settlement Development Grant	876 162	20 930
	4 591 009	**3 115 106**

Operating leases - as lessee (Fleet)

Minimum lease payments due		
- within one year	17 691	49 469
- in second to fifth year inclusive	125 533	96 258
- later than five years	22 121	2 074
	165 345	**147 801**

Operating leases – as lessee (Buildings)

Minimum lease payments due		
- within one year	17 691	7 753
- in second to fifth year inclusive	22 121	4 608
- later than five years	4 560	2 309
	44 372	**14 670**

Lease payments made throughout the year by respective Departments are included in the Statement of Financial Performance under General Expenses, refer to Note 39.

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

43. CONTINGENCIES

Controlling entity

Uninsured claims & litigations

1. Five Plaintiffs brought action against the Council in the 1990's, arising from major road and other construction works at the Empire Interchange, around the suburbs of Braamfontein, Milpark, Cottesloe, Melville, Parktown West, Emmarentia and Richmond. They allegedly suffered damages as a result of the Council having closed the road. (This claim was originally for R4,146,583.00 the majority of which was for loss of earnings). The approximate amount that the plaintiff could now claim would be in the order of approximately R500,000.00.

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

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

4. Claim for R50,000,000.00 for services rendered in terms of contract for the provision of red light violation services. The matter was referred to arbitration.

5. Claim for at least R39,000,000.00 plus interest and 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.

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

7. The City appointed a service provider (a joint venture) to construct 1000 low cost RDP houses. The one partner to the JV subsequently ceded its rights and obligations in terms of the JV agreement to the other partner, which the City was not party to. The latter partner then only concluded 385 foundations. After various opportunities to remedy the defects, the City terminated the contract. A dispute was declared and the matter referred to arbitration in terms of the JBCC agreement for the sum of R29,406,592.00. The service provider has applied for a trial date and called for discovery. The City is processing with the drafting of discovery affidavit,The trial date is 30 January 2015.

8. 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 the 18th February 2014 and the City's appeal was dismissed. City currently engaged in quantifying potential amount.

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

10. Claim for breach in the amount of R12,842,448.89 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.

11. Claim for breach in the amount of R3,255,674.10 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.

12. Claim for breach in the amount of R6,289,510.86 for allegedly failing to provide sufficient electricity for development after rezoning a property. Claim is defended on the basis that sufficient electricity is available and plaintiff was aware of available supply.

Contingencies arising from pending litigation on wage curve agreement

43. CONTINGENCIES (continued)

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.

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 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 outcome 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.

44. PRIOR PERIOD ERRORS

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

44. PRIOR PERIOD ERRORS (continued)

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Statement of Financial Position	Note	As previously reported	Change inaccounting policy	Correction of errors	Restated
	R '000	R '000	R '000	R '000	R '000
CJMM - Trade and other receivables		1 576 754	-	23 095	1 599 849
CJMM - Heritage Assets		552 277	-	37 931	590 208
CJMM - Investment property		1 270 740	-	19 459	1 290 199
CJMM - Property, plant and equipment		25 357 980	-	1 067 883	26 425 863
CJMM - Consumer debtors		664 901	-	(263 440)	401 461
CJMM - Intangible Assets		197 148	-	(32)	197 116
CJMM - Heritage Assets		552 277	-	(105)	552 172
CJMM - Investments in ME		172 331	-	9 654	181 985
CJMM - Trade and other payables		(8 551 602)	-	(47 153)	(8 598 755)
CJMM - Finance lease Liabilities		(359 896)	-	(102 225)	(462 121)
CJMM - Accumulated Surplus- Opening Balance		(20 254 593)	-	(746 764)	(21 001 357)
	-	**1 178 317**	**-**	**(1 697)**	**1 176 620**

Statement of financial performance	Note	As previously reported	Change inaccounting policy	Correction of errors	Restated
	R '000	R '000	R '000	R '000	R '000
CJMM - Property rates		(6 048 825)	-	58 595	(5 990 230)
CJMM - Service charges		(1 011 568)	-	(10 578)	(1 022 146)
CJMM - Interest received		(1 072 093)	-	(15 546)	(1 087 639)
CJMM - Other revenue		(752 503)	-	(31 199)	(783 702)
CJMM - Depreciation and amortisation		1 368 810	-	61 305	1 430 115
CJMM - Finance costs		1 477 427	-	17 431	1 494 858
CJMM - Allowance for impairment of current receivables		1 264 662	-	(37 163)	1 227 499
CJMM - Contracted services		1 187 414	-	(53 190)	1 134 224
CJMM - Public contibutions, Donated and contibuted property		(2 842)	-	(119)	(2 961)
CJMM - General Expenses		2 578 604	-	(3 100)	2 575 504
CJMM - Loss/gain on disposal of PPE		(38 949)	-	172	(38 777)
CJMM-Employee Cost		4 270 900	-	(56)	4 270 844
CJMM - Government Grants		(6 739 688)	-	15 145	(6 724 543)
	-	**(3 518 651)**	**-**	**1 697**	**(3 516 954)**

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

Management considered explaining only adjustments which are material

Statement of financial position

44. PRIOR PERIOD ERRORS (continued)

Trade and Other Receivables
Kelvin Power debtor was disclosed with an amount of R67m in the prior year which was understated by R171m gross. The debtor failed to make payments in the previous years and was not impaired. This error was identified in the current year and corrected retrospectively.

A Journal of an amount of R22m was incorrectly captured in the prior year giving a total effect of R44m(credit) in the debtors account. This error was identified in the current year and adjusted retrospectively.

An amount of R50m relates to the reversal of impairment for an impaired debtor recovered in the prior year and was not accounted for. This error was identified in the current year and adjusted retrospectively.

Property, plant and equipment

The increase in PPE results from the followinng:
Land take-on resulting from the reconcilliation between JPC, COJ and the deeds.

Assets completed in the previous years but not capitalised, this was identified in the current year and corrected retrospectively.

An amount of R2,6m reperational expenditure incorrectly accounted for as an WIP. An amount of R8.2m was relates to the write off of a project that was discontinued in the previous years.

These errors were identified in the current year and corrected retrospectively.

Investment Property
The increase in investment property relates to the reclassification of Assets incorrectly classified to Property plant and equipment. This error was identified in the current year and corrected retrospectively

Consumer Debtors

The restatement of Consumer debtors results from prior year adjustments for refuse and property rates accruals not raised in the prior year, properties subsiquently billed in the current year the adjustment for Property valuation, objections and appeals.

Investment in Municipal Entities

An amount of R9,6m relates to the investment in JDA. Due to lack of supporting documentation in the past, the investment amount recognised was incorrect, thus the correction done retrospectively.

Finance Lease Obligation

The adjustment of R102m results from the Red fleet incorrectly classified as operating lease, this error was identified in the current year and corrected retrospectively.

Trade and Other Payables
R33m adjustment results from the Red fleet lease incorrectly classified as operating lease, this error was identified in the current year and corrected retrospectively.

R29m relates to operating lease creditor not teransferred to FMMU in the prior year at the time when all functions were transerred.

R21m relates to the reversal of JPC accrual duplicated in the prior year. This error was identified in the current year and adjusted retrospectively.

R34m results from capital expenditure previously reversed to creditor instead of an expense, this error was identified i the current year and corrected retrospectively.

Statement of financial performance

Property rates

44. PRIOR PERIOD ERRORS (continued)

The restatement of property rates results from prior year adjustments for property rates accruals not raised in the prior year, properties subsiquently billed in the current year the adjustment for Property valuation, objections and appeals.

Depreciation

The restement of Depreciation results from:
R31m ajustment results from the assets which completed in the prior years but not capitalised.
R9.2m adjustment result from the reclassification of assets to the correct classes.
R19m adjustment results from the Red fleet incorrectly classified as operating lease

These errors were identified in the current year and corrected retrospectively.

Contracted services

The adjustment of R52m results from the Red fleet incorrectly classified as operating lease, this error was identified in the current year and corrected retrospectively.

Finance costs

These adjustments results from the Red fleet incorrectly classified as operating lease, this error was identified in the current year and corrected retrospectively.

Other Revenue

An amount of R30m relates to income from Kelvin Power for concession fees overdue. This income was not acounted for in the previous year. The error was identified in the current year and corrected retrospectively.

Allowance for impairment of consumer debtors

An amount of 52m relates to the impairment of Kelvin Power debtor which was suppose to have been impaired in the previous year. This was then retrospectively corrected in the current year.

An amount of R50m relates to the reversal of impairment for an amount recovered in the prior year and was not accounted for.

An amount of R39m results from the adjustment of prior year refuse and property rates incorrect billing. This error was identified in the current year and corrected retrospectively

Service Charges

The restatement of Service Charges results from prior year adjustments for refuse accruals not raised in the prior year, properties subsiquently billed in the current year the adjustment for Property valuation, objections and appeals.

Interest

An amount of R16m relates to the interest charged to Kelvin Power for concession fees overdue. This interest was not acounted for in the previous year and was then corrected restrospectively.

Government Grants

R12m relates to the overstatement of grant receivable which was identified in the current year and corrected retrospectively.

45. RISK MANAGEMENT

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

Portfolio 1
Overview

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

The CJMM is exposed to the following financial risks from the use of financial instruments:
- Liquidity risk (including integrated cash flow management)
- Market risk.
- Credit/Counterparty risk

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

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

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

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.

45. RISK MANAGEMENT (continued)

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

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

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

Both Short and Long term borrowings are approved under CJMM's Domestic Medium Term Note (DMTN) programme. The table below indicates approved facilities as at end of June 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 4	195 714	114 724	114 724	1 114 724	68 386	575 138
Fixed Rate Loans	11 220 0	788 034	1 458 694	409 869	1 995 654	284 255	6 283 564
		-	-	-	-	-	-

Figures in Rand thousand 2014 2013

45. 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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Figures in Rand thousand

45. RISK MANAGEMENT (continued)

Cash flow sensitivity analysis

										Interest rate shift			
Loan name	**Institution**	**Nominal**	**Issue date**	**Cash Flow**	**Rate**	**Rate option**	**-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-Sep15			11 558	11 617	11 675	11 733	11 792	11 850	11 908
NEDBANK R315m	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

Notes to the Annual Financial Statements

Figures in Rand thousand

45. RISK MANAGEMENT (continued)

		-		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

Figures in Rand thousand 2014 2013

45. RISK MANAGEMENT (continued)

Hedging Interest Rate Risk

Testing Hedge Effectiveness by the City of Johannesburg

Dollar-Offset Method

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

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

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

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

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

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

Hedge effectiveness measurement

Assessment of the actual effectiveness as at 30 June 2014 as per the Dollar-Offset Method was calculated as shown below:

Date	Swap Value	Hypothetical Swap Value	Cummulative Effectiveness Test	Per Period Effectiveness Test
31-Mar-11	(23 701)	-	- %	- %
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)

Figures in Rand thousand 2014 2013

45. RISK MANAGEMENT (continued)

Swap Cashflow Sensitivity

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

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

Additional text

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.

Additional text

Swap Fair Value Sensitivity

Instrument	Maturity date	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.

Figures in Rand thousand 2014 2013

45. RISK MANAGEMENT (continued)

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

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

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

Fair Value Hierarchy

In terms of GRAP 104.130 there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The fair value hierarchy applies to instruments reported at fair value on the statement of financial position. The interest rate swap is the only instrument reported at fair value and therefore needs to be classified as per fair value hierarchy. Level 2 Fair values are calculated using valuation techniques based on observable inputs either directly or indirectly other than level 1 inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data. 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.

		Operational		Ringfenced				
COUNTERPARTY CLASS	Approved Limit	Call Deposits	Term Deposits	Call Deposits	Term Deposits	Total Exposure	Available for use	Percentage Utilised
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 %**

45. 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.

	Long Term Rating											Short Term Rating					
COUNTERPARTY CLASS	AAA	AA+	AA	AA-	A+	A	A-	BBB +	BBB	Govt Guara nteed	Not Rated	F1+	F1	F2	F3	Govt Guara nteed	Not Rated
DOMESTIC BANKS	1		3		1							4	1				
INTERNATIONAL BANKS				1	1	1						2	1				
PUBLIC SECTOR		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.

Credit Risk

Figures in Rand thousand 2014 2013

45. RISK MANAGEMENT (continued)

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

Management of credit risk

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

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

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

Exposure to credit risk

The Fund's maximum credit risk at the reporting date is represented by the respective carrying amount of the relevant financial assets in the statement of financial position at 30 June 2014. The Fund was invested in securities the following credit quality:

Instrument Type	Fair Value
Bonds	2 769 282
Bond Repos	(513 910)
FRN	825 080
FRA	(126)
IRS	138 699
Current Account	99 263
SBK 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.

Maturity analysis for financial instruments

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

Figures in Rand thousand 2014 2013

45. RISK MANAGEMENT (continued)

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
FRN 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
FRA 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
FRA 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

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

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

45. 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
Amort IRS 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 IRS 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 IRS 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.

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.

Notes to the Annual Financial Statements

45. RISK MANAGEMENT (continued)

Fair Value Sensitivity Analysis

	Fair Value Sensitivity to the interest rate movement/shift						
	R'000s	R'000s	R'000s	R'000s	R'000s	R'000s	R'000s
Asset Class	-1%	-0.5%	0	0.5%	1%	1.5%	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)
FRN	826 404	825 740	825 080	824 423	823 770	823 120	822 473
FRA	6 045	2 953	(126)	(3 191)	(6 244)	(9 284)	(12 311)
IRS	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
SBK 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 as provided the custodian a general lien over the financial assets held in custody for the purpose of covering the exposure from providing custody services. The general lien is part standard contractual terms of the custody agreement, at present, ABSA Bank Limited provide custody services.

Valuation of financial instruments

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.

Figures in Rand thousand 2014 2013

45. RISK MANAGEMENT (continued)

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 similarinstruments; 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 or 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**

Figures in Rand thousand	2014	2013

46. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Opening balance	6 200	5 769
Fruitless and wasteful expenditure current year	19	446
Approved by Council or condoned	(648)	(15)
Fruitless and wasteful expenditure under investigation	(3 250)	-
Transfer to other debtors for verification	**2 321**	**6 200**

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Revenue Department

The Fruitless and wasteful expenditure for R18, 973.70 relates to interest charged for late payment.

Disciplinary steps / Criminal proceedings: None

EMS

An amount of R647,757.53 was condoned in the current year.

Reversal of Fruitless and Wasteful Expenditure

The amount of R3,250.00 relates to Fruitless and wastefull expenditure incorrectly classified. This error was identified in the current year and thus the reversal in the current year.

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Office of the Speaker

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

Disciplinary steps/criminal proceedings : None.

JMPD

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

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

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

Interest charged on late payments - R103,038.00.

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

47. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure		
Opening balance	726 043	575 120
Irregular expenditure current year	40 700	152 216
Approved by Council or condoned	(260)	(1 293)
Transfer to receivables for recovery	(14)	-
	766 469	**726 043**

47. IRREGULAR EXPENDITURE (continued)

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47. IRREGULAR EXPENDITURE (continued)

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). 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 R165,000.00 (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, R103,854.00

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, R142,819.20

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 of Mandisa Personnel for a Temporary Receptionist, R75,000.00

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 that 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, R141,930.00

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 with 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. In January 2013, however without following the normal procurement process.

7. Ratification of Actions of Officials from Budget Office for their failure to adhere to SCM Policy 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) , R378,742.69

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.

47. IRREGULAR EXPENDITURE (continued)

8. Failure to comply with the Provisions of Supply Chain Management Policy and Approval of Payment of the Service Provider: Eletsanang Business Enterprise cc , R101,044.74

Reason
In the absence of a valid contract without and following the normal procurement process and in compliance to Occupational Health and Safety standards, Group Finance requested Eletsanang Business Enterprise cc was 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, R395,825.67

Reason
The City undertook as the top priority to address the wide scale of non-identification of officers in term of their uniform items, the RFQ process was followed and three quotations were solicited and the recommended service provider was found to be cheapest for the embroidery per item.
However the quantity of uniform items to be embroid increased and 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, R50,726.00

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, R4,100,000.00

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, R5,000,000.00

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, R793,920.80

Reason
Transport Department awarded a tender for Financial Advisory and Modelling Services to BnP Capital and Goba (Pty) Ltd for a period of 2 years.

47. IRREGULAR EXPENDITURE (continued)

The reason for the extension was due to 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 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 not submitted to the Department and resulted in unauthorised expenditure of R793,920.80, hence the ratification.

14. Authorisation for payment of suppliers appointed for repairs and maintenance outside the Panel 402/12, R167,529.75

Reason
Housing department has been sourcing three quotes from suppliers who are on COJ database for 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 Payment, informing 222 Smit 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 of 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, R27,000.00

Reason
The interview for fire-fighters position was 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 telephonically contacted 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, R132,981.00

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, R2,202,043.30

Reason
In the past Group Central HR and Group Legal and Contracts solicited quotations from 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 Pedestrian Bridge at KYA Sands Informal Settlement and make new Appointment for same, R2,046,990.57

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 license of which the approval of the license 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 R7,7000.000.00

47. IRREGULAR EXPENDITURE (continued)

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, R41,945.41 & R33,754.21

Reason
During the 2012/13 financial year, the City instituted Institutional and Policy Programme changes that resulted in the Region performing increased functions of liasing and engaging with citizens through meeting 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

21. Payment of the Service Provider, R25,800.48

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, R46,349.00 & R68,432.81

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, Admin 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. Office Accommodation of Group Risk & Assurance Services Department at 48 Ameshoff Street Building, R15 079 699.00

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.

24. Ratification of the Actions of Group Human Capital Management in Relation to the over Expenditure on CEEF Breakaway R 5 737.62

Reason
The initial quotation for the CEEF Breakaway was R90,819.24. 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 R5,737.62 (VAT inclusive) being incurred, it was impractical at that stage and time to request new quotations for the additional requirement.

25. Ratification of Actions of JMPD to pay Urban Brew for services rendered, R42 675.19

Reason
After hiring mobile toilets during Dec 2013 and Jan 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 Feb 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.

47. IRREGULAR EXPENDITURE (continued)

26. Appointment of a Service Provider to produce Squeeze and Stings Advertising Material for Joburg Open 2014, R103 254.00

Reason
The department followed the normal procurement process in terms of soliciting quotations from their panel (A474) but however their process was not completed as they did not comply with Practise 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.

27. Extension of Joburg Tourism Rental Lease Agreement, R140 000.00

Reason
The Johannesburg Tourism Company (JTC) has been operating its head office at 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 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 processes can proceed in order to undertake the necessary renovations required for tourism and for the relocation. Hence the deviation.

28. 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 992.83

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 Practise 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.

29. Condonation and Ratification with Long Term Resolution, R25 790.85

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.

30. 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.

31. 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 the 09 Dec 2013.(R25 791)

47. IRREGULAR EXPENDITURE (continued)

Responsible official –Busisiwe Ngwenya: Director Legislative Oversight

32. A temp worker was hired without adherence to the correct procedures being followed.(R165 356
Responsible official –Ntombifuthi Mbanjwa.

33. JPC was previously captured under our books as asn irregular and it should have been under JPC Financial.JPC had an amount of R141 215 condoned and only R125 207 is awaiting condonement.

Disciplinary steps / Criminal proceedings:None

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

48. UNAUTHORISED EXPENDITURE

Reconciliation of unauthorised expenditure		
Opening balance	51 711	51 711

2013

Emergency Management Services

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

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

Infrastructure and Services Department

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

Disciplinary steps/criminal proceedings : None

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

49. IN-KIND DONATIONS AND ASSISTANCE

The Health Department received the following:

- Glucoflash plus glucometers safarmex-daibetic disease worth R200.000.
- Management patient files worth R73847.

The JMPD Department received the following:

- 2X Canon DSLR EOS 1100D digital cameras @ R4,899.99 each.
- 2X Samsung H400 Video Cameras @ R2,799.99 each.
- 2X Bell IC DVR recorder @ R549.99 each.
- 16X SanDisk Cruzer Blade USB 32 memory sticks @ R399.99 each.
- 4X Laptop Computers @ R13,358.92.
- 4X Printers @ R3,213.60.
- Acer Projector @ R4,499.99.

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

50. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

Council subscriptions	10 264	9 620
Amount paid - current year	(10 264)	(9 620)
	-	-

Audit fees

Opening balance	1 639	1 555
Current year audit fee	20 639	19 317
Amount paid - current year	(20 366)	(19 233)
	1 912	**1 639**

PAYE and UIF

Opening balance	56 104	50 701
Current year payroll deductions	723 929	691 536
Amount paid - current year	(662 635)	(635 432)
Amount paid - previous years	(56 104)	(50 701)
	61 294	**56 104**

Pension and Medical Aid Deductions

Opening balance	99 751	87 994
Current year payroll deductions and council contributions	1 358 500	1 247 514
Amount paid - current year	(1 251 794)	(1 147 763)
Amount paid - previous years	(99 751)	(87 994)
	106 706	**99 751**

VAT

VAT receivable	429 077	143 845

VAT output payables and VAT input receivables are shown in note 8.

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

Figures in Rand thousand

50. 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**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

50. 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**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

50. 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**	**-**

Figures in Rand thousand | 2014 | 2013

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

51. 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	-
				-
Mirriam 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

52. 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 annual financial statements.

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

1st Quarter Deviations.

1. Payment for the Discovery 702 Walk the Talk Event for 2013. R62,598.05.

   Reason
   Primedia Broadcasting is the Sole Provider of Discovery 702 Walk the Talk.

2. Payment of the services provided during the Launch of the IDP Outreach Process held on the 9th April 2013. R460,466,52.

   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.

3. Deviation for Expenditure incurred on EOH Contract No. A392 Where amount has been exceeded. R8,650,933.89

   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 R8,650,933.89. Hence the deviation

4. SAP Training: Management Support R373,464.00.

   Reason
   SAP Africa is the Sole Provider.

5. Proposed lease of rental agreement with current vendor for office accommodation and facilities for 28 Harisson Street Building, R3,001,786.26.

   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 ie impractical for the department to go on tender to relocate their offices

52. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

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. R306,000.00.

   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, R5,487,153.00

   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, R2,975,869.55.

   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, R63,000,000.00.

   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, R400,000.00.
   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.

Notes to the Annual Financial Statements

52. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

11. Payment of a Service Provider for Temporary Emergency Accommodation Facilities rendered by Methodist Evangelical Services (MES). Ekuthuleni - R1,570,257.44 and Linatex - R1,380,689.00.

    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.

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

53. 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

	2014	2013
Opening Balance	54 928	94 065
Fair value movement - SWAP	(20 723)	(39 137)
	34 205	**54 928**

Interest expense recognised in the statement of financial performance during the financial period	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).

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

54. RELATED PARTIES

Relationships	
Controlling entity	City of Johannesburg Metropolitan Municipality
Other members of the group	Johannesburg City Parks
	Johannesburg Metropolitan Bus Services (Pty) Ltd
	Johannesburg Social Housing Company (Pty) Ltd
	City Power Johannesburg (Pty) Ltd
	Johannesburg Development Agency (Pty) Ltd
	Johannesburg Roads Agency (Pty) Ltd
	Johannesburg Water (Pty) Ltd
	The Johannesburg Civic Theatre (Pty) Ltd
	The Johannesburg Fresh Produce Market (Pty) Ltd
	Pikitup Johannesburg (Pty) Ltd
	City of Johannesburg Property Company (Pty) Ltd

Related party balances

	2014	2013
Amounts included in Loans, Trade and other receivables regarding related parties		
City Power Johannesburg (Pty) Ltd	3 531 641	3 553 737
City of Johannesburg Property Company (Pty) Ltd	483 028	1 263
Johannesburg City Parks	69 791	36 481
Johannesburg Development Agency (Pty) Ltd	176 609	554
Johannesburg Metropolitan Bus Services (Pty) Ltd	297 596	166 554
Johannesburg Roads Agency (Pty) Ltd	282 791	154 394
Johannesburg Social Housing Company (Pty) Ltd	36 586	98 318
Johannesburg Water (Pty) Ltd	3 930 559	3 175 360
Pikitup Johannesburg (Pty) Ltd	4 116 444	414 767
The Johannesburg Civic Theatre (Pty) Ltd	2 550	2 935
The Johannesburg Fresh Produce Market (Pty) Ltd	533 861	175 935
	13 461 456	**7 780 298**

Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013

54. RELATED PARTIES (continued)

Amounts included in Loans, Trade and other payables regarding related parties		
City Power Johannesburg (Pty) Ltd	3 384 699	3 294 211
City of Johannesburg Property Company (Pty) Ltd	391 516	96 945
Johannesburg City Parks	468 776	414 726
Johannesburg Development Agency (Pty) Ltd	561 084	196 307
Johannesburg Metropolitan Bus Services (Pty) Ltd	32 233	-
Johannesburg Roads Agency (Pty) Ltd	1 929 903	570
Johannesburg Social Housing Company (Pty) Ltd	142 071	124 812
Johannesburg Water (Pty) Ltd	694 418	277 848
Pikitup Johannesburg (Pty) Ltd	3 069 240	236 654
The Johannesburg Civic Theatre (Pty) Ltd	69 235	2 634
The Johannesburg Fresh Produce Market (Pty) Ltd	447 505	67 706
	11 190 680	**4 712 413**

Related party transactions

Revenue from related parties		
City Power Johannesburg (Pty) Ltd	65 978	534 975
City of Johannesburg Property Company (Pty) Ltd	33 225	134
Johannesburg City Parks	3 162	34 560
Johannesburg Development Agency (Pty) Ltd	533	-
Johannesburg Metropolitan Bus Services (Pty) Ltd	18 461	6 681
Johannesburg Roads Agency (Pty) Ltd	27 425	39 889
Johannesburg Water (Pty) Ltd	198 280	581 916
Pikitup Johannesburg (Pty) Ltd	21 090	37 287
The Johannesburg Civic Theatre (Pty) Ltd	63 940	7 322
The Johannesburg Fresh Produce Market (Pty) Ltd	17 153	54 487
	449 247	**1 297 251**

Operating Expenditure		
City Power Johannesburg (Pty) Ltd	188 678	239 152
City of Johannesburg Property Company (Pty) Ltd	205 709	136 775
Johannesburg City Parks	641 684	517 966
Johannesburg Development Agency (Pty) Ltd	2 185	29 913
Johannesburg Metropolitan Bus Services (Pty) Ltd	5 273	319 450
Johannesburg Roads Agency (Pty) Ltd	20 541	499 308
Johannesburg Social Housing Company (Pty) Ltd	-	16 900
Johannesburg Water (Pty) Ltd	379 445	4 066
Pikitup Johannesburg (Pty) Ltd	619 581	1 169 497
The Johannesburg Civic Theatre (Pty) Ltd	6 827	37 994
The Johannesburg Fresh Produce Market (Pty) Ltd	62 300	2 291
	2 132 223	**2 973 312**