



**a world class African city**

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## General Information

---

### MAYORAL COMMITTEE

Executive Mayor

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

Councillors

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## General Information

---

### GRADING OF LOCAL AUTHORITY

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

### CITY MANAGER

Trevor Fowler

### CHIEF FINANCIAL OFFICER

Reggie Boqo

### REGISTERED OFFICE

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

### POSTAL ADDRESS

P O Box 1049  
Johannesburg  
2000

### BANKERS

Standard Bank

### AUDITORS

The Office of the Auditor-General : Gauteng  
Registered Auditors  
61 Central Street  
Houghton  
2198  
PO Box 91081  
Auckland Park  
2006

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Index

---

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

<b>Index</b>	<b>Page</b>
Municipal Manager's approval of the Group Annual Financial Statements	5
Statement of Financial Position	6 - 7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9 - 10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 17
Notes to the Controlling Entity	22 - 41
Notes to the Group Annual Financial Statements	42 - 185

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Index

---

### Abbreviations

AARTO	Administrative Adjudication of Road Traffic Offences
AUC	Assets Under Construction
BESA	Bond Exchange South Africa
CJMM	City of Johannesburg Metropolitan Municipality
CMP	Corporate Media Platforms
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
DMTN	Domestic Medium Term Note
EPWP	Expanded Public Works Program
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
JSE	Johannesburg Stock Exchange
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MOE's	Municipal Owned Entities
NDR	Non-distributable Reserve
PAYE	Pay As You Earn
PPE	Property, plant and equipment
RMB	Rand Merchant Bank
SARS	South Africa Revenue Services
SCA	Supreme Court of Appeal
SPTN	Single Public Transport Network
STD	Standard Bank
TCTA	Trans Caledon Tunnel Authority
UIF	Unemployment Insurance Fund
USDG	Urban Settlements Development Grant
VAT	Value Added Taxation

## **City of Johannesburg Metropolitan Municipality**

Group Annual Financial Statements for the year ended 30 June 2014

### **Municipal Manager's approval of the Group Annual Financial Statements**

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

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



**Accounting Officer  
Municipal Manager**

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2014	2013	2014	2013
<b>ASSETS</b>					
<b>Current Assets</b>					
Inventories	3	310,373	355,782	113,073	119,852
Loans to Municipal Entities	4	-	-	980,592	906,089
Other financial assets	5	186,361	38,851	186,361	38,851
Current tax receivable		9,354	9,187	-	-
Finance lease receivables	6	-	-	80,984	34,485
Trade and other receivables	7	1,074,800	735,678	3,348,658	1,599,848
Receivables from non-exchange transactions	8	24,277	10,843	-	-
VAT receivable	9	438,872	151,448	429,077	143,845
Consumer debtors	10	4,961,568	3,959,691	649,517	401,461
Other financial assets at fair value	11	2,348,387	2,578,265	1,401,255	619,364
Cash and cash equivalents	12	5,327,242	5,400,846	5,144,077	5,193,519
		<b>14,681,234</b>	<b>13,240,591</b>	<b>12,333,594</b>	<b>9,057,314</b>
<b>Non-Current Assets</b>					
Zoo animals	13	15,247	12,124	-	-
Investment property	14	1,262,350	1,290,713	1,261,859	1,290,199
Property, plant and equipment	15	47,130,847	42,083,163	28,339,489	26,304,564
Intangible assets	16	529,507	492,508	234,260	197,117
Heritage assets	17	592,066	591,801	590,473	590,208
Investments in Municipal Owned Entities	18	-	-	407,442	181,985
Investment in joint venture	19	25,431	25,946	-	-
Investment in associates	20	18,108	15,847	-	-
Loans to Municipal Entities	4	-	-	4,997,925	5,256,976
Other financial assets	5	104,332	284,317	104,332	284,317
Deferred tax	21	35,343	24,091	-	-
Finance lease receivables	6	-	-	193,949	114,116
Consumer debtors	10	-	36,483	-	36,483
Other financial assets at fair value	11	2,245,539	2,436,147	1,832,005	1,972,106
		<b>51,958,770</b>	<b>47,293,140</b>	<b>37,961,734</b>	<b>36,228,071</b>
<b>Total Assets</b>		<b>66,640,004</b>	<b>60,533,731</b>	<b>50,295,328</b>	<b>45,285,385</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2014	2013	2014	2013
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Loans and borrowings	23	987,342	625,164	970,551	624,610
Current tax payable		2,822	3,131	-	-
Finance lease obligations	24	90,611	83,752	76,595	82,884
Trade and other payables	25	10,376,135	8,743,052	10,311,298	8,598,755
VAT payable	9	427,036	528,221	-	-
Obligations arising from conditional grants and receipts	26	858,308	1,367,983	835,072	1,356,139
Provisions	27	73,387	63	25,537	-
Deferred income	29	13,101	11,384	-	-
Financial liabilities at fair value	11&30	969,183	1,968,096	7,816	9,609
		<b>13,797,925</b>	<b>13,330,846</b>	<b>12,226,869</b>	<b>10,671,997</b>
<b>Non-Current Liabilities</b>					
Project Funds payable	32	11,427	5,640	-	-
Loans and borrowings	23	12,420,643	11,399,462	12,419,473	11,381,478
Finance lease obligations	24	327,638	390,494	316,964	379,237
Employee benefit obligation	28	1,840,111	1,865,790	1,843,061	1,863,909
Obligations arising from conditional grants and receipts	26	46,404	42,186	-	-
Deferred tax	21	1,484,280	1,118,049	-	-
Provisions	27	589,686	548,890	20,000	20,000
Deferred income	29	78,259	88,462	48,879	51,804
Financial liabilities at fair value	11&30	459,830	531,061	46,297	67,020
Consumer deposits	31	498,510	465,108	25,320	26,402
		<b>17,756,788</b>	<b>16,455,142</b>	<b>14,719,994</b>	<b>13,789,850</b>
<b>Total Liabilities</b>		<b>31,554,713</b>	<b>29,785,988</b>	<b>26,946,863</b>	<b>24,461,847</b>
<b>Net Assets</b>		<b>35,085,291</b>	<b>30,747,743</b>	<b>23,348,465</b>	<b>20,823,538</b>
<b>NET ASSETS</b>					
Reserves					
Hedging reserve		(37,721)	(54,928)	(37,721)	(54,928)
Accumulated surplus		35,123,012	30,802,671	23,386,186	20,878,466
<b>Total Net Assets</b>		<b>35,085,291</b>	<b>30,747,743</b>	<b>23,348,465</b>	<b>20,823,538</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2014	2013	2014	2013
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Income from agency services		193,643	199,813	193,643	199,813
Interest received		585,861	583,919	1,150,706	1,087,639
Licences and permits		1,170	958	1,170	958
Other income	34	1,428,989	1,502,232	717,857	783,702
Rental facilities and equipment		201,807	197,779	82,749	84,985
Reversal of impairment	35	-	-	190,927	-
Sale of housing stock		-	6,973	-	6,973
Service charges	36	20,355,557	19,312,527	255,674	1,022,146
Rendering of services		9,534	3,021	-	-
<b>Total revenue from exchange transactions</b>		<b>22,776,561</b>	<b>21,807,222</b>	<b>2,592,726</b>	<b>3,186,216</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	37	7,549,458	5,976,351	7,549,458	5,990,230
<b>Transfer revenue</b>					
Fines		190,184	320,336	190,184	320,336
Government grants and subsidies	38	7,765,829	6,808,732	7,680,513	6,724,543
Public contributions, Donated and contributed property, plant and equipment		14,923	2,961	14,923	2,961
<b>Total revenue from non-exchange transactions</b>		<b>15,520,394</b>	<b>13,108,380</b>	<b>15,435,078</b>	<b>13,038,070</b>
<b>Total revenue</b>		<b>38,296,955</b>	<b>34,915,602</b>	<b>18,027,804</b>	<b>16,224,286</b>
<b>Expenditure</b>					
Employee related costs	39	(7,892,502)	(7,447,294)	(4,468,941)	(4,270,844)
Remuneration of councillors	40	(120,639)	(110,411)	(120,639)	(110,411)
Provision	27	(25,537)	-	(25,537)	-
Depreciation and amortisation	41	(2,023,811)	(2,058,628)	(1,435,240)	(1,430,115)
Impairment losses	42	(3,650)	(20,858)	(58,579)	(51,501)
Finance costs		(1,443,643)	(1,459,552)	(1,526,624)	(1,494,858)
Allowance for impairment of current receivables	43	(2,178,739)	(2,879,653)	(831,285)	(1,227,499)
Repairs and maintenance		(1,002,455)	(691,370)	(286,705)	(138,639)
Bulk purchases	44	(11,878,941)	(11,211,211)	-	-
Contracted services	45	(2,073,164)	(1,831,627)	(1,314,406)	(1,134,224)
Grants and subsidies paid	46	(309,839)	(153,955)	(2,548,017)	(2,776,211)
Cost of housing sold		-	(9,856)	-	(9,856)
General Expenses	47	(4,627,060)	(3,709,250)	(2,813,504)	(2,575,500)
<b>Total expenditure</b>		<b>(33,579,980)</b>	<b>(31,583,665)</b>	<b>(15,429,477)</b>	<b>(15,219,658)</b>
<b>Operating surplus</b>		<b>4,716,975</b>	<b>3,331,937</b>	<b>2,598,327</b>	<b>1,004,628</b>
(Loss)/gain on disposal assets		(523,500)	(6,664)	(522,911)	38,777
Fair value adjustments	48	159,383	162,584	111,973	162,699
Gain on biological assets and agricultural produce		2,922	-	-	-
Share of surplus of associate		2,296	2,226	-	-
		<b>(358,899)</b>	<b>158,146</b>	<b>(410,938)</b>	<b>201,476</b>
<b>Surplus before taxation</b>		<b>4,358,076</b>	<b>3,490,083</b>	<b>2,187,389</b>	<b>1,206,104</b>
Taxation		388,591	75,732	-	-
<b>Surplus for the year from continuing operations</b>		<b>3,969,485</b>	<b>3,414,351</b>	<b>2,187,389</b>	<b>1,206,104</b>
Discontinued operations		30,525	36,116	-	-
<b>Surplus for the year</b>		<b>4,000,010</b>	<b>3,450,467</b>	<b>2,187,389</b>	<b>1,206,104</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
<b>GROUP</b>				
<b>Balance at 01 July 2012</b>		<b>(94,065)</b>	<b>27,244,521</b>	<b>27,150,456</b>
Changes in net assets				
Capitalisation Adjustment		39,137	-	39,137
Unbundling of land		-	197,630	197,630
Net revenue (expenditure) recognised directly in equity		39,137	197,630	236,767
Surplus for the year		-	3,450,467	3,450,467
Total recognised revenue and expenditure for the year		39,137	3,648,097	3,687,234
PPE purchases from CRR		-	(89,044)	(89,044)
Equity share in associate		-	(903)	(903)
Total changes		39,137	3,558,150	3,597,287
Opening balance as previously reported		(54,928)	30,808,421	30,753,493
Adjustments				
Prior period errors	52	-	(5,750)	(5,750)
<b>Balance at 01 July 2013 as restated</b>		<b>(54,928)</b>	<b>30,802,671</b>	<b>30,747,743</b>
Changes in net assets				
Capitalisation adjustment		17,207	-	17,207
Unbundling of land		-	320,331	320,331
Net revenue (expenditure) recognised directly in equity		17,207	320,331	337,538
Surplus for the year		-	4,000,010	4,000,010
Total recognised revenue and expenditure for the year		17,207	4,320,341	4,337,548
Total changes		17,207	4,320,341	4,337,548
<b>Balance at 30 June 2014</b>		<b>(37,721)</b>	<b>35,123,012</b>	<b>35,085,291</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
<b>CORE</b>				
<b>Balance at 01 July 2012</b>		<b>(94,065)</b>	<b>19,474,732</b>	<b>19,380,667</b>
Changes in net assets				
Capitalisation Adjustment		39,137	-	39,137
Unbundling of land		-	197,630	197,630
Net revenue (expenditure) recognised directly in equity		39,137	197,630	236,767
Surplus for the year		-	1,206,104	1,206,104
Total recognised revenue and expenditure 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)	20,880,163	20,825,235
Adjustments				
Prior period errors	52	-	(1,697)	(1,697)
<b>Balance at 01 July 2013 as restated</b>		<b>(54,928)</b>	<b>20,878,466</b>	<b>20,823,538</b>
Changes in net assets				
Capitalisation adjustment		17,207	-	17,207
Unbundling of land		-	320,331	320,331
Net revenue (expenditure) recognised directly in equity		17,207	320,331	337,538
Surplus for the year		-	2,187,389	2,187,389
Total recognised revenue and expenditure for the year		17,207	2,507,720	2,524,927
Total changes		17,207	2,507,720	2,524,927
<b>Balance at 30 June 2014</b>		<b>(37,721)</b>	<b>23,386,186</b>	<b>23,348,465</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2014	2013	2014	2013
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Cash receipts from customers		26,478,867	25,312,652	6,384,601	7,086,429
Grants		7,260,372	7,411,890	7,159,446	7,282,966
Interest income		585,861	583,919	944,772	855,851
		<b>34,325,100</b>	<b>33,308,461</b>	<b>14,488,819</b>	<b>15,225,246</b>
<b>Payments</b>					
Cash paid to suppliers and employees		(26,620,092)	(23,642,891)	(10,114,260)	(8,149,752)
Finance costs		(1,443,643)	(1,459,552)	(1,530,486)	(1,568,281)
Taxes on surpluses		(389,067)	(84,102)	-	-
		<b>(28,452,802)</b>	<b>(25,186,545)</b>	<b>(11,644,746)</b>	<b>(9,718,033)</b>
<b>Net cash flows from operating activities</b>	49	<b>5,872,298</b>	<b>8,121,916</b>	<b>2,844,073</b>	<b>5,507,213</b>
<b>Cash flows from investing activities</b>					
Purchase of capital assets	15	(6,687,319)	(4,162,940)	(3,411,073)	(1,786,415)
Investment in sinking fund		(533,333)	(100,000)	(533,333)	(100,000)
Loans redeemed from municipal entities		-	-	924,657	848,843
Finance lease receivables		-	-	(83,812)	(24,737)
Investment in Municipal entities		-	-	(67,858)	(9,654)
Other financial assets		61,950	279,258	61,950	279,258
Loans to Municipal Entities		-	-	(1,001,111)	(747,729)
<b>Net cash flows from investing activities</b>		<b>(7,158,702)</b>	<b>(3,983,682)</b>	<b>(4,110,580)</b>	<b>(1,540,434)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		2,083,331	720,984	2,066,000	703,000
Repayment of borrowings		(662,571)	(1,473,589)	(662,571)	(1,473,589)
Finance lease obligation		(55,997)	(67,647)	(68,562)	71,430
Repayment of post retirement benefits		(151,963)	(137,040)	(117,802)	(116,715)
<b>Net cash flows from financing activities</b>		<b>1,212,800</b>	<b>(957,292)</b>	<b>1,217,065</b>	<b>(815,874)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(73,604)</b>	<b>3,180,942</b>	<b>(49,442)</b>	<b>3,150,905</b>
Cash and cash equivalents at the beginning of the year		5,400,846	2,219,904	5,193,519	2,042,614
<b>Cash and cash equivalents at the end of the year</b>	12	<b>5,327,242</b>	<b>5,400,846</b>	<b>5,144,077</b>	<b>5,193,519</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>GROUP</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	21,433,469	(880,018)	<b>20,553,451</b>	20,355,557	<b>(197,894)</b>	1
Rendering of services	-	-	-	9,534	<b>9,534</b>	
Rental facilities and equipment	287,893	(24,208)	<b>263,685</b>	201,807	<b>(61,878)</b>	2
Interest received	440,102	69,258	<b>509,360</b>	585,861	<b>76,501</b>	3
Income from agency services	501,979	30,276	<b>532,255</b>	193,643	<b>(338,612)</b>	4
Licences and permits	674	-	<b>674</b>	1,170	<b>496</b>	
<b>Total revenue from exchange transactions</b>	<b>22,664,117</b>	<b>(804,692)</b>	<b>21,859,425</b>	<b>21,347,572</b>	<b>(511,853)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	6,395,445	150,000	<b>6,545,445</b>	7,549,458	<b>1,004,013</b>	5
Government grants	7,671,033	697,877	<b>8,368,910</b>	7,765,829	<b>(603,081)</b>	6
<b>Transfer revenue</b>						
Public contributions, Donated and contributed property, plant and equipment	448,870	16,208	<b>465,078</b>	14,923	<b>(450,155)</b>	7
Fines	574,741	(251,000)	<b>323,741</b>	190,184	<b>(133,557)</b>	8
Other revenue	1,540,581	109,568	<b>1,650,149</b>	1,428,989	<b>(221,160)</b>	9
<b>Total revenue from non-exchange transactions</b>	<b>16,630,670</b>	<b>722,653</b>	<b>17,353,323</b>	<b>16,949,383</b>	<b>(403,940)</b>	
<b>Total revenue</b>	<b>39,294,787</b>	<b>(82,039)</b>	<b>39,212,748</b>	<b>38,296,955</b>	<b>(915,793)</b>	
<b>Expenditure</b>						
Employee related cost	(8,155,691)	(19,722)	<b>(8,175,413)</b>	(7,892,502)	<b>282,911</b>	
Remuneration of councillors	(124,154)	-	<b>(124,154)</b>	(120,639)	<b>3,515</b>	
Provisions	(29,729)	(657)	<b>(30,386)</b>	(25,537)	<b>4,849</b>	
Depreciation and amortisation	(2,345,443)	-	<b>(2,345,443)</b>	(2,023,811)	<b>321,632</b>	10
Impairment loss/ Reversal of impairments	-	-	-	(3,650)	<b>(3,650)</b>	
Finance costs	(1,403,071)	86,594	<b>(1,316,477)</b>	(1,443,643)	<b>(127,166)</b>	11
Allowance for impairment of current receivables	(1,451,637)	(233,660)	<b>(1,685,297)</b>	(2,178,739)	<b>(493,442)</b>	12
Repairs and maintenance	(1,044,933)	8,905	<b>(1,036,028)</b>	(1,002,455)	<b>33,573</b>	
Bulk purchases	(12,315,394)	680,181	<b>(11,635,213)</b>	(11,878,941)	<b>(243,728)</b>	
Contracted Services	(3,215,045)	(192,258)	<b>(3,407,303)</b>	(2,073,164)	<b>1,334,139</b>	13
Grants and subsidies paid	(175,397)	(280,776)	<b>(456,173)</b>	(309,839)	<b>146,334</b>	14
General Expenses	(3,700,385)	(310,229)	<b>(4,010,614)</b>	(4,627,060)	<b>(616,446)</b>	15
<b>Total expenditure</b>	<b>(33,960,879)</b>	<b>(261,622)</b>	<b>(34,222,501)</b>	<b>(33,579,980)</b>	<b>642,521</b>	
<b>Operating surplus</b>	<b>5,333,908</b>	<b>(343,661)</b>	<b>4,990,247</b>	<b>4,716,975</b>	<b>(273,272)</b>	
Loss on disposal of assets and liabilities	(50)	30	<b>(20)</b>	(523,500)	<b>(523,480)</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
Fair value adjustments	-	-	-	159,383	<b>159,383</b>	
Gain on biological assets and agricultural produce	-	-	-	2,922	<b>2,922</b>	
Share of (deficit)/surplus of associate accounted for under the equity method	-	-	-	2,296	<b>2,296</b>	
	<b>(50)</b>	<b>30</b>	<b>(20)</b>	<b>(358,899)</b>	<b>(358,879)</b>	
<b>Surplus before taxation</b>	<b>5,333,858</b>	<b>(343,631)</b>	<b>4,990,227</b>	<b>4,358,076</b>	<b>(632,151)</b>	
Taxation	550,871	(51,372)	<b>499,499</b>	388,591	<b>(110,908)</b>	
<b>Surplus for the year from continuing operations</b>	<b>4,782,987</b>	<b>(292,259)</b>	<b>4,490,728</b>	<b>3,969,485</b>	<b>(521,243)</b>	
Discontinued operations	-	-	-	30,525	<b>30,525</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>4,782,987</b>	<b>(292,259)</b>	<b>4,490,728</b>	<b>4,000,010</b>	<b>(490,718)</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand thousand

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

Reference:

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>CJMM</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	274,544	(43,988)	<b>230,556</b>	255,674	<b>25,118</b>	
Rental facilities and equipment	132,071	62,370	<b>194,441</b>	82,749	<b>(111,692)</b>	1
Interest received	1,094,574	(20,433)	<b>1,074,141</b>	1,150,706	<b>76,565</b>	
Income from agency services	221,818	-	<b>221,818</b>	193,643	<b>(28,175)</b>	2
Licences and permits	674	-	<b>674</b>	1,170	<b>496</b>	
Public contributions	-	-	-	14,923	<b>14,923</b>	
Reversal of impairment	-	-	-	190,927	<b>190,927</b>	
<b>Total revenue from exchange transactions</b>	<b>1,723,681</b>	<b>(2,051)</b>	<b>1,721,630</b>	<b>1,889,792</b>	<b>168,162</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	6,395,445	150,000	<b>6,545,445</b>	7,549,458	<b>1,004,013</b>	3
Government grants	7,129,570	692,731	<b>7,822,301</b>	7,680,513	<b>(141,788)</b>	
<b>Transfer revenue</b>						
Fines	574,741	(251,000)	<b>323,741</b>	190,184	<b>(133,557)</b>	4
Other revenue	980,264	(137,854)	<b>842,410</b>	717,857	<b>(124,553)</b>	5
<b>Total revenue from non-exchange transactions</b>	<b>15,080,020</b>	<b>453,877</b>	<b>15,533,897</b>	<b>16,138,012</b>	<b>604,115</b>	
<b>Total revenue</b>	<b>16,803,701</b>	<b>451,826</b>	<b>17,255,527</b>	<b>18,027,804</b>	<b>772,277</b>	
<b>Expenditure</b>						
Employee Related costs	(4,521,822)	(21,912)	<b>(4,543,734)</b>	(4,468,941)	<b>74,793</b>	
Remuneration of councillors	(124,154)	-	<b>(124,154)</b>	(120,639)	<b>3,515</b>	
Provisions	-	-	-	(25,537)	<b>(25,537)</b>	
Depreciation and amortisation	(1,702,887)	28,099	<b>(1,674,788)</b>	(1,340,990)	<b>333,798</b>	6
Impairment losses	-	-	-	(58,579)	<b>(58,579)</b>	
Finance costs	(1,420,750)	151,937	<b>(1,268,813)</b>	(1,526,624)	<b>(257,811)</b>	7
Allowance for impairment of current receivables	(378,083)	(7,350)	<b>(385,433)</b>	(839,095)	<b>(453,662)</b>	8
Repairs and maintenance	(315,531)	2,355	<b>(313,176)</b>	(286,705)	<b>26,471</b>	
Contracted Services	(1,560,622)	(210,154)	<b>(1,770,776)</b>	(1,314,406)	<b>456,370</b>	9
Grants and subsidies paid	(2,321,007)	(355,630)	<b>(2,676,637)</b>	(2,548,017)	<b>128,620</b>	
General Expenses	(2,261,847)	(333,512)	<b>(2,595,359)</b>	(2,815,228)	<b>(219,869)</b>	
<b>Total expenditure</b>	<b>(14,606,703)</b>	<b>(746,167)</b>	<b>(15,352,870)</b>	<b>(15,344,761)</b>	<b>8,109</b>	
<b>Operating surplus</b>	<b>2,196,998</b>	<b>(294,341)</b>	<b>1,902,657</b>	<b>2,683,043</b>	<b>780,386</b>	
(Loss) gain on disposal of assets	-	-	-	(522,910)	<b>(522,910)</b>	
Fair value adjustments	-	-	-	111,973	<b>111,973</b>	
	-	-	-	<b>(410,937)</b>	<b>(410,937)</b>	
<b>Surplus before taxation</b>	<b>2,196,998</b>	<b>(294,341)</b>	<b>1,902,657</b>	<b>2,272,106</b>	<b>369,449</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>2,196,998</b>	<b>(294,341)</b>	<b>1,902,657</b>	<b>2,272,106</b>	<b>369,449</b>	

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 negatively 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>GROUP - 2014</b>											
<b>Financial Performance</b>											
Property rates	6,395,445	150,000	6,545,445	-		6,545,445	7,549,458		1,004,013	115 %	118 %
Service charges	21,433,469	(880,018)	20,553,451	-		20,553,451	20,355,557		(197,894)	99 %	95 %
Investment revenue	440,102	69,258	509,360	-		509,360	585,861		76,501	115 %	133 %
Transfers recognised - operational	7,671,033	697,877	8,368,910	-		8,368,910	7,765,829		(603,081)	93 %	101 %
Other own revenue	3,354,738	(119,156)	3,235,582	-		3,235,582	2,040,250		(1,195,332)	63 %	61 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>39,294,787</b>	<b>(82,039)</b>	<b>39,212,748</b>	<b>-</b>		<b>39,212,748</b>	<b>38,296,955</b>		<b>(915,793)</b>	<b>98 %</b>	<b>97 %</b>
Employee costs	(8,155,691)	(19,722)	(8,175,413)	-	-	(8,175,413)	(7,892,502)	-	282,911	97 %	97 %
Remuneration of councillors	(124,154)	-	(124,154)	-	-	(124,154)	(120,639)	-	3,515	97 %	97 %
Debt impairment	(1,451,637)	(233,660)	(1,685,297)			(1,685,297)	(2,178,739)	-	(493,442)	129 %	150 %
Depreciation and asset impairment	(2,345,443)	-	(2,345,443)			(2,345,443)	(2,027,461)	-	317,982	86 %	86 %
Finance charges	(1,403,071)	86,594	(1,316,477)	-	-	(1,316,477)	(1,443,643)	-	(127,166)	110 %	103 %
Materials and bulk purchases	(12,315,394)	680,181	(11,635,213)	-	-	(11,635,213)	(11,878,941)	-	(243,728)	102 %	96 %
Transfers and grants	(175,397)	(280,776)	(456,173)	-	-	(456,173)	(309,839)	-	146,334	68 %	177 %
Other expenditure	(10,963,755)	(614,624)	(11,578,379)	-	-	(11,578,379)	(8,073,809)	-	3,504,570	70 %	74 %
<b>Total expenditure</b>	<b>(36,934,542)</b>	<b>(382,007)</b>	<b>(37,316,549)</b>	<b>-</b>	<b>-</b>	<b>(37,316,549)</b>	<b>(33,925,573)</b>	<b>-</b>	<b>3,390,976</b>	<b>91 %</b>	<b>92 %</b>
<b>Surplus/(Deficit)</b>	<b>2,360,245</b>	<b>(464,046)</b>	<b>1,896,199</b>	<b>-</b>		<b>1,896,199</b>	<b>4,371,382</b>		<b>2,475,183</b>	<b>231 %</b>	<b>231 %</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2,524,743	104,207	2,628,950	-		2,628,950	-		(2,628,950)	- %	- %
Contributions recognised - capital and contributed assets	448,870	16,208	465,078	-		465,078	14,923		(450,155)	3 %	3 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>5,333,858</b>	<b>(343,631)</b>	<b>4,990,227</b>	-		<b>4,990,227</b>	<b>4,386,305</b>		<b>(603,922)</b>	<b>88 %</b>	<b>82 %</b>
Share of surplus (deficit) of associate	-	-	-	-		-	(2,296)		(2,296)	DIV/0 %	DIV/0 %
Taxation	550,871	(51,372)	499,499	-		499,499	388,591		(110,908)	78 %	71 %
<b>Surplus/(Deficit) for the year</b>	<b>4,782,987</b>	<b>(292,259)</b>	<b>4,490,728</b>	-		<b>4,490,728</b>	<b>4,000,010</b>		<b>(490,718)</b>	<b>89 %</b>	<b>84 %</b>

### Capital expenditure and funds sources

Total capital expenditure	-	-	-	-		-	7,511,828		7,511,828	DIV/0 %	DIV/0 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	2,524,743	104,207	2,628,950	-		2,628,950	-		(2,628,950)	- %	- %
Public contributions and donations	448,870	16,208	465,078	-		465,078	-		(465,078)	- %	- %
Borrowing	1,458,631	-	1,458,631	-		1,458,631	-		(1,458,631)	- %	- %
Internally generated funds	3,162,829	(15,226)	3,147,603	-		3,147,603	-		(3,147,603)	- %	- %
<b>Total sources of capital funds</b>	<b>7,595,073</b>	<b>105,189</b>	<b>7,700,262</b>	-		<b>7,700,262</b>	-		<b>(7,700,262)</b>	<b>- %</b>	<b>- %</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>CORE - 2014</b>											
<b>Financial Performance</b>											
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 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>14,910,753</b>	<b>301,604</b>	<b>15,212,357</b>	<b>-</b>		<b>15,212,357</b>	<b>18,124,854</b>		<b>2,912,497</b>	<b>119 %</b>	<b>122 %</b>
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 %
<b>Total expenditure</b>	<b>(14,752,923)</b>	<b>(734,992)</b>	<b>(15,487,915)</b>	<b>-</b>	<b>-</b>	<b>(15,487,915)</b>	<b>(15,952,388)</b>	<b>-</b>	<b>(464,473)</b>	<b>103 %</b>	<b>108 %</b>
<b>Surplus/(Deficit)</b>	<b>157,830</b>	<b>(433,388)</b>	<b>(275,558)</b>	<b>-</b>		<b>(275,558)</b>	<b>2,172,466</b>		<b>2,448,024</b>	<b>(788)%</b>	<b>1,376 %</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	1,996,193	109,207	2,105,400	-		2,105,400	-		(2,105,400)	- %	- %
Contributions recognised - capital and contributed assets	42,975	16,208	59,183	-		59,183	14,923		(44,260)	25 %	35 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>2,196,998</b>	<b>(307,973)</b>	<b>1,889,025</b>	<b>-</b>		<b>1,889,025</b>	<b>2,187,389</b>		<b>298,364</b>	<b>116 %</b>	<b>100 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,196,998</b>	<b>(307,973)</b>	<b>1,889,025</b>	<b>-</b>		<b>1,889,025</b>	<b>2,187,389</b>		<b>298,364</b>	<b>116 %</b>	<b>100 %</b>

### Capital expenditure and funds sources

Total capital expenditure	-	-	-	-		-	4,042,835		4,042,835	DIV/0 %	DIV/0 %
<b>Sources of capital funds</b>											
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)	- %	- %
<b>Total sources of capital funds</b>	<b>4,580,650</b>	<b>115,463</b>	<b>4,696,113</b>	<b>-</b>		<b>4,696,113</b>	<b>-</b>		<b>(4,696,113)</b>	<b>- %</b>	<b>- %</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1. Statement of compliance

#### Basis of Preparation and Presentation

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

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

#### 1.1 Going concern assumption

These group annual financial statements have been prepared based on the expectation that the group will continue to operate as a going concern for at least the next 12 months.

#### 1.2 Consolidation

##### Basis of consolidation

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

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

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

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

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

##### Investments in Municipal Entities

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

##### Investment in associates

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

##### Interests in joint ventures

An interest in a jointly controlled company is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on non-current assets held-for-sale and discontinued operations. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the company's share of net assets of the company, less any impairment losses. Surpluses and deficits on transactions between the company and a joint venture are eliminated to the extent of the company's interest therein.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.3 Transfer of functions between entities under common control

#### Definitions

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

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

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

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

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

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

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

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

### 1.4 Significant judgements and sources of estimation uncertainty

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

Significant judgements include:

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

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

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

Management makes an estimate of the selling price and direct cost to sell to determine the net realisable value of inventory items. An allowance to write inventory down to the lower of cost or net realisable value. The write down is included in the surplus or deficit.

#### Fair value estimation

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

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



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

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

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

#### **Impairment testing**

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

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for cash-generating units and individual assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

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

#### Post retirement benefits

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

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

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

Additional information is disclosed in Note 28.

#### Debt impairment provision

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

### 1.5 Investment property

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

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes and is recorded as land and buildings under property plant and equipment.

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

Investment property is initially recognised at cost.

#### 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.5 Investment property (continued)

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

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

Item	Useful life
Property - Buildings	30 years

Land is not depreciated.

Derecognition:

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

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

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

### 1.6 Property, plant and equipment

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

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

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

Cost Model

Initial Measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

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

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

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

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

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

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

#### Subsequent Measurement

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

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

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

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

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

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

<b>Item</b>	<b>Average useful life</b>
Buildings	5 - 50 years
Plant and equipment	10 - 85 years
Furniture and fixtures	6 - 20 years
Motor vehicles	4 - 17 years
Office equipment	3 - 10 years
Computer equipment	2 - 10 years
Infrastructure	
• Electricity	40 - 85 years
• Housing	30 years
• Pedestrian Malls	30 years
• Roads an Paving	30 years
• Sewerage Infrastructure	4 - 100 years
• Water Infrastructure	4 - 100 years
Community	
• Recreational Facilities	20 - 30 years
• Security	5 years
Other	
• Dogs and horses	5 - 7 years

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

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

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

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

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

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

### 1.7 Intangible assets

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

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Cost Model

Initial Recognition and measurement

Intangible assets are initially recognised at cost.

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.7 Intangible assets (continued)

An intangible asset is recognised when:

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

Subsequent recognition

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

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

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

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

Amortisation is provided to write down the intangible assets, to their residual values as follows:

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

Derecognition:

Intangible assets are derecognised:

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

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

### 1.8 Heritage assets

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

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

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

Initial recognition and measurement

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

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

#### Subsequent Measurement.

Heritage assets are carried at cost less accumulated impairment losses.

Heritage assets are not depreciated.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.8 Heritage assets (continued)

#### Transfers

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

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

#### Derecognition

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

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

#### Transitional provision

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

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

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

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

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

### 1.9 Financial instruments

Non-derivative financial assets.

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

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

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

- Amortised cost; and
- Cost.

Financial assets at amortised Cost

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

Cash and cash equivalents

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.9 Financial instruments (continued)

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

#### Impairment of non-derivative financial assets

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

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

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

#### Non-derivative financial liabilities

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

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

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

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

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

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

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

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in surplus or deficit as incurred. Subsequent to initial recognition, derivatives are measured at fair value note 11, and changes therein are accounted for as described below.

#### 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.



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.9 Financial instruments (continued)

Other than designated through profit and loss

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

### 1.10 Leases

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

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

#### Finance leases - lessor

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

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

#### Finance leases - lessee

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

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

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

#### Operating leases - lessor

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

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

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

#### Operating leases - lessee

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

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

### 1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.11 Inventories (continued)

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

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

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

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

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

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

### 1.12 Non-current assets held for sale and disposal groups

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

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

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

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

### 1.13 Impairment

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

The Impairment loss is recognised as an expense.

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

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

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

Property, Plant and equipment, Inventories, Investment Properties, Intangible Assets are those assets held by the group with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.13 Impairment (continued)

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

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

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

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

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

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

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

Useful life is either:

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

### 1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

### 1.15 Employee benefits

#### Short-term employee benefits

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.15 Employee benefits (continued)

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

#### Defined contribution plans

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

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

#### Defined benefit plans

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

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

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

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

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

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

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

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

#### Other post retirement obligations

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

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

#### 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 they are incurred.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised but are separately disclosed in note 51.

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

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

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.16 Provisions and contingencies (continued)

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

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

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

### 1.17 Revenue from exchange transactions

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

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

#### Measurement

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

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.17 Revenue from exchange transactions (continued)

#### Interest and royalties

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

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

### 1.18 Revenue from non-exchange transactions

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

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

#### Fines

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

#### Government grants

Government grants are recognised as revenue when:

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

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

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

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

### 1.19 Investment income

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

### 1.20 Borrowing costs

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.20 Borrowing costs (continued)

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.13 and 1.14. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation of borrowing costs are suspended during extended periods in which active development is interrupted.

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

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

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

### 1.21 Comparative figures

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

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.23 Fruitless and wasteful expenditure

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

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

### 1.24 Irregular expenditure

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

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

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



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.24 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.

### 1.25 Internal reserves

#### Capital replacement reserve (CRR)

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

#### Compensation for occupational injuries and diseases (COID) reserve

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

### 1.26 Conditional grants and receipts

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

### 1.27 Segmental information

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

### 1.28 Budget information

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Controlling Entity

---

### 1.28 Budget information (continued)

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

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

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

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 2. STANDARD AND INTERPRETATIONS NOT YET EFFECTIVE

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

<u>Name</u>	<u>Effective Date</u>
GRAP 18 - Segment Reporting	No effective date determined yet
GRAP 20 - Related Parties	No effective date determined yet
GRAP 32 - Service Concession arrangements: Grantor	No effective date determined yet
GRAP 105 - Transfer of functions between entities under common control	01 July 2015
GRAP 106 - Transfer of functions between entities not under common control	01 July 2015
GRAP 107 - Mergers	01 July 2015
GRAP 108 - Statutory receivables	No effective date determined yet

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

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

### 3. INVENTORIES

Consumable stores	242,233	286,418	52,023	58,802
Spare parts	16,473	16,740	-	-
Water	10,749	9,803	-	-
Housing stock	61,050	61,050	61,050	61,050
Work in progress	1,897	6,559	-	-
Food and Beverage	496	-	-	-
Fuel (Diesel, Petrol)	2,558	1,480	-	-
Bin Liners	1,679	1,809	-	-
Protective clothing	1,601	1,951	-	-
	<b>338,736</b>	<b>385,810</b>	<b>113,073</b>	<b>119,852</b>
Inventories (write-downs)	(28,363)	(30,028)	-	-
	<b>310,373</b>	<b>355,782</b>	<b>113,073</b>	<b>119,852</b>
Cost of inventories expense	184,055	128,076	14,349	14,256

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>4. LOANS TO MUNICIPAL ENTITIES</b>				
<b>Shareholder loans</b>				
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
	-	-	<b>884,749</b>	<b>949,743</b>

### Conduit and additional loans

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>4. LOANS TO MUNICIPAL ENTITIES (continued)</b>				
Johannesburg Water (Pty) Ltd	-	-	333,818	371,244
Terms and conditions: Rate = 10.9%				
Maturity = 30 June 2020				
Johannesburg Water (Pty) Ltd	-	-	497,196	927,196
Terms and conditions: Jibar plus 70pb				
Maturity = 15 May 2026				
Johannesburg Water (Pty) Ltd	-	-	246,983	269,326
Terms and conditions: Rate = 10.9%				
Maturity = 30 June 2021				
Johannesburg Water (Pty) Ltd	-	-	305,260	280,207
Terms and conditions: Rate = 9.31%				
Maturity = 30 June 2022				
Johannesburg Water (Pty) Ltd	-	-	656,506	-
Terms and conditions: Rate = 9.65%				
Maturity = 30 June 2023				
Pikitup Johannesburg (Pty) Ltd	-	-	628	628
Terms and conditions: Rate = 14.15%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	2,937	2,937
Terms and conditions: Rate = 12.42%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	5,785	5,785
Terms and conditions: Rate = 10.2%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	19,701	19,701
Terms and conditions: Rate = 9%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	30,171	30,171
Terms and conditions: Rate = 10.2%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	14,379	14,379
Terms and conditions: Rate = 12.21%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	7,885	7,885
Terms and conditions: Rate = 12.21%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	19,983	19,983
Terms and conditions: Rate = 12.21%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	14,738	14,738
Terms and condition: Rate = 10.78%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	15,309	15,309
Terms and conditions: Rate = 10.4%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	22,398	22,398
Terms and conditions: Rate = 9.31%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	27,265	-
Terms and conditions: Rate = 9.65%				
Maturity = 30 June 2026				
The Johannesburg Fresh Produce (Pty) Ltd	-	-	5,301	6,775
Terms and conditions: Rate = 9%				
Maturity = 30 June 2017				
The Johannesburg Fresh Produce (Pty) Ltd	-	-	23,316	29,639
Terms and conditions: Rate = 10.2%				
Maturity = 30 June 2017				
The Johannesburg Fresh Produce (Pty) Ltd	-	-	1,958	3,728

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>4. LOANS TO MUNICIPAL ENTITIES (continued)</b>				
Terms and conditions: Rate = 10.2% Maturity = 30 June 2015 The Johannesburg Fresh Produce (Pty) Ltd	-	-	7,198	13,701
Terms and conditions: Rate = 10.2% Maturity = 30 June 2015 The Johannesburg Fresh Produce (Pty) Ltd	-	-	16,704	23,868
Terms and conditions: Rate = 10.2% Maturity = 30 June 2016 The Johannesburg Fresh Produce (Pty) Ltd	-	-	7,636	9,706
Terms and conditions: Rate = 10.2% Maturity = 30 June 2017 The Johannesburg Fresh Produce (Pty) Ltd	-	-	16,999	20,216
Terms and conditions: Rate = 10.9% Maturity = 30 June 2018 The Johannesburg Fresh Produce (Pty) Ltd	-	-	12,570	14,476
Terms and conditions: Rate = 9% Maturity = 30 June 2019 The Johannesburg Fresh Produce (Pty) Ltd	-	-	12,502	13,931
Terms and conditions: Rate = 10.4% Maturity = 30 June 2020 The Johannesburg Fresh Produce (Pty) Ltd	-	-	11,879	12,975
Terms and conditions: Rate = 10.4% Maturity = 30 June 2021 The Johannesburg Fresh Produce (Pty) Ltd	-	-	24,870	26,920
Terms and conditions: Rate = 9.31% Maturity = 30 June 2022 The Johannesburg Fresh Produce (Pty) Ltd	-	-	7,456	-
Terms and conditions: Rate = 9.65% Maturity = 30 June 2023	-	-	-	-
	-	-	5,274,947	5,367,237
Less impairment of loans to Pikitup Johannesburg (Pty) Ltd	-	-	(181,179)	(153,915)
	-	-	<b>5,093,768</b>	<b>5,213,322</b>
Impairment of loan to Pikitup Johannesburg (Pty) Ltd				
The increase in provision for impairment of loans has been included in operating expenses in the statement of financial performance. Pikitup's loan has been further impaired due to the fact that Pikitup has just been servicing the interest and has not repaid any capital in the past 12 months.				
Non-current assets	-	-	4,997,925	5,256,976
Current assets	-	-	980,592	906,089
	-	-	<b>5,978,517</b>	<b>6,163,065</b>
<b>Reconciliation of provision for impairment of loans to municipal entities</b>				
Opening balance	-	-	153,915	131,517
Additional impairment	-	-	27,264	22,398
	-	-	<b>181,179</b>	<b>153,915</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

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



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>6. FINANCE LEASE RECEIVABLES</b>				
<b>Gross investment in the lease due</b>				
- 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)
<b>Present value of minimum lease payments receivable</b>	-	-	<b>274,933</b>	<b>148,601</b>
Non-current assets	-	-	193,949	114,116
Current assets	-	-	80,984	34,485
	-	-	<b>274,933</b>	<b>148,601</b>

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%

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>7. TRADE AND OTHER RECEIVABLES</b>				
<b>Loans and receivables</b>				
Accrued VAT	134,578	37,032	134,578	36,984
Housing debtors	104,952	18,900	132,942	18,903
Insurance debtor	75	49,632	54	49,611
Operating lease receivables	299	596	-	-
Related party debtors	-	-	2,677,355	1,254,137
Sundry debtors	551,677	503,878	307,746	226,266
Trade debtors	104,591	68,328	-	-
	<b>896,172</b>	<b>678,366</b>	<b>3,252,675</b>	<b>1,585,901</b>
<b>Other receivables</b>				
Deposits	12,257	17,571	-	-
Fruitless and wasteful expenditure to be investigated 54	33,624	24,075	2,321	6,200
Prepayments	132,747	15,666	93,662	7,747
	<b>178,628</b>	<b>57,312</b>	<b>95,983</b>	<b>13,947</b>
<b>Total trade and other receivables</b>	<b>1,074,800</b>	<b>735,678</b>	<b>3,348,658</b>	<b>1,599,848</b>
<b>8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>				
Straightlining of operating leases	3,771	-	-	-
Other receivables from non-exchange revenue	18,072	8,421	-	-
SARS VAT Debtor	2,434	2,422	-	-
	<b>24,277</b>	<b>10,843</b>	<b>-</b>	<b>-</b>
<b>9. VAT</b>				
Receivable	438,872	151,448	429,077	143,845
Payable	(427,036)	(528,221)	-	-
	<b>11,836</b>	<b>(376,773)</b>	<b>429,077</b>	<b>143,845</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>10. CONSUMER DEBTORS</b>				
<b>Gross balances</b>				
Rates	5,980,074	4,992,288	5,980,074	4,992,288
Electricity	5,295,416	5,227,909	-	-
Water	7,600,392	6,982,664	-	-
Refuse	1,182,425	820,425	-	560,326
Housing rental	256,607	341,676	256,607	341,676
	<b>20,314,914</b>	<b>18,364,962</b>	<b>6,236,681</b>	<b>5,894,290</b>
<b>Less: Allowance for impairment</b>				
Rates	(5,341,665)	(4,599,978)	(5,341,665)	(4,599,978)
Electricity	(3,187,795)	(3,395,709)	-	-
Water	(5,655,567)	(5,322,618)	-	-
Refuse	(922,820)	(723,127)	-	(529,012)
Housing rental	(245,499)	(327,356)	(245,499)	(327,356)
	<b>(15,353,346)</b>	<b>(14,368,788)</b>	<b>(5,587,164)</b>	<b>(5,456,346)</b>
<b>Net balance</b>				
Rates	638,409	392,310	638,409	392,310
Electricity	2,107,621	1,832,200	-	-
Water	1,944,825	1,660,046	-	-
Refuse	259,605	97,298	-	31,314
Housing rental	11,108	14,320	11,108	14,320
	<b>4,961,568</b>	<b>3,996,174</b>	<b>649,517</b>	<b>437,944</b>
Current Assets	4,961,568	3,959,691	649,517	401,461
Non-Current Assets	-	36,483	-	36,483
	<b>4,961,568</b>	<b>3,996,174</b>	<b>649,517</b>	<b>437,944</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>10. CONSUMER DEBTORS (continued)</b>				
<b>Rates</b>				
Current (0 - 30 days)	956,015	759,247	956,015	759,247
31 - 60 days	290,671	216,834	290,671	216,834
61 - 90 days	294,971	196,224	294,971	196,224
91 - 120 days	199,942	181,092	199,942	181,092
121 - 365 days	1,234,887	883,128	1,234,887	883,128
> 365 days	3,003,588	2,755,763	3,003,588	2,755,763
	<b>5,980,074</b>	<b>4,992,288</b>	<b>5,980,074</b>	<b>4,992,288</b>
<b>Electricity</b>				
Current (0 - 30 days)	2,029,365	1,670,437	-	-
31 - 60 days	252,255	347,488	-	-
61 - 90 days	265,649	201,918	-	-
91 - 120 days	153,745	235,694	-	-
121 - 365 days	954,345	949,608	-	-
> 365 days	1,640,057	1,822,764	-	-
	<b>5,295,416</b>	<b>5,227,909</b>	-	-
<b>Water</b>				
Current (0 - 30 days)	820,708	625,355	-	-
30 days	506,861	333,097	-	-
31 - 60 days	321,850	332,902	-	-
61 - 90 days	279,179	235,526	-	-
91 - 120 days	220,022	254,938	-	-
121 - 365 days	1,685,780	1,152,267	-	-
> 365 days	3,765,992	4,048,579	-	-
	<b>7,600,392</b>	<b>6,982,664</b>	-	-
<b>Refuse</b>				
Current (0 - 30 days)	142,695	62,808	-	38,340
31 - 60 days	42,182	48,883	-	34,194
61 - 90 days	56,120	34,820	-	26,761
91 - 120 days	67,099	39,211	-	31,344
121 - 365 days	482,807	346,958	-	141,942
> 365 days	391,522	287,745	-	287,745
	<b>1,182,425</b>	<b>820,425</b>	-	<b>560,326</b>
<b>Housing rental</b>				
Current (0 - 30 days)	9,723	4,121	9,723	4,121
31 - 60 days	4,654	4,281	4,654	4,281
61 - 90 days	4,589	3,944	4,589	3,944
91 - 120 days	4,510	3,897	4,510	3,897
121 - 365 days	4,485	17,692	4,485	17,692
> 365 days	228,646	307,741	228,646	307,741
	<b>256,607</b>	<b>341,676</b>	<b>256,607</b>	<b>341,676</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>10. CONSUMER DEBTORS (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Consumers</b>				
Current (0 - 30 days)	1,999,113	1,445,347	766,688	533,504
31 - 60 days	566,669	497,135	216,823	168,361
61 - 90 days	547,490	357,092	206,213	137,496
91 - 120 days	419,608	389,867	157,061	143,019
121 - 365 days	2,943,833	1,905,376	906,652	725,632
> 365 days	5,663,313	6,244,721	2,036,325	2,456,195
	<b>12,140,026</b>	<b>10,839,538</b>	<b>4,289,762</b>	<b>4,164,207</b>
Less: Allowance for impairment	<b>(10,002,624)</b>	<b>(9,094,390)</b>	<b>(3,848,090)</b>	<b>(3,858,256)</b>
	<b>2,137,402</b>	<b>1,745,148</b>	<b>441,672</b>	<b>305,951</b>
<b>Consumers - Past due and impaired</b>				
Current (0 - 30 days)	853,105	619,629	680,251	492,695
31 - 60 days	263,717	238,427	193,761	155,149
61 - 90 days	302,098	130,568	183,062	127,141
91 - 120 days	357,179	370,374	140,501	131,989
121 - 365 days	2,574,692	1,766,338	809,986	657,487
> 365 days	5,651,833	5,969,054	1,840,529	2,293,795
	<b>10,002,624</b>	<b>9,094,390</b>	<b>3,848,090</b>	<b>3,858,256</b>
<b>Consumers - Past due and not impaired</b>				
Current (0 - 30 days)	1,140,566	825,482	80,996	40,574
31 - 60 days	302,732	258,194	22,842	12,698
61 - 90 days	243,901	226,548	21,659	10,379
91 - 120 days	62,346	19,253	16,477	10,789
121 - 365 days	368,974	125,082	96,499	54,189
> 365 days	18,883	290,589	203,199	177,322
	<b>2,137,402</b>	<b>1,745,148</b>	<b>441,672</b>	<b>305,951</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>10. CONSUMER DEBTORS (continued)</b>				
<b>Industrial/ commercial</b>				
Current (0 - 30 days)	2,537,082	1,960,329	352,744	266,834
31 - 60 days	322,114	380,259	86,855	35,115
61 - 90 days	325,825	268,663	88,027	52,853
91 - 120 days	207,177	264,198	40,192	25,954
121 - 365 days	1,332,651	1,291,589	320,104	213,209
> 365 days	3,001,064	3,010,069	973,892	1,044,530
	<b>7,725,913</b>	<b>7,175,107</b>	<b>1,861,814</b>	<b>1,638,495</b>
Less: Allowance for impairment	(5,040,651)	(5,015,713)	(1,663,054)	(1,513,490)
	<b>2,685,262</b>	<b>2,159,394</b>	<b>198,760</b>	<b>125,005</b>
<b>Industrial/ commercial - Past due and impaired</b>				
Current (0 - 30 days)	402,652	540,113	315,086	246,476
31 - 60 days	119,942	47,544	77,582	32,436
61 - 90 days	203,799	159,811	78,631	48,821
91 - 120 days	167,949	217,236	35,901	23,974
121 - 365 days	1,271,851	1,120,629	285,931	196,943
> 365 days	2,874,458	2,930,380	869,923	964,840
	<b>5,040,651</b>	<b>5,015,713</b>	<b>1,663,054</b>	<b>1,513,490</b>
<b>Industrial/ commercial - Past due and not impaired</b>				
Current (0 - 30 days)	2,134,430	1,420,216	37,658	20,358
31 - 60 days	202,171	332,715	9,272	2,679
61 - 90 days	122,028	108,852	9,397	4,032
91 - 120 days	39,228	46,963	4,291	1,980
121 - 365 days	60,799	170,960	34,173	16,266
> 365 days	126,606	79,688	103,969	79,690
	<b>2,685,262</b>	<b>2,159,394</b>	<b>198,760</b>	<b>125,005</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>10. CONSUMER DEBTORS (continued)</b>				
<b>National and provincial government</b>				
Current (0 - 30 days)	82,865	48,022	-	-
31 - 60 days	31,182	21,161	-	-
61 - 90 days	21,873	14,258	-	4,162
91 - 120 days	14,295	15,661	2,961	2,255
121 - 365 days	100,196	62,331	26,992	13,565
> 365 days	198,564	188,884	55,152	71,606
	<b>448,975</b>	<b>350,317</b>	<b>85,105</b>	<b>91,588</b>
Less: Allowance for impairment	(310,071)	(258,685)	(76,020)	(84,600)
	<b>138,904</b>	<b>91,632</b>	<b>9,085</b>	<b>6,988</b>
<b>National and provincial government - Past due and impaired</b>				
Current (0 - 30 days)	3,417	-	-	-
31 - 60 days	1,645	-	-	-
61 - 90 days	2,995	3,844	-	3,844
91 - 120 days	13,391	14,609	2,646	2,083
121 - 365 days	96,555	60,304	24,110	12,530
> 365 days	192,068	179,928	49,264	66,143
	<b>310,071</b>	<b>258,685</b>	<b>76,020</b>	<b>84,600</b>
<b>National and provincial government - Past due and not impaired</b>				
Current (0 - 30 days)	79,450	48,020	-	-
31 - 60 days	29,538	21,161	-	-
61 - 90 days	18,878	10,414	-	318
91 - 120 days	905	1,052	316	172
121 - 365 days	3,641	2,027	2,882	1,035
> 365 days	6,492	8,958	5,887	5,463
	<b>138,904</b>	<b>91,632</b>	<b>9,085</b>	<b>6,988</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>10. CONSUMER DEBTORS (continued)</b>				
<b>Total</b>				
Current (0 -30 days)	4,619,060	3,453,698	1,119,432	800,338
31 - 60 days	919,965	898,555	303,678	203,476
61 - 90 days	895,188	640,013	294,240	194,511
91 - 120 days	641,080	669,726	200,214	171,228
121 - 365 days	4,376,680	3,259,296	1,253,748	952,406
> 365 days	8,862,941	9,443,674	3,065,369	3,572,331
	<b>20,314,914</b>	<b>18,364,962</b>	<b>6,236,681</b>	<b>5,894,290</b>
Less: Allowance for impairment	(15,353,346)	(14,368,788)	(5,587,164)	(5,456,346)
	<b>4,961,568</b>	<b>3,996,174</b>	<b>649,517</b>	<b>437,944</b>
<b>Less: Provision for debt impairment</b>				
Current (0 - 30 days)	1,259,174	423,577	995,337	219,303
31 - 60 days	121,587	282,950	77,582	184,513
61 - 90 days	508,892	287,231	261,693	172,726
91 - 120 days	538,519	597,280	179,048	152,907
121 - 365 days	3,943,098	2,936,349	1,120,027	856,402
> 365 days	8,718,359	9,913,218	2,759,716	3,942,312
	<b>15,089,629</b>	<b>14,440,605</b>	<b>5,393,403</b>	<b>5,528,163</b>
<b>Total debtor past due but not impaired</b>				
Current (0 - 30 days)	3,354,446	2,994,565	118,654	496,027
31 - 60 days	534,441	619,688	32,114	22,816
61 - 90 days	384,807	353,246	31,056	22,049
91 - 120 days	102,479	72,676	21,084	18,321
121 - 365 days	433,414	322,353	133,554	96,004
> 365 days	151,981	162,926	313,055	46,167
	<b>4,961,568</b>	<b>4,525,454</b>	<b>649,517</b>	<b>701,384</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	(14,368,788)	(13,327,646)	(5,456,346)	(4,574,514)
Contributions to allowance	(2,647,522)	(2,630,904)	(758,794)	(919,890)
Debt impairment written off against allowance	1,564,001	1,554,257	529,012	-
Reversal of allowance	98,963	35,505	98,964	38,058
<b>Balance at the end of the year</b>	<b>(15,353,346)</b>	<b>(14,368,788)</b>	<b>(5,587,164)</b>	<b>(5,456,346)</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>11. OTHER FINANCIAL ASSETS AT FAIR VALUE</b>				
The total investments pledged as collateral for CJMM Bonds.				
The investments pledged as collateral cannot be sold until the related liability is settled in full.				
The terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.				
Redemption Fund Maturity - 30.06.2026				
<b>Other financial assets through profit or loss</b>				
Bonds	2,108,113	959,526	2,108,113	959,526
Bond repos	-	1,487,262	-	1,487,262
Bond options	205,624	-	205,624	-
Floating rate notes	-	65,609	-	65,609
Cash	-	-	99,263	69,881
Cash collateral	-	-	35,501	5,018
Forward Rate Agreement	15,031	57,178	15,031	57,178
Swaps	19,619	8,690	19,619	8,690
<b>Current Assets</b>	<b>2,348,387</b>	<b>2,578,265</b>	<b>2,483,151</b>	<b>2,653,164</b>
<b>Net Current assets</b>			<b>1,401,255</b>	<b>619,364</b>
Bonds	866,677	1,328,965	866,677	1,328,965
Floating rate notes	825,080	514,482	825,080	514,482
Forward Rate Agreement	136	4,774	136	4,774
Amort swaps	40,942	-	40,942	-
Swaps	512,723	587,926	512,723	587,926
<b>Non-Current Assets</b>	<b>2,245,558</b>	<b>2,436,147</b>	<b>2,245,558</b>	<b>2,436,147</b>
<b>Net Non-Current Assets</b>			<b>1,832,005</b>	<b>1,972,106</b>
<b>Other financial liabilities through profit or loss</b>				
Bonds	205,508	1,489,192	205,508	1,489,192
Bond repos	719,534	420,579	719,534	420,579
Cash collateral	-	-	120,529	75,313
Forward Rate Agreement	15,294	30,495	15,294	30,495
Swaps	21,031	18,221	21,031	18,221
<b>Current Liabilities</b>	<b>961,367</b>	<b>1,958,487</b>	<b>1,081,896</b>	<b>2,033,800</b>
Forward Rate Agreement	-	11,381	-	11,381
Swaps	413,553	405,365	413,553	405,365
Amort swaps	-	47,295	-	47,295
<b>Non-Current Liabilities</b>	<b>413,553</b>	<b>464,041</b>	<b>413,553</b>	<b>464,041</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

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

### Cash Collateral

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

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

### Call investment deposits

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

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

### 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
	<b>935,170</b>	<b>170,002</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 13. ZOO ANIMALS

GROUP	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	17,722	(2,475)	15,247	13,794	(1,670)	12,124

#### Reconciliation of zoo animals - GROUP - 2014

	Opening balance	Additions	Adjustments arising from accounting for births and deaths	Disposals	Zero cost animal adjustments	Depreciation	Total
Zoo animals	12,124	1,840	2,919	(1,095)	4	(545)	15,244

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 14. INVESTMENT PROPERTY (continued)

#### Reconciliation of investment property - GROUP - 2014

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

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

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

#### Reconciliation of investment property - CORE - 2014

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

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 15. PROPERTY, PLANT AND EQUIPMENT

GROUP	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7,693,047	-	7,693,047	7,865,104	-	7,865,104
Buildings	11,695,781	(3,123,768)	8,572,013	11,553,087	(2,778,772)	8,774,315
Plant and machinery	10,926,283	(2,183,355)	8,742,928	10,045,932	(1,878,775)	8,167,157
Furniture and fixtures	499,516	(342,230)	157,286	466,511	(306,566)	159,945
Motor vehicles	569,402	(313,002)	256,400	449,874	(239,548)	210,326
Office equipment	797,327	(472,632)	324,695	581,734	(398,655)	183,079
Computer equipment	202,442	(133,959)	68,483	188,155	(125,309)	62,846
Infrastructure	11,180,873	(3,439,888)	7,740,985	10,436,551	(2,874,955)	7,561,596
Community	981,143	(404,319)	576,824	871,413	(349,803)	521,610
Bins and containers	251,712	(170,950)	80,762	236,681	(190,806)	45,875
Work in progress	7,439,050	-	7,439,050	3,696,504	-	3,696,504
Communication equipment	15,971	(11,712)	4,259	13,637	(10,633)	3,004
Fare collection equipment	13,442	(12,250)	1,192	12,211	(11,793)	418
Finance lease assets	44,188	(19,513)	24,675	30,235	(16,518)	13,717
Laboratory equipment	36,230	(20,644)	15,586	34,838	(17,921)	16,917
Minor plant	95,813	(66,978)	28,835	90,735	(65,613)	25,122
Signage	6,033	(3,143)	2,890	5,700	(2,918)	2,782
Specialised vehicles	1,004,678	(264,592)	740,086	687,315	(219,432)	467,883
Stage equipment	13,027	(4,887)	8,140	6,639	(4,668)	1,971
Tools and loose gear	2,927	(2,348)	579	3,091	(2,058)	1,033
Wastewater network	1,773,149	(166,303)	1,606,846	1,659,946	(148,052)	1,511,894
Water network	3,377,515	(415,716)	2,961,799	3,078,663	(357,873)	2,720,790
Library books	626,385	(575,623)	50,762	621,019	(567,914)	53,105
Emergency equipment.	46,326	(14,060)	32,266	27,231	(11,575)	15,656
Other	5,013	(4,554)	459	6,086	(5,572)	514
<b>Total</b>	<b>59,297,273</b>	<b>(12,166,426)</b>	<b>47,130,847</b>	<b>52,668,892</b>	<b>(10,585,729)</b>	<b>42,083,163</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

CJMM	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7,626,138	-	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
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
Other	717	(586)	131	717	(532)	185
<b>Total</b>	<b>36,421,240</b>	<b>(8,081,751)</b>	<b>28,339,489</b>	<b>33,242,381</b>	<b>(6,937,817)</b>	<b>26,304,564</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

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

#### Reconciliation of property, plant and equipment - GROUP - 2014

	Opening balance	Additions	Disposals	Transfers	Developer funded network	Depreciation	Impairment loss	Total
Land	7,865,104	319,708	(512,558)	20,793	-	-	-	7,693,047
Buildings	8,774,315	123,436	(267)	22,496	-	(347,967)	-	8,572,013
Plant and equipment	8,167,157	97,766	(3,741)	796,899	-	(315,045)	(108)	8,742,928
Furniture and fittings	159,945	22,997	(6,353)	26,894	-	(46,197)	-	157,286
Motor vehicles	210,326	94,478	(1,715)	80	-	(46,769)	-	256,400
Office equipment	183,079	127,840	(941)	98,784	-	(84,067)	-	324,695
Computer equipment	62,846	24,843	(794)	2,806	-	(21,218)	-	68,483
Infrastructure	7,561,596	299,758	(293)	505,290	-	(625,366)	-	7,740,985
Community	521,610	32,614	(60)	77,850	-	(55,190)	-	576,824
Bins and containers	45,875	41,154	-	147	-	(6,414)	-	80,762
Work in progress	3,696,504	5,476,908	(540)	(1,733,822)	-	-	-	7,439,050
Communication equipment	3,004	2,389	(12)	-	-	(1,122)	-	4,259
Fare collection equipment	418	-	-	-	-	774	-	1,192
Finance lease assets	13,717	22,735	(10)	-	-	(11,767)	-	24,675
Laboratory equipment	16,917	2,477	(27)	-	-	(3,781)	-	15,586
Minor plant	25,122	7,196	(55)	135	-	(3,563)	-	28,835
Signage	2,782	334	-	-	-	(226)	-	2,890
Specialised vehicles	467,883	385,555	(46,628)	-	-	(64,341)	(2,383)	740,086
Stage equipment	1,971	6,454	(10)	-	-	(275)	-	8,140
Tools and loose gear	1,033	14	(162)	-	-	(306)	-	579
Wastewater network	1,511,894	14,817	-	15,740	82,646	(18,251)	-	1,606,846
Water network	2,720,790	190,560	(2,359)	46,870	64,043	(58,105)	-	2,961,799
Library books	53,105	5,365	-	-	-	(7,708)	-	50,762
Emergency equipment	15,656	14,585	(239)	5,793	-	(3,529)	-	32,266
Other	514	-	-	-	-	(55)	-	459
	<b>42,083,163</b>	<b>7,313,983</b>	<b>(576,764)</b>	<b>(113,245)</b>	<b>146,689</b>	<b>(1,720,488)</b>	<b>(2,491)</b>	<b>47,130,847</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

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

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

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Developer funded network	Depreciation	Impairment loss	Total
Land	7,624,815	184,714	26,068	(46,411)	75,918	-	-	-	7,865,104
Buildings	8,542,954	45,397	-	(3,224)	535,370	-	(346,182)	-	8,774,315
Plant and machinery	7,410,781	60,613	-	(9,806)	1,064,056	-	(358,487)	-	8,167,157
Furniture and fixtures	199,508	18,009	-	(3,926)	(9,609)	-	(44,037)	-	159,945
Motor vehicles	203,283	93,407	1,498	(107)	(42,065)	-	(45,690)	-	210,326
Office equipment	202,338	67,648	442	(2,563)	(919)	-	(83,867)	-	183,079
Computer equipment	97,675	19,540	20	(401)	(18,293)	-	(35,695)	-	62,846
Infrastructure	6,782,560	278,622	-	(60,158)	1,164,318	-	(603,746)	-	7,561,596
Community	475,596	33,314	-	(316)	66,533	-	(53,517)	-	521,610
Bins and containers	41,516	19,042	-	(10)	365	-	(15,038)	-	45,875
Work in progress	3,534,250	3,166,626	-	-	(3,004,372)	-	-	-	3,696,504
Communication equipment	3,387	567	-	-	-	-	(950)	-	3,004
Fare collection equipment	789	-	-	-	-	-	(371)	-	418
Finance lease assets	21,282	863	454	(21)	(453)	-	(8,408)	-	13,717
Laboratory equipment	7,374	6,192	-	-	6,178	-	(2,827)	-	16,917
Minor plant	27,261	4,614	832	(17)	249	-	(7,817)	-	25,122
Signage	2,028	908	-	-	-	-	(154)	-	2,782
Specialised vehicles	535,640	67,004	-	(99,345)	42,708	-	(75,627)	(2,497)	467,883
Stage equipment	1,469	260	-	-	474	-	(232)	-	1,971
Tools and loose gear	1,113	9	-	-	-	-	(89)	-	1,033
Wastewater network	1,365,029	10,806	-	(213)	15,998	141,740	(17,634)	(3,832)	1,511,894
Water network	2,662,251	53,965	-	(14,686)	18,272	61,488	(56,827)	(3,673)	2,720,790
Library books	66,363	291	-	-	-	-	(13,549)	-	53,105
Emergency equipment	14,434	3,946	-	(1,125)	7	-	(1,606)	-	15,656
Other	701	4	-	(1)	2	-	(192)	-	514
	<b>39,824,397</b>	<b>4,136,361</b>	<b>29,314</b>	<b>(242,330)</b>	<b>(85,263)</b>	<b>203,228</b>	<b>(1,772,542)</b>	<b>(10,002)</b>	<b>42,083,163</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

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

#### Reconciliation of property, plant and equipment - CORE - 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
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
Other	185	-	-	-	-	(54)	131
	<b>26,304,564</b>	<b>3,873,438</b>	<b>-</b>	<b>(563,770)</b>	<b>(100,537)</b>	<b>(1,174,206)</b>	<b>28,339,489</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

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

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

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Depreciation	Total
Land	7,565,737	184,457	26,068	(46,411)	68,344	-	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
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
Other	263	4	-	(1)	2	(83)	185
	<b>25,599,514</b>	<b>2,115,964</b>	<b>26,088</b>	<b>(156,072)</b>	<b>(85,728)</b>	<b>(1,195,202)</b>	<b>26,304,564</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

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

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

  

CJMM	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	46,364	-	46,364	46,364	-	46,364
Office equipment	166,597	(148,709)	17,888	156,371	(129,183)	27,188
Soccer City	3,138	-	3,138	3,138	-	3,138
BRT Busses	355,021	(101,606)	253,415	355,021	(72,021)	283,000
<b>Total</b>	<b>571,120</b>	<b>(250,315)</b>	<b>320,805</b>	<b>560,894</b>	<b>(201,204)</b>	<b>359,690</b>

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 16. INTANGIBLE ASSETS

GROUP	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	235,867	(43,417)	192,450	234,182	(36,000)	198,182
Servitudes	1,727	-	1,727	1,727	-	1,727
Computer software, internally generated	10,159	(1,137)	9,022	14,231	(5,001)	9,230
Computer software	1,565,107	(1,238,799)	326,308	1,344,886	(1,061,517)	283,369
<b>Total</b>	<b>1,812,860</b>	<b>(1,283,353)</b>	<b>529,507</b>	<b>1,595,026</b>	<b>(1,102,518)</b>	<b>492,508</b>

  

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 16. INTANGIBLE ASSETS (continued)

#### Reconciliation of intangible assets - GROUP - 2014

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Additional capacity rights	198,182	1,685	-	-	(7,417)	192,450
Servitudes	1,727	-	-	-	-	1,727
Computer software, internally generated	9,230	-	-	-	(208)	9,022
Computer software	283,369	194,325	(6)	32,748	(184,128)	326,308
	<b>492,508</b>	<b>196,010</b>	<b>(6)</b>	<b>32,748</b>	<b>(191,753)</b>	<b>529,507</b>

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

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Amortisation	Impairment loss	Total
Additional capacity rights	142,621	62,977	-	-	-	(7,416)	-	198,182
Servitudes	1,727	-	-	-	-	-	-	1,727
Computer software, internally generated	13,301	173	-	-	-	(172)	(4,072)	9,230
Computer software	524,453	17,339	300	(1)	6,622	(265,344)	-	283,369
Other intangible assets	766	-	-	-	(589)	(177)	-	-
	<b>682,868</b>	<b>80,489</b>	<b>300</b>	<b>(1)</b>	<b>6,033</b>	<b>(273,109)</b>	<b>(4,072)</b>	<b>492,508</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

---

Figures in Rand thousand

---

### 16. INTANGIBLE ASSETS (continued)

#### Reconciliation of intangible assets - CORE - 2014

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

---

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

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

---



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 17. HERITAGE ASSETS

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

  

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 17. HERITAGE ASSETS (continued)

#### Reconciliation of heritage assets GROUP - 2014

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

#### Reconciliation of heritage assets GROUP - 2013

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

#### Reconciliation of heritage assets CORE - 2014

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

#### Reconciliation of heritage assets CORE - 2013

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 18. INVESTMENTS IN MUNICIPAL OWNED ENTITIES

Gross investment	% holding	% holding	Cost 2014	Cost 2013
	2014	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
			<b>493,528</b>	<b>427,685</b>
<b>Impairments</b>			<b>Cost 2014</b>	<b>Cost 2013</b>
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)
			<b>(86,088)</b>	<b>(245,701)</b>
<b>Net investment</b>			<b>Carrying amount 2014</b>	<b>Carrying amount 2013</b>
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
			<b>407,442</b>	<b>181,985</b>

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

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

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

Refer note 42 for more detail on impairments.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>19. INVESTMENT IN JOINT VENTURE</b>				
Name of company	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
Joshco Madulamoho Joint Venture (JMJV)	55.00 %	55.00 %	25,431	25,946

The carrying amount of the joint venture is shown net of losses of R 0,035 million (2013 : R0,116 million).

### Principal activities and reporting dates of joint ventures

Name of entity	Principal activity
Joshco Madulamoho Joint Venture (JMJV)	55%

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

### Restrictions on a joint venture to distribute its reserves

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

### Joint ventures pledged as security

The JMJV has not been pledged as security.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 20. INVESTMENTS IN ASSOCIATE

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

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

#### Movements in carrying value

Opening balance			15,847	13,737
Share of surplus			2,261	2,110
			<b>18,108</b>	<b>15,847</b>

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

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

#### Associates with different reporting dates

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>21. DEFERRED TAX</b>				
<b>Deferred tax liability</b>				
Capital allowances	(1,477,468)	(1,113,193)	-	-
Income received in advance	(3,964)	(1,555)	-	-
Payroll related & other accruals	(1,126)	(109)	-	-
Receivable allowances	(153)	(39)	-	-
Other deferred tax liability	(1,569)	(3,153)	-	-
<b>Total deferred tax liability</b>	<b>(1,484,280)</b>	<b>(1,118,049)</b>	-	-
<b>Deferred tax asset</b>				
Receivable allowances	6,110	1,639	-	-
Income received in advance	3,098	4,880	-	-
Payroll related & other accruals	17,645	11,482	-	-
Other deferred tax asset	8,490	6,090	-	-
<b>Total deferred tax asset</b>	<b>35,343</b>	<b>24,091</b>	-	-
Deferred tax liability	(1,484,280)	(1,118,049)	-	-
Deferred tax asset	35,343	24,091	-	-
<b>Total net deferred tax liability</b>	<b>(1,448,937)</b>	<b>(1,093,958)</b>	-	-
<b>Reconciliation of deferred tax asset \ (liability)</b>				
At beginning of year	(1,093,958)	(976,048)	-	-
Capital allowances	(60,110)	(12,393)	-	-
Payroll related and other accruals	3,809	(254,912)	-	-
Income received in advance	21,867	(1,979)	-	-
Receivables allowances	(324,529)	125,100	-	-
Other	3,984	26,274	-	-
	<b>(1,448,937)</b>	<b>(1,093,958)</b>	-	-

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 22. FINANCIAL ASSETS BY CATEGORY

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

#### GROUP - 2014

	Cost	At fair value	At amortised cost	Total
<b>Current Assets</b>				
Other financial assets	-	2,348,387	186,361	2,534,748
Trade and other receivables	1,074,800	-	-	1,074,800
Receivables from non-exchange	24,277	-	-	24,277
Consumer debtors	4,961,568	-	-	4,961,568
Call investment deposits	4,707,155	-	-	4,707,155
Bank balances and cash	618,746	-	-	618,746
<b>Non-Current Assets</b>				
Other financial assets	104,332	2,245,539	-	2,349,871
	<b>11,490,878</b>	<b>4,593,926</b>	<b>186,361</b>	<b>16,271,165</b>

#### GROUP - 2013

	Cost	At fair value	At amortised cost	Total
<b>Current Assets</b>				
Other financial assets	-	2,578,265	38,851	2,617,116
Trade and other receivables	735,678	-	-	735,678
Receivables from non-exchange	10,843	-	-	10,843
Consumer debtors	3,959,691	-	-	3,959,691
Call investment deposits	4,055,984	-	-	4,055,984
Bank balances and cash	1,343,571	-	-	1,343,571
<b>Non-Current Assets</b>				
Other financial assets	127,430	2,436,147	156,887	2,720,464
Consumer debtors	36,483	-	-	36,483
	<b>10,269,680</b>	<b>5,014,412</b>	<b>195,738</b>	<b>15,479,830</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

#### CORE - 2014

	Cost	At fair value	At amortised cost	Total
<b>Current Assets</b>				
Loans to Municipal Entities	980,592	-	-	980,592
Other financial assets	-	1,401,255	186,361	1,587,616
Trade and other receivables	3,252,675	-	-	3,252,675
Consumer debtors	649,517	-	-	649,517
Bank balances and cash	443,926	-	-	443,926
<b>Non-Current Assets</b>				
Loans to Municipal Entities	4,997,925	-	-	4,997,925
Other financial assets	104,332	1,832,005	-	1,936,337
	<b>10,428,967</b>	<b>3,233,260</b>	<b>186,361</b>	<b>13,848,588</b>

#### CORE - 2013

	Cost	At fair value	At amortised cost	Total
<b>Current Assets</b>				
Loans to Municipal Entities	906,089	-	-	906,089
Other financial assets	-	619,364	38,851	658,215
Trade and other receivables	1,585,901	-	-	1,585,901
Consumer debtors	401,461	-	-	401,461
Bank balances and cash	1,148,332	-	-	1,148,332
<b>Non-Current Assets</b>				
Loans to Municipal Entities	5,256,976	-	-	5,256,976
Other financial assets	127,430	1,972,106	156,887	2,256,423
Consumer debtors	36,483	-	-	36,483
	<b>9,462,672</b>	<b>2,591,470</b>	<b>195,738</b>	<b>12,249,880</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>23. LOANS AND BORROWINGS</b>				
<b>Non Current portion of loans and borrowings - At amortised cost</b>				
Structured loans *	43,276	273,683	43,276	273,683
Development Bank South Africa	1,269,175	1,344,430	1,251,844	1,326,446
Listed bonds	6,251,000	6,584,334	6,251,000	6,584,334
Other loans and borrowings	4,857,192	3,197,015	4,873,353	3,197,015
	<b>12,420,643</b>	<b>11,399,462</b>	<b>12,419,473</b>	<b>11,381,478</b>
<b>Current portion of loans and borrowings - At amortised cost</b>				
Structured loans *	219,066	13,333	219,066	13,333
Development Bank South Africa	75,230	131,080	74,602	130,526
Local registered stock loans	-	30,000	-	30,000
Listed bonds	333,333	166,666	333,333	166,666
Other loans and borrowings	359,713	284,085	343,550	284,085
	<b>987,342</b>	<b>625,164</b>	<b>970,551</b>	<b>624,610</b>
	<b>13,407,985</b>	<b>12,024,626</b>	<b>13,390,024</b>	<b>12,006,088</b>

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>24. FINANCE LEASE OBLIGATIONS</b>				
<b>Minimum lease payments due</b>				
- within one year	122,868	126,260	109,308	124,706
- in second to fifth year	317,891	303,989	253,139	291,240
- later than five years	589,671	649,214	590,812	647,461
	<u>1,030,430</u>	<u>1,079,463</u>	<u>953,259</u>	<u>1,063,407</u>
less: future finance charges	(612,181)	(605,217)	(559,700)	(601,286)
<b>Present value of minimum lease payments</b>	<b>418,249</b>	<b>474,246</b>	<b>393,559</b>	<b>462,121</b>
<b>Present value of minimum lease payments due</b>				
- within one year	136,865	133,747	76,193	82,483
- in second to fifth year inclusive	329,761	259,959	151,084	178,993
- later than five years	169,479	202,174	166,282	200,645
	<u>636,105</u>	<u>595,880</u>	<u>393,559</u>	<u>462,121</u>
Non-current liabilities	327,638	390,494	316,964	379,237
Current liabilities	90,611	83,752	76,595	82,884
	<u>418,249</u>	<u>474,246</u>	<u>393,559</u>	<u>462,121</u>

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

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

CORE:

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

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

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

Finance Lease Liabilities relate to vehicles with a lease term of 4-6 (2013: 4-6) years. The effective interest rate on Finance Leases is 9.5% (2013: 9.5%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

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

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

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

Johannesburg Water SOC Limited: Interest on finance leases are calculated at 10% per annum, and repayments on the lease arrangements are made monthly. The lease terms range from three years to ten years. The carrying value of the finance leased assets are included in Property, plant and equipment, under motor vehicles. Interest on finance leases are calculated at variable rates of interest, ranging between 7.41% and 8.5% per annum and repayments on the lease arrangements are made quarterly. The lease terms are over a period of three years. The carrying value of the finance leased assets are included in property, plant and equipment under Office equipment.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 24. FINANCE LEASE OBLIGATIONS (continued)

Johannesburg City Parks NPC: The average lease term is 4 years and the average effective borrowing rate is 10% (2013: 9%). Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. No restrictions other than for transfer or disposal of leased property have been imposed by the lessor.

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

Joburg Market SOC Limited: it is the entities policy to lease certain motor vehicles and equipment under finance leases. The average lease term was 3-5 years and the average effective borrowing rate was 13% (2013: 13%). Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The entity has not defaulted on any of its interest or capital repayments during the year, and none of the terms and conditions of the finance leases were re-negotiated. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

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

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

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

City of Joburg Property Company SOC Limited: It is company policy to lease certain equipment under finance leases. These assets are leased over a period of 2 to 5 years at an average interest rate of 9.5%, and are secured by the assets financed.

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>25. TRADE AND OTHER PAYABLES</b>				
<b>Financial liabilities</b>				
Accrued interest	112,380	200,827	112,380	200,827
Credit balances in consumer debtors	1,626,671	1,665,450	916,162	1,581,077
Engineering fees	92,357	78,067	92,357	78,067
Other creditors	1,284,994	1,289,659	925,509	972,104
Related party creditor	-	-	5,950,261	4,304,016
Retentions	167,811	122,051	73,410	37,554
Trade payables	5,771,519	4,315,184	1,945,980	1,148,988
	<b>9,055,732</b>	<b>7,671,238</b>	<b>10,016,059</b>	<b>8,322,633</b>
<b>Other liabilities</b>				
Accrued bonus	178,653	163,443	24,085	23,366
Accrued leave pay	464,354	421,491	255,336	233,722
Accrued staff 13th cheques	11,549	10,782	-	-
Operating lease payables	20,482	19,980	1,367	517
Income received in advanced	645,365	456,118	14,451	18,517
	<b>1,320,403</b>	<b>1,071,814</b>	<b>295,239</b>	<b>276,122</b>
	<b>10,376,135</b>	<b>8,743,052</b>	<b>10,311,298</b>	<b>8,598,755</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>26. OBLIGATIONS ARISING FROM CONDITIONAL GRANTS AND RECEIPTS</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
Provincial grants : Capital projects	151,796	139,793	151,796	139,294
Provincial grants : Top Structure of houses	209,827	392,202	209,827	392,202
Provincial grants : Operating projects	8,296	7,226	8,296	7,226
Gautrain grant	6,964	-	-	-
2010 Public transport (SPTN)	398,840	736,859	398,840	736,859
Neighbourhood development partnership grant	9,849	14,769	9,849	14,769
Expanded Public Works Programme (EPWP)	39,724	32,789	39,724	32,789
Orange African cup of nations	-	4,737	-	4,737
Provincial grant : Jozi Ihlomihle (HIV/Aids)	696	15,282	696	15,282
Public Transport Network Grant	12,252	-	12,252	-
Social housing foundation	39,440	42,186	-	-
Unspent public contributions and donations	27,028	24,326	3,792	12,981
	<b>904,712</b>	<b>1,410,169</b>	<b>835,072</b>	<b>1,356,139</b>
Non-current liabilities	46,404	42,186	-	-
Current liabilities	858,308	1,367,983	835,072	1,356,139
	<b>904,712</b>	<b>1,410,169</b>	<b>835,072</b>	<b>1,356,139</b>

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

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

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 27. PROVISIONS

#### Reconciliation of provisions - GROUP - 2014

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

#### Reconciliation of provisions - GROUP - 2013

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

#### Reconciliation of provisions - CORE - 2014

	Opening Balance	Additions	Utilised during the year	Total
Provision for consultation fees	-	23,737	-	23,737
Provision for Damages claim	20,000	-	-	20,000
Provision for Cleaning Services	-	1,800	-	1,800
	<b>20,000</b>	<b>25,537</b>	<b>-</b>	<b>45,537</b>

#### Reconciliation of provisions - CORE - 2013

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 27. PROVISIONS (continued)

#### CJMM

##### Provision for liabilities

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

##### Pension fund provisions

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

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

#### Pikitup Johannesburg SOC Limited

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

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

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

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

#### Joburg Market SOC Limited

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

#### Johannesburg Roads Agency SOC Limited

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 28. RETIREMENT BENEFIT OBLIGATION

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

#### 28.1 Post retirement liabilities

##### Post-Retirement Liability

Post-Retirement Medical Aid Plan	(1,339,894)	(1,345,424)	(1,375,982)	(1,375,251)
Post-Retirement Housing Subsidy Plan	(1,913)	(2,124)	(351)	(459)
Retirement Gratuity Plan	(498,304)	(518,242)	(466,728)	(488,199)
	<b>(1,840,111)</b>	<b>(1,865,790)</b>	<b>(1,843,061)</b>	<b>(1,863,909)</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 28. RETIREMENT BENEFIT OBLIGATION (continued)

#### 28.1.1 Unfunded post retirement medical aid plan

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

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	1,339,894	1,345,424	1,241,051	1,247,105
In respect of notional loan accounts for employees of ME's	-	-	134,931	128,146
	<b>1,339,894</b>	<b>1,345,424</b>	<b>1,375,982</b>	<b>1,375,251</b>

#### Movements for the year

Opening balance	1,345,424	1,319,009	1,247,105	1,208,785
Benefits paid	(101,129)	(100,419)	(99,200)	(97,272)
Net expense recognised in the statement of financial performance	95,599	126,834	93,146	135,592
	<b>1,339,894</b>	<b>1,345,424</b>	<b>1,241,051</b>	<b>1,247,105</b>

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

Current service cost	4,616	852	3,027	478
Past service cost	(176)	-	-	-
Interest cost	100,515	112,780	94,296	103,355
Actuarial (gains) losses	(14,593)	13,202	(4,177)	31,759
Curtailment or settlement	(125)	-	-	-
Other	5,362	-	-	-
	<b>95,599</b>	<b>126,834</b>	<b>93,146</b>	<b>135,592</b>

#### Notional loan account

Opening balance	-	-	128,146	121,940
Interest received	-	-	6,785	6,206
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>	<b>134,931</b>	<b>128,146</b>

#### Key assumptions used

The principal actuarial assumptions used were as follows:

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

Other assumptions.

Age of spouse - Husbands five years older than wives.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 28. RETIREMENT BENEFIT OBLIGATION (continued)

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

#### Sensitivity analysis

##### Change in assumption

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

#### Post-Retirement Mortality

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

#### 28.1.2 Unfunded post retirement housing subsidy plan

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

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

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	1,913	2,124	351	459
---	-------	-------	-----	-----

#### Movements for the year

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>28. RETIREMENT BENEFIT OBLIGATION (continued)</b>				
Current service cost	54	41	-	-
Interest cost	155	349	24	247
Actuarial (gains) losses	(296)	(2,275)	(15)	(2,604)
Other	(4)	-	-	-
	<b>(91)</b>	<b>(1,885)</b>	<b>9</b>	<b>(2,357)</b>

### Notional loan account

#### Key assumptions used

Assumptions used on last valuation on 30 June 2013.

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

#### Sensitivity analysis

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

#### Post-Retirement Mortality

Liability	362	351	342
Percentage change	3.13	0%	-2.56

#### 28.1.3 Unfunded post retirement gratuity plan

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

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

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	498,304	518,242	190,546	198,117
In respect of notional accounts for employees of ME's	-	-	276,182	290,082
	<b>498,304</b>	<b>518,242</b>	<b>466,728</b>	<b>488,199</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 28. RETIREMENT BENEFIT OBLIGATION (continued)

#### Movements for the year

Opening balance	518,242	466,372	198,117	182,116
Benefits paid	(43,757)	(36,545)	(18,484)	(19,367)
Net expense recognised in the statement of financial performance	23,819	88,415	10,913	35,368
	<b>498,304</b>	<b>518,242</b>	<b>190,546</b>	<b>198,117</b>

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

Interest cost	20,553	39,937	14,884	15,572
Actuarial (gains) losses	(823)	48,478	(3,971)	19,796
Other	4,089	-	-	-
	<b>23,819</b>	<b>88,415</b>	<b>10,913</b>	<b>35,368</b>

#### Notional loan account

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

#### Key assumptions used

Assumptions used on last valuation on 30 June 2013.

The principal actuarial assumptions used were as follows:

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

#### Sensitivity analysis

##### Change in assumption

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 28. RETIREMENT BENEFIT OBLIGATION (continued)

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

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

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>29. DEFERRED INCOME</b>				
<b>Bond tap</b>				
Balance unspent at beginning of year	51,804	54,444	51,804	54,444
Conditions met - transferred to revenue	(2,925)	(2,640)	(2,925)	(2,640)
<b>Conditions still to be met - transferred to liabilities</b>	<b>48,879</b>	<b>51,804</b>	<b>48,879</b>	<b>51,804</b>
<p>The Bond tap is a Bond issued into the life of an existing Bond. The Tap was issued at a premium on the prevailing interest rate at the time of the Tap. The premium is amortised over the maturity of the Bond and released to interest income on an annual basis.</p> <p>The tap was issued on 09 December 2008, due to mature on 05 June 2023. The tap was issued at a premium of R58,038,692.00, at an interest rate of 12.21% per annum. The notional amount was R468,000,000.00 and the issue price was R526,038,692.00.</p>				
<b>Deferred income related to advertising income received in advance</b>				
Balance at beginning of year	-	167	-	-
Conditions met - transferred to revenue	-	(167)	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<p>Deferred income represents advertising income received in advance amounting to R1,000,000 to be recognised over a 3 year period commencing 1 January 2010 and ending 31 December 2012.</p>				
<b>Passenger trips received in advance</b>				
Balance unspent at beginning of year	4,106	4,366	-	-
Current year receipts	1,717	-	-	-
Conditions met - transferred to revenue	-	(260)	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>5,823</b>	<b>4,106</b>	<b>-</b>	<b>-</b>
<p>Deferred income refers to the liability relating to passenger trips sold in advance through the Smartcards Multi-Journey Software. The deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket accordingly.</p>				
<b>Joshco Madulamoho Joint Venture (JM/JV) Grant</b>				
Balance unspent at beginning of year	26,506	27,420	-	-
Conditions met - transferred to revenue	(914)	(914)	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>25,592</b>	<b>26,506</b>	<b>-</b>	<b>-</b>
<b>Commission received</b>				
Balance unspent at beginning of year	17,430	24,085	-	-
Conditions met - transferred to revenue	(6,364)	(6,655)	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>11,066</b>	<b>17,430</b>	<b>-</b>	<b>-</b>
<p>The above deferred income relate to commission received on the conclusion of the 5 year lease agreement relating to outdoor advertising and land sales transaction not yet finalised.</p>				
<b>Total deferred income</b>	<b>91,360</b>	<b>99,846</b>	<b>48,879</b>	<b>51,804</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>30. FINANCIAL LIABILITIES AT FAIR VALUE</b>				
During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for a 11.66% fixed interest rate.				
Swap Details				
Trade Date :	30 March 2011			
Settlement Date:	29 March 2018			
Nominal Amount:	R 1,000 (million)			
Fixed Rate:	11.66%			
Payable:	Semi- annual			
<b>Interest rate swap</b>				
<b>Opening balance</b>	76,629	117,449	76,629	117,449
Swap fair value changes	(22,516)	(40,820)	(22,516)	(40,820)
<b>Closing balance</b>	<b>54,113</b>	<b>76,629</b>	<b>54,113</b>	<b>76,629</b>
<b>Redemption fund</b>				
Net liability (Refer to note 11)	1,374,920	2,422,528	-	-
Current liability	969,183	1,968,096	7,816	9,609
Non-Current liability	459,830	531,061	46,297	67,020
	<b>1,429,013</b>	<b>2,499,157</b>	<b>54,113</b>	<b>76,629</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

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

Consumer deposits relate largely to deposits held in the JPC Portfolio Account R22,524,728 (2013: R23,181,874). The balance relates to deposits held by Community Development and the Housing Department. All consumer deposits are non-current in nature.

### 32. PROJECT FUNDS PAYABLE

#### Project funds

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

#### Funds Payable

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

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

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



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 33. FINANCIAL LIABILITIES BY CATEGORY

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

#### GROUP - 2014

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	987,342	987,342
Finance lease obligations	90,611	90,611
Deferred income	13,101	13,101
Trade and other payables	9,055,732	9,055,732
<b>Non-Current Liabilities</b>		
Loans and borrowings	-	-
Finance lease obligations	12,420,643	12,420,643
Deferred income	327,638	327,638
Consumer deposits	78,259	78,259
	498,510	498,510
	<b>23,471,836</b>	<b>23,471,836</b>

#### GROUP - 2013

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	625,164	625,164
Finance lease obligations	83,752	83,752
Deferred income	11,384	11,384
Trade and other payables	7,671,238	7,671,238
<b>Non-Current Liabilities</b>		
Loans and borrowings	-	-
Finance lease obligations	11,399,462	11,399,462
Deferred income	390,494	390,494
Consumer deposits	88,462	88,462
	465,108	465,108
	<b>20,735,064</b>	<b>20,735,064</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 33. EMPLOYEE RELATED COSTS (continued)

#### CORE - 2014

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	970,551	970,551
Finance lease obligations	76,595	76,595
Trade and other payables	10,016,059	10,016,059
<b>Non-Current Liabilities</b>		
Loans and borrowings	12,419,473	12,419,473
Finance lease obligations	316,964	316,964
Deferred income	48,879	48,879
Consumer deposits	25,320	25,320
	<b>23,873,841</b>	<b>23,873,841</b>

#### CORE - 2013

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	624,610	624,610
Finance lease obligations	82,884	82,884
Trade and other payables	8,322,633	8,322,633
<b>Non-Current Liabilities</b>		
Loans and borrowings	11,381,478	11,381,478
Finance lease obligations	379,237	379,237
Deferred income	51,804	51,804
Consumer deposits	26,402	26,402
	<b>20,869,048</b>	<b>20,869,048</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>34. OTHER REVENUE</b>				
Advertising	24,493	13,832	-	-
BRT revenue	59,581	74,558	59,581	74,558
Brokerage revenue	921	10,672	921	10,672
Bulk contributions received	66,482	41,449	-	-
Bus fares	109,770	114,683	-	-
Commissions received	335,060	304,146	-	-
Cut off fees	10,541	14,714	-	-
Demand site management levy	65,461	184,266	-	-
Developer funded asset income	146,689	203,228	-	-
Gautrain maintenance fees	5,746	7,151	-	-
Hiring of halls	4,565	6,375	4,565	6,375
Internal recoveries - ME's	-	-	374,766	460,700
Recovery of insurance	8,878	2,954	5,652	1,326
Recovery of legal costs	1,529	1,223	1,529	1,223
Sundry revenue	560,217	511,552	241,787	218,458
Training revenue	29,056	11,429	29,056	10,390
	<b>1,428,989</b>	<b>1,502,232</b>	<b>717,857</b>	<b>783,702</b>

### 35. REVERSAL OF IMPAIRMENT

Other loans and borrowings	-	-	190,927	-
----------------------------	---	---	---------	---

The reversal of impairment relates to repayments of loans impaired for PIKITUP. Refer to note 35 for detail on the loans.

### 36. SERVICE CHARGES

Other service charges	252,866	187,262	89,361	82,106
Refuse removal	1,138,797	974,894	-	761,074
Sale of electricity	12,378,655	12,274,014	-	-
Sale of water	4,126,195	3,947,868	-	-
Sewerage and sanitation charges	2,292,731	1,893,020	-	-
Surcharges : Electricity	127,531	6,835	127,531	139,980
Surcharges : Refuse	3,620	2,787	3,620	3,277
Surcharges : Water	35,162	25,847	35,162	35,709
	<b>20,355,557</b>	<b>19,312,527</b>	<b>255,674</b>	<b>1,022,146</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>38. GOVERNMENT GRANTS AND SUBSIDIES</b>				
Provincial grants : Capital projects	259,816	84,189	174,500	-
Urban settlements development grant	1,511,649	1,367,187	1,511,649	1,367,187
Financial management grant	1,250	1,250	1,250	1,250
Provincial grants : Top structure of houses	207,950	134,722	207,950	134,722
Provincial grants : Operating projects	9,419	8,448	9,419	8,448
2010 Public transport (SPTN)	793,100	805,528	793,100	805,528
Neighbourhood development partnership grant	34,652	42,097	34,652	42,097
World Anti-Doping Agency (WADA)	10,000	10,387	10,000	10,387
Expanded Public Works Programme (EPWP)	15,739	61,312	15,739	61,312
Orange African cup of nations	-	20,763	-	20,763
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	32,474	12,972	32,474	12,972
Public Transport Network operations Grant	255,748	-	255,748	-
Ambulance subsidy	100,334	79,578	100,334	79,578
Equitable share and fuel levy	4,452,207	4,084,995	4,452,207	4,084,995
Provincial health subsidies	81,491	95,304	81,491	95,304
	<b>7,765,829</b>	<b>6,808,732</b>	<b>7,680,513</b>	<b>6,724,543</b>

### Provincial grants : Capital projects

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

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

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

### Urban settlements development grant

Balance unspent at beginning of year	-	76,439	-	76,439
Current year receipts	1,488,878	1,290,748	1,488,878	1,290,748
transfer to EPWP	22,771	-	22,771	-
Conditions met - transferred to revenue	(1,511,649)	(1,367,187)	(1,511,649)	(1,367,187)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

### Financial management grant

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

#### Provincial grants : Top structure of houses

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

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

#### Provincial grants : Operating projects

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

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

These grants are provided to finance community projects.

#### 2010 Public transport (SPTN)

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

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

This grant is provided to finance 2010 Public Transport System.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>38. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>				
<b>Neighbourhood development partnership grant</b>				
Balance unspent at beginning of year	14,769	8,866	14,769	8,866
Current year receipts	32,868	48,000	32,868	48,000
Grants payback	(3,136)	-	(3,136)	-
Conditions met - transferred to revenue	(34,652)	(42,097)	(34,652)	(42,097)
<b>Conditions still to be met - transferred to liabilities</b>	<b>9,849</b>	<b>14,769</b>	<b>9,849</b>	<b>14,769</b>
Conditions still to be met - remain liabilities (see note 26)				
The purpose of this grant is to stimulate and accelerate private sector investment in poor and underserved neighborhoods.				
<b>World Anti-Doping Agency (WADA)</b>				
Current year receipts	10,000	10,387	10,000	10,387
Conditions met - transferred to revenue	(10,000)	(10,387)	(10,000)	(10,387)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expanded Public Works Programme (EPWP)</b>				
Balance unspent at beginning of year	32,789	65	32,789	65
Current year receipts	89,434	140,615	89,434	140,615
Debtor Adjustments	(43,989)	(46,579)	(43,989)	(46,579)
Transfer between grants	(22,771)	-	(22,771)	-
Conditions met - transferred to revenue	(15,739)	(61,312)	(15,739)	(61,312)
<b>Conditions still to be met - transferred to liabilities</b>	<b>39,724</b>	<b>32,789</b>	<b>39,724</b>	<b>32,789</b>
Conditions still to be met - remain liabilities (see note 26)				
<b>Orange African cup of nations</b>				
Balance unspent at beginning of year	4,737	-	4,737	-
Current year receipts	-	-	-	25,500
Transfers from creditors	-	25,500	-	-
Adjustments	(4,737)	-	(4,737)	-
Conditions met - transferred to revenue	-	(20,763)	-	(20,763)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>4,737</b>	<b>-</b>	<b>4,737</b>
Conditions still to be met - remain liabilities (see note 26)				
<b>Provincial grant : Jozi Ihlomihle (Hiv/Aids)</b>				
Balance unspent at beginning of year	15,282	13,971	15,282	13,971
Current year receipts	17,888	14,283	17,888	14,283
Conditions met - transferred to revenue	(32,474)	(12,972)	(32,474)	(12,972)
<b>Conditions still to be met - transferred to liabilities</b>	<b>696</b>	<b>15,282</b>	<b>696</b>	<b>15,282</b>
Conditions still to be met - remain liabilities (see note 26)				

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

#### Public Transport Network Grant

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

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

#### Social housing foundation

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

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

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

#### Ambulance subsidy

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

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



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>38. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>				
<b>Equitable share and fuel levy</b>				
Current year receipts	4,452,207	4,084,995	4,452,207	4,084,995
Conditions met - transferred to revenue	(4,452,207)	(4,084,995)	(4,452,207)	(4,084,995)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

### Provincial health subsidies

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

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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>39. EMPLOYEE RELATED COSTS</b>				
Employee related costs : Salaries and wages	5,816,133	5,395,177	3,237,540	3,042,692
Employee related costs : Pension contributions	712,667	700,305	386,604	366,889
Employee related costs : Gratuities	20,839	21,200	18,507	19,105
Employee related costs : Medical aid contributions	289,145	261,856	260,821	241,412
Employee related costs : Skills development levy	52,023	50,010	38,080	36,421
Actuarial (gains)/losses	4,506	2,045	-	-
Housing benefits and allowances	35,034	33,003	20,875	21,816
Overtime payments	237,099	241,377	59,718	43,367
Bonus	354,031	316,903	184,172	179,249
Travel, motor car, accommodation, subsistence and other allowances	360,814	349,655	254,211	246,872
Other employee costs	10,211	75,763	8,413	73,021
	<b>7,892,502</b>	<b>7,447,294</b>	<b>4,468,941</b>	<b>4,270,844</b>

### Remuneration of the City Manager

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

### Remuneration of the Group Head : Risk Assurance Services

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>39. EMPLOYEE RELATED COSTS (continued)</b>				
<b>Remuneration of the Group Head : Strategy, Policy Coordination and Relations</b>				
Annual Remuneration			1,080	931
Car Allowance			108	108
Performance Bonuses			-	50
Contributions to UIF, Medical and Pension Funds			107	95
Eminence			-	(5)
			<b>1,295</b>	<b>1,179</b>
<b>Remuneration of the Group Head : Communication and Tourism</b>				
Annual Remuneration			1,402	1,323
Car Allowance			128	128
Contributions to UIF, Medical and Pension Funds			71	64
Eminence			72	72
			<b>1,673</b>	<b>1,587</b>
<b>Remuneration of the Group Head : Legal and Contracts</b>				
Annual Remuneration			862	871
Car Allowance			87	86
Contributions to UIF, Medical and Pension Funds			119	121
			<b>1,068</b>	<b>1,078</b>
<b>Remuneration of the Group : Chief Financial Officer</b>				
Annual Remuneration			1,382	-
Car Allowance			48	-
Contributions to UIF, Medical and Pension Funds			1	-
			<b>1,431</b>	<b>-</b>
<b>Remuneration of the Executive Director : Economic Development</b>				
Annual Remuneration			978	1,742
Contributions to UIF, Medical and Pension Funds			1	-
			<b>979</b>	<b>1,742</b>
<b>Remuneration of the Executive Director : Community Development</b>				
Annual Remuneration			1,427	1,142
Car Allowance			103	86
Contributions to UIF, Medical and Pension Funds			154	126
			<b>1,684</b>	<b>1,354</b>
<b>Remuneration of the Executive Director : Development Planning and Urban Development</b>				
Annual Remuneration			1,595	923
Car Allowance			144	108
Contributions to UIF, Medical and Pension Funds			89	45
Eminence/Premiums Allowance			105	-
			<b>1,933</b>	<b>1,076</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 39. EMPLOYEE RELATED COSTS (continued)

#### Remuneration of the Executive Director : Environmental Management

Annual Remuneration			-	266
Car Allowance			-	18
			-	<b>284</b>

#### 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
			<b>1,710</b>	<b>1,337</b>

#### 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
			<b>1,506</b>	<b>1,306</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>40. REMUNERATION OF COUNCILLORS</b>				
Executive Mayor	1,008	1,052	1,008	1,052
Mayoral Committee Members	8,255	8,812	8,255	8,812
Speaker	763	855	763	855
Councillors	87,658	78,374	87,658	78,374
Councillors' pension contribution	10,943	7,859	10,943	7,859
Chairpersons	12,012	13,459	12,012	13,459
	<b>120,639</b>	<b>110,411</b>	<b>120,639</b>	<b>110,411</b>

### 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
	<b>1,164</b>	<b>1,109</b>

### In-kind benefits

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

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

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 41. DEPRECIATION AND AMORTISATION

Property, plant and equipment	1,720,510	1,772,542	1,174,206	1,193,864
Investment property	111,003	12,557	111,003	12,498
Biological assets	545	420	-	-
Intangible assets	191,753	273,109	150,031	223,753
	<b>2,023,811</b>	<b>2,058,628</b>	<b>1,435,240</b>	<b>1,430,115</b>

### 42. IMPAIRMENT LOSSES

#### Impairments

Property, plant and equipment	2,491	10,002	-	-
Investment property	23	23	-	-
Intangible assets	-	4,072	-	-
Investments in Municipal Entities	-	-	31,314	29,103
These investments were impaired due to the possible absorption of these entities into the CJMM. The Pikitup Johannesburg (Pty) Ltd Investment was fully impaired due to the technical insolvency that the entity was facing at year end. For a more detailed description of these impairments, refer to Note 18				
Loans to Municipal Entities	-	-	27,265	22,398
The Pikitup Johannesburg (Pty) Ltd loan was fully impaired due to the technical insolvency that the entity was facing at year end. For a more detailed description of this impairment, refer to Note 4				
Inventories	1,136	3,761	-	-
Trade and other receivables	-	3,000	-	-
	<b>3,650</b>	<b>20,858</b>	<b>58,579</b>	<b>51,501</b>

### 43. ALLOWANCE FOR IMPAIRMENT OF CURRENT RECEIVABLES

Impairments	-	192	-	-
Allowance - Trade and other receivables	279,817	329,058	67,784	285,692
Allowance - Consumer debtors	1,159,767	1,541,497	758,794	919,890
Impairment loss - Trade and other receivables	32,390	9,705	-	-
Impairment loss - Consumer debtor	706,765	999,201	4,707	21,917
	<b>2,178,739</b>	<b>2,879,653</b>	<b>831,285</b>	<b>1,227,499</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>44. BULK PURCHASES</b>				
Electricity	8,601,209	8,345,902	-	-
Water	3,248,444	2,839,333	-	-
Sewer purification	29,288	25,976	-	-
	<b>11,878,941</b>	<b>11,211,211</b>	-	-

### 45. CONTRACTED SERVICES

Information Technology Services	273,967	213,011	268,175	206,322
Fleet Services	488,679	539,188	7,262	49,919
Operating Leases	189,631	109,858	189,631	109,858
Specialist Services	824,649	739,764	828,455	747,233
Other Contractors	296,238	229,806	20,883	20,892
	<b>2,073,164</b>	<b>1,831,627</b>	<b>1,314,406</b>	<b>1,134,224</b>

Refer to note 50 for future operating lease commitments

### 46. GRANTS AND SUBSIDIES PAID

#### Grants paid to ME's

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

#### Other subsidies

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

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>47. GENERAL EXPENSES</b>				
Advertising	69,087	45,303	43,374	19,422
Auditors remuneration	44,710	46,914	20,610	19,306
Bank charges	74,155	68,984	67,192	58,977
Cleaning	21,113	14,262	-	-
Commission paid	36,097	33,170	-	-
Computer expenses	29,446	28,906	-	-
Conferences and seminars	27,548	16,362	15,106	15,555
Consulting and professional fees	251,407	176,030	60,945	46,445
Cost of inventories expense	184,055	128,076	14,349	14,256
Debt collection	35,853	194,137	35,853	194,137
Entertainment	193	123	-	-
Legal settlement	65,464	-	-	-
Fleet	8,009	3,970	-	-
Free electricity	12,664	3,644	-	-
Fuel and oil	26	64	-	-
Gas	447	717	-	-
Hire	14,983	4,642	13,430	4,245
Horticulture	6,582	14,516	-	-
Hostel charges	1,445	3,418	-	-
IT expenses	27,087	16,968	-	-
Incident management fund	42,006	36,338	42,006	36,338
Insurance	214,718	142,650	171,046	123,474
Lease rentals on operating lease	650,811	468,729	315,013	223,465
ME - charges	-	-	450,246	487,822
Marketing	57,391	50,040	28,003	27,806
Motor vehicle expenses	71,516	53,462	-	-
Other expenses	513,326	568,052	327,962	279,871
Placement fees	7,594	8,199	-	-
Post retirement expenses	99,200	97,272	99,200	97,272
Postage and courier	261	178	-	-
Printing and stationery	231,176	182,138	176,493	127,213
Productions	21,941	14,760	-	-
Protective clothing	196	1,498	-	-
Road maintenance	396,497	346,297	-	-
Security (Guarding of municipal property)	376,581	309,392	184,473	154,986
Software expenses	101,175	49,041	71,074	23,816
Staff welfare	46,597	(589)	27,273	1
Subscriptions and membership fees	19,115	16,606	14,736	12,710
Telephone and fax	98,060	95,057	42,659	41,822
Training	43,168	35,185	25,478	22,190
Travel - local	18,697	15,992	9,941	5,287
Travel - overseas	18,971	7,084	12,958	5,447
Utilities	687,692	411,663	544,084	533,637
	<b>4,627,060</b>	<b>3,709,250</b>	<b>2,813,504</b>	<b>2,575,500</b>
<b>48. FAIR VALUE ADJUSTMENTS</b>				
Other	45,673	37	-	-
Other financial assets				
• Fair value movement on the sinking fund	108,457	159,620	108,457	159,620
• Cash flow hedge (Ineffective portion)	3,516	3,079	3,516	3,079
	<b>157,646</b>	<b>162,736</b>	<b>111,973</b>	<b>162,699</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>49. CASH GENERATED FROM OPERATIONS</b>				
Surplus	4,000,010	3,450,467	2,187,389	1,206,104
<b>Adjustments for:</b>				
Depreciation and amortisation	2,023,811	2,058,628	1,435,240	1,430,115
Share of (deficit)/surplus of associate accounted for under the equity method	(2,296)	(2,226)	-	-
Fair value adjustments	(159,383)	(162,584)	(111,973)	(162,699)
Reversal of Impairment	-	-	(190,927)	-
Provision	25,537	-	25,537	-
Allowance for impairment of current receivables	2,178,739	2,879,653	831,285	1,227,499
Impairment in MOE investments	-	-	58,579	51,501
loss/gain on sale of Assets	523,500	6,664	522,911	(38,777)
Impairment	3,650	20,858	-	-
Discontinued operations	(30,525)	(36,116)	-	-
Gain on biological assets and agricultural produce	(2,922)	-	-	-
<b>Changes in working capital:</b>				
Inventories	45,409	(33,008)	6,779	(5,664)
Trade and other receivables	(339,122)	198,092	(1,748,811)	(631,197)
Consumer debtors	(965,394)	435,808	(211,573)	329,642
Other receivables from non-exchange transactions	(13,434)	44,363	-	-
Adjustment of impairment of current receivable	(2,178,739)	(2,879,653)	(831,285)	(1,227,499)
Refuse debtors transferred to PIKITUP	-	-	(31,314)	-
Trade and other payables	1,633,083	1,752,369	1,712,542	2,801,155
Decrease/(increase) VAT receivables	(287,424)	(30,015)	(285,232)	(39,464)
(Decrease)/increase VAT payable	(101,185)	(167,263)	-	-
Obligations arising from conditional grants and receipts	(505,457)	603,158	(521,067)	558,423
(Increase)/ decrease current tax receivable	(167)	(6,844)	-	-
Deferred income	(8,486)	(10,636)	(2,925)	(2,640)
Increase/ decrease in current tax payable	(309)	(1,526)	-	-
Consumer deposits	33,402	1,727	(1,082)	10,714
	<b>5,872,298</b>	<b>8,121,916</b>	<b>2,844,073</b>	<b>5,507,213</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>50. COMMITMENTS</b>				
<b>Commitments in respect of capital expenditure:</b>				
<b>Authorised and not yet contracted for</b>				
• Property, plant and equipment	2,727,222	-	-	-
• Infrastructure	2,315,499	5,112,265	623,206	999,677
• Community	242,228	276,186	112,611	216,977
• Other	1,779,472	909,087	1,432,783	868,526
• Heritage	21,725	7,724	21,725	7,724
• Investment property	-	1,000	-	1,000
	<b>7,086,146</b>	<b>6,306,262</b>	<b>2,190,325</b>	<b>2,093,904</b>
<b>Authorised and contracted for</b>				
• Property, plant and equipment	86,210	-	-	-
• Infrastructure	3,253,077	1,133,997	2,081,520	866,389
• Community	115,975	50,000	115,975	50,000
• Other	762,332	104,813	153,189	104,813
• Heritage	50,000	-	50,000	-
	<b>4,267,594</b>	<b>1,288,810</b>	<b>2,400,684</b>	<b>1,021,202</b>
	<b>11,353,740</b>	<b>7,595,072</b>	<b>4,591,009</b>	<b>3,115,106</b>
<b>This expenditure will be financed from:</b>				
External Loans	2,112,915	1,458,631	646,563	772,701
Capital Replacement Reserve	2,910,881	1,593,087	2,139,755	804,830
Shareholders Loan	719,174	-	-	-
Government Grants	3,275,520	2,895,582	928,529	1,516,645
Internal cash	1,459,088	1,569,742	-	-
District Council Grants	-	78,030	876,162	20,930
Urban Settlement Development Grant	876,162	-	-	-
	<b>11,353,740</b>	<b>7,595,072</b>	<b>4,591,009</b>	<b>3,115,106</b>
<b>Operating leases - as lessee (Fleet)</b>				
<b>Minimum lease payments due</b>				
- within one year	53,694	77,131	17,691	49,469
- in second to fifth year inclusive	204,090	169,376	125,533	96,258
- later than five years	22,121	3,378	22,121	2,074
	<b>279,905</b>	<b>249,885</b>	<b>165,345</b>	<b>147,801</b>
<b>Operating leases – as lessee (Buildings)</b>				
<b>Minimum lease payments due</b>				
- within one year	593,055	431,927	17,691	7,753
- in second to fifth year inclusive	1,891,090	1,678,316	22,121	4,608
- later than five years	970,908	1,229,305	4,560	2,309
	<b>3,455,053</b>	<b>3,339,548</b>	<b>44,372</b>	<b>14,670</b>

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 50. COMMITMENTS (continued)

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

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

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

Johannesburg Social Housing Company SOC Limited: For the financial year, the sole shareholder, made available capital infrastructure development to the value of R134 520 000. These funds were obtained through various Government Grants through the City of Johannesburg. In addition, JOSHCO secured funding from the Social Housing Regulatory Authority (SHRA) and Provincial Housing Subsidies on the development of the Fleurhof Junction project to the value of R38 000 000. The development related to social housing and infrastructure in Anthea, AA House, Klipspruit, Randburg Selkirk, City Deep, Orlando Ekhaya, Selby Village, Fleurhof, Roodepoort, Bellavista, Dobsonville, Lombardy east, Turffontein and Lynatex. For the year, R160 706 733 expenditure was incurred for the development of these projects. A marginal amount of R11 813 267 remains as a contingent claim by contracted developers for the project. Operating lease payments represent rentals payable by the company for its Head office premises. Leases are negotiated for an average term of three years and rentals are fixed for one year and subject to escalation clauses. No contingent rent is payable.

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

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

#### Operating leases – as lessee (Office equipment)

##### Minimum lease payments due

- within one year	-	668	-	-
-------------------	---	-----	---	---

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

##### Minimum lease payments due

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

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 51. CONTINGENCIES

#### GROUP

##### Joburg Theatre SOC Limited

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

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

##### Johannesburg Roads Agency SOC Limited

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

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

##### Joburg Market SOC Limited

The company is currently involved in various legal proceedings against it. Certain of these proceedings are long outstanding. The company in consultation with its legal counsel has assessed the outcome of these proceedings and the likelihood that certain of these cases are not likely to be in the company's favour. Following this assessment the company's management has determined that no further provision is required in respect of these legal proceedings as at 30 June 2014. The total estimated claims amount to R8,509,802 which is in respect of disputes with suppliers.

##### Johannesburg Metropolitan Bus Services SOC Limited

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

##### City Power Johannesburg SOC Limited

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 51. CONTINGENCIES (continued)

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

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

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

#### Johannesburg City Parks NPC

##### Contingent Liabilities

There is a claim against the company for possible contractual non-performance brought by Full Circle Construction for R1 706 733.90. The company has opposed the matter and filed defendant's plea.

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

##### Contingent Asset

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

#### Johannesburg Development Agency SOC Limited

##### Bertrams Priority Block

The JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. Eviction proceedings have been instituted in the South Gauteng High Court. Negotiations are underway with illegal occupants to settle the matter out of court. Progress made since 2012 - Some of the illegal occupants have agreed to be reallocated to properties operated by the Johannesburg Social Housing Company. The few that would be left because of inability to meet monthly rental payments will be accommodated by the Department of Housing. Since this, no progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accommodation is found by the JDA and CJMM.

##### Ubuntu Kraal (Pty) Ltd vs JDA & CJMM

The JDA has been served with summons for loss of income and damages to property by the operators of the establishment known as Ubuntu Kraal in Soweto, Johannesburg. The damages were alleged to have been caused by flooding due to the JDA activities in the construction of the Rea Vaya BRT infrastructure along Klipspruit Valley Road. The amount of damages claimed by the plaintiffs is R23.5 million.

##### Achvsim Chijoike vs JDA and Skymark Security (Pty) Ltd

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

##### BRT Themba Convenience Store

The CJMM and the JDA were served with a summons by Tembu Convenience Centre CC, trading as a convenience store and Engen Fuel dealership, for loss of income amounting to more than R17 million, as a result of BRT construction works. The City has filed its papers defending the matter in the South Gauteng High Court. The matter has still not been put on a trial roll and the plaintiffs have applied for a set down.

##### SARS VAT Ruling

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 51. CONTINGENCIES (continued)

Up to May 2008, it was thought that the JDA was regarded as an agent and not the principal and thus was not allowed to account for Output and Input Value Added Tax on capital expenditure funded by the City of Johannesburg on projects rolled out by the JDA. This view was upheld in a ruling issued by the South African Revenue Service dated February 2008, with reference number TCS01/2008. Subsequent to the said ruling, and further engagement with the South African Revenue Service through Deloitte, a second ruling by SARS dated 13 May 2008, stated the following: "The JDA acted as a principal and not an agent on behalf of the COJ. Further, the payments received by JDA constituted consideration for a taxable supply which is subject to VAT at the standard rate in terms of section 7 (1) (a) of the VAT Act. Furthermore, JDA should have accounted for output tax on the receipt of the consideration for those services and could have been permitted to claim the VAT incurred on goods and services, pertaining to the agreement, as input tax." SARS requested the JDA to recalculate VAT for all the periods starting with the 2002 year through to 30 June 2007.

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

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

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

#### Pikitup Johannesburg SOC Limited

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

The company has a contingent liability to the value of R3,963,000 in respect of disputed claims with respect to service providers.

#### CJMM

##### Uninsured claims and litigations

Five Plaintiffs brought action against the Council in the 1990's, arising from major road and other construction works at the Empire Interchange, around the suburbs of Braamfontein, Milpark, Cottesloe, Melville, Parktown West, Emmarentia and Richmond. They allegedly suffered damages as a result of the Council having closed the road. (This claim was originally for R4,146,583 the majority of which was for loss of earnings). The approximate amount that the plaintiff could now claim would be in the order of approximately R500,000.

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

Claim for damages against the COJ amounting to R11,668,746. The claim is based on an alleged breach of contract in that the City has allegedly failed to use its "best endeavors" to have the property transferred to the plaintiff.

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

Claim for at least R39,000,000 plus legal costs in respect of monies allegedly owing by the City of Johannesburg to a previous service provider for IT services rendered. Trial date set for 12 March 2015.

The Plaintiff instituted action against the City for wrongful termination of contract. It sought relief twofold, to uphold the contract, alternatively damages in the sum of R33,150,639.30. 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.



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 51. CONTINGENCIES (continued)

The City appointed a service provider (a joint venture) to construct 1000 low cost RDP houses. The one partner to the JV subsequently ceded its rights and obligations in terms of the JV agreement to the other partner, which the City was not party to. The latter partner then only concluded 385 foundations. After various opportunities to remedy the defects, the City terminated the contract. A dispute was declared and the matter referred to arbitration in terms of the JBCC agreement for the sum of R29,406,592. The service provider has applied for a trial date and called for discovery. The City is proceedings with the drafting of discovery affidavit. The trial date is 30 January 2015.

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

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

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

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

Claim for breach in the amount of R6,289,511 for allegedly failing to provide sufficient electricity for development after rezoning a property. 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

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 to the SALGBC Gauteng Principal Job Evaluation Committee (GPJEC) for benchmarking and the issuing of a Provisional Outcomes Report (POR).

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 51. CONTINGENCIES (continued)

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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 52. PRIOR PERIOD ERRORS

Management considered explaining only adjustments which are material.

#### City Power Johannesburg SOC Limited

Statement of Financial Position	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
JP-Consumer receivables	7	2,049	-	(216)	1,833
JP-Trade and other payables	25	(2,256)	-	(3)	(2,259)
JP-Accumulated surplus-Opening	-	(6,146)	-	150	(5,996)
		<b>(6,353)</b>	<b>-</b>	<b>(69)</b>	<b>(6,422)</b>

Statement of Financial Performance	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
JP-Service charges	36	12,470	-	112	12,582
JP-Other income	34	217	-	1	218
JP-Interest income	-	217	-	(57)	160
JP-Bulk purchases	44	(396)	-	36	(360)
JP-Finance costs	-	(8,195)	-	(18)	(8,213)
JP-General expenses	47	(877)	-	(5)	(882)
		<b>3,436</b>	<b>-</b>	<b>69</b>	<b>3,505</b>

#### Description of errors and changes

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

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

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

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

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

#### Johannesburg Water SOC Limited

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM		
	2014	2013	2014	2013	
<b>52. PRIOR PERIOD ERRORS (continued)</b>					
<b>Statement of Financial Position</b>	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
JW-Consumer debtors: Exchange transactions	10	1,712,300	-	(52,254)	1,660,046
JW-Trade and other payables from exchange transactions	25	1,627,857	-	(1)	1,627,856
JW-Contribution from shareholder	-	(1)	-	1	-
JW-Accumulated surplus-Opening	-	(3,934,263)	-	83,325	(3,850,938)
		<b>(594,107)</b>	<b>-</b>	<b>31,071</b>	<b>(563,036)</b>
<b>Statement of Financial Performance</b>	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
JW-Revenue from exchange transactions	-	5,871,969	-	(31,080)	5,840,889
JW-Finance costs	-	(295,087)	-	9	(295,078)
		<b>5,576,882</b>	<b>-</b>	<b>(31,071)</b>	<b>5,545,811</b>

Description of errors and changes

Revenue from exchange transactions

The City of Johannesburg Metropolitan Municipality has recalculated the accrual value in relation to the 2012, and 2013 financial years and this resulted in a reduction of revenue for the 2012 and 2013 financial years as disclosed above. This has been accounted for as a prior period adjustment.

### Pikitup Johannesburg SOC Limited

<b>Statement of Financial Position</b>	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
PIKITUP-Commercial debtors	10	63,247	-	2,737	65,984
PIKITUP-Payables from exchange transactions	25	189,051	-	119	189,170
PIKITUP-Accumulated deficit-Opening	-	(366,554)	-	(3,388)	(369,942)
		<b>(114,256)</b>	<b>-</b>	<b>(532)</b>	<b>(114,788)</b>
PIKITUP-Rendering of services	-	224,085	-	651	224,736
PIKITUP-Employee costs	39	(726,950)	-	(1)	(726,951)
PIKITUP-IT expenses	47	(10,161)	-	(118)	(10,279)
		<b>(513,026)</b>	<b>-</b>	<b>532</b>	<b>(512,494)</b>

Description of errors and changes

The retained earnings were restated due to debtors adjustments.

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

### Johannesburg Social Housing Company SOC Limited

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM		
	2014	2013	2014	2013	
<b>52. PRIOR PERIOD ERRORS (continued)</b>					
<b>Statement of Financial Position</b>	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
JOSHCO-Investment in joint venture	19	31,691	-	(5,745)	25,946
JOSHCO-Accumulated surplus-Opening	-	(16,636)	-	5,745	(10,891)
		<b>15,055</b>	<b>-</b>	<b>-</b>	<b>15,055</b>

Description of errors and changes

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

### City of Joburg Property Company SOC Limited

<b>Statement of Financial Position</b>	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
PROPERTY-Receivables from exchange transactions	7	132,269	-	(16,007)	116,262
PROPERTY-Property, plant and equipment	15	11,059	-	(20)	11,039
PROPERTY-Intangible assets	16	9,041	-	(3)	9,038
PROPERTY-Loans from shareholders	-	(12,006)	-	(5,333)	(17,339)
PROPERTY-Payables from exchange transactions	25	(74,364)	-	-	(74,364)
PROPERTY-Accumulated Surplus-Opening	-	(7,992)	-	-	(7,992)
		<b>58,007</b>	<b>-</b>	<b>(21,363)</b>	<b>36,644</b>
<b>Statement of Financial Performance</b>	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
PROPERTY-Other income	34	70	-	(70)	-
PROPERTY-Operating expenses	47	(207,973)	-	(21,293)	(229,266)
		<b>(207,903)</b>	<b>-</b>	<b>(21,363)</b>	<b>(229,266)</b>

Description of errors and changes

#### Non Current Assets

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

#### Loan Accounts-GCSS

As per GRAP 105, JPC has 2 years to account for all transactions affecting the integration of FMMU into JPC. Expenditure was incurred by the City on behalf of FMMU post integration and has subsequently been transferred to JPC.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 52. PRIOR PERIOD ERRORS (continued)

#### Johannesburg Development Agency SOC Limited

Statement of Financial Position	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
JDA-Property, plant and equipment	15	6,674	-	639	7,313
JDA-Trade and other payables from exchange transactions	25	(83,829)	-	-	(83,829)
JDA-Accumulated surplus-Opening	-	(30,005)	-	(1,511)	(31,516)
		<b>(107,160)</b>	<b>-</b>	<b>(872)</b>	<b>(108,032)</b>

Statement of Financial Performance	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
JDA-Sundry income	-	325	-	878	1,203
JDA-Depreciation and amortisation	15	(1,129)	-	(239)	(1,368)
JDA-Taxation	-	(116)	-	233	117
		<b>(920)</b>	<b>-</b>	<b>872</b>	<b>(48)</b>

#### Description of errors and changes

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

#### Johannesburg Metropolitan Bus Services SOC Limited

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM		
	2014	2013	2014	2013	
<b>52. PRIOR PERIOD ERRORS (continued)</b>					
<b>Statement of Financial Position</b>	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
BUS-Receivables from exchange transactions	7	5,814	-	-	5,814
BUS-Property, plant and equipment	15	214,195	-	771	214,966
BUS-Reserves Revaluation reserve	-	(81,954)	-	7,506	(74,448)
BUS-Accumulated deficit-Opening	15	151,392	-	(16,553)	134,839
		<b>289,447</b>	<b>-</b>	<b>(8,276)</b>	<b>281,171</b>
<b>Statement of Financial Performance</b>	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
BUS-Depreciation and amortisation	15	(29,775)	-	5,309	(24,466)
BUS-Loss on disposal of assets and liabilities	-	(1,285)	-	2,967	1,682
		<b>(31,060)</b>	<b>-</b>	<b>8,276</b>	<b>(22,784)</b>

### Description of errors and changes

The prior year amounts were adjusted due to adjustments to property, plant and equipment, which resulted in increased accumulated depreciation, increased accumulated depreciation, as well as a decrease in depreciation due to the retirement of assets and fair value gains.

### Johannesburg City Parks NPC

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM		
	2014	2013	2014	2013	
<b>52. PRIOR PERIOD ERRORS (continued)</b>					
<b>Statement of Financial Position</b>	<b>Note</b>	<b>As previously reported</b>	<b>Change in accounting policy</b>	<b>Correction of errors</b>	<b>Restated</b>
		<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
PARKS - Inventories	3	1,815	-	1,314	3,129
PARKS - Receivables from exchange transactions	7	137,209	-	1,926	139,135
PARKS - VAT receivable	9	5,268	-	(5,268)	-
PARKS - Cash and cash equivalents	12	510	-	4	514
PARKS - Zoo animals	13	16,872	-	(4,748)	12,124
PARKS - Property, plant and equipment	15	60,628	-	4,250	64,878
PARKS - Payables from exchange transactions	25	(233,679)	-	(304)	(233,983)
PARKS - VAT payable	9	(5,130)	-	3,614	(1,516)
PARKS - Accumulated surplus	-	(100,050)	-	(4,818)	(104,868)
		<b>(116,557)</b>	<b>-</b>	<b>(4,030)</b>	<b>(120,587)</b>

<b>Statement of Financial Performance</b>	<b>Note</b>	<b>As previously reported</b>	<b>Change in accounting policy</b>	<b>Correction of errors</b>	<b>Restated</b>
		<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
PARKS - Rental facilities and equipment	-	2,237	-	(5)	2,232
PARKS - External services	-	34,556	-	(4,712)	29,844
PARKS - Other revenue - exchange	-	7,712	-	4,688	12,400
PARKS - Interest received - investment	-	18,838	-	(2,733)	16,105
PARKS - Fair value adjustments	-	(2,805)	-	2,805	-
PARKS - Depreciation and amortisation	15	(15,355)	-	742	(14,613)
PARKS - Finance costs	-	(8,347)	-	81	(8,266)
PARKS - Debt impairment	-	(2,173)	-	5	(2,168)
PARKS - (Loss) gain on disposal of assets and liabilities	-	(47)	-	(4,749)	(4,796)
PARKS - Fair value adjustment	-	-	-	(152)	(152)
		<b>34,616</b>	<b>-</b>	<b>(4,030)</b>	<b>30,586</b>

Description of errors and changes

Statement of Financial Position:

Inventory and Property, plant and equipment

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

Cash and cash equivalents

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

Trade payables, trade receivables and VAT

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

Statement of Financial Performance:

Impairment of debtors

Overprovision of bad debts



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 52. PRIOR PERIOD ERRORS (continued)

Loss on sale of assets

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

Sundry income

Sundry income duplicated

Depreciation

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

### Johannesburg Civic Theatre & Roodepoort City Theatres

Statement of Financial Position	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
CIVIC - Inventories	3	6,803	-	-	6,803
CIVIC - Cash and cash equivalents	-	5,837	-	(1,509)	4,328
CIVIC - Receivables from exchange transactions	7	15,770	-	(73)	15,697
CIVIC - Payables from exchange transactions	25	18,353	-	-	18,353
CIVIC - Accumulated surplus	-	9,184	-	1,582	10,766
		<b>55,947</b>	-	-	<b>55,947</b>

### Description of errors and changes

During the 2012/13 financial year the City of Johannesburg as part of its institutional review process, resolved that Joburg Theatre (SOC) Ltd and Roodepoort City Theatre NPC t/a Joburg Promusica be integrated into a single theatre management company. The theatre management company - now called Joburg City Theatres (JCT) - renders the functions and services that, until 31 December 2012, were rendered by the two theatres. It also institutionalised the operation of the newly established Soweto Theatre.

The effective date for the integration was 1 January 2013 and the transfer of functions agreement was signed by the Board of Directors on the 27th of November 2013.

JCT early adopted the principles of GRAP 105 in the 2012/13 financial year which states that: "If the initial accounting of a transfer of functions is incomplete at the end of the reporting period, the assets acquired and liabilities assumed for which the accounting is incomplete should be recognised at their provisional amounts, the acquirer is allowed a two-year measurement period from the transfer date in order to obtain the information necessary to identify and measure".

During the current financial year provisional amounts were retrospectively adjusted after the company obtained new information about facts and circumstances that existed at transfer date. This resulted in restatement of prior year (2012/13) balances and affected the measurement of amounts recognised as at transfer date (January 2013).

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM		
	2014	2013	2014	2013	
<b>52. PRIOR PERIOD ERRORS (continued)</b>					
<b>Statement of Financial Position</b>	<b>Note</b>	<b>As previously reported</b>	<b>Change in accounting policy</b>	<b>Correction of errors</b>	<b>Restated</b>
		<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
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	-	(359,986)	-	(102,225)	(462,211)
CJMM - Accumulated Surplus- Opening Balance	-	(20,254,593)	-	(746,764)	(21,001,357)
		<b>1,178,227</b>	<b>-</b>	<b>(1,697)</b>	<b>1,176,530</b>
<b>Statement of Financial Performance</b>	<b>Note</b>	<b>As previously reported</b>	<b>Change in accounting policy</b>	<b>Correction of errors</b>	<b>Restated</b>
		<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
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 contributions, Donated and contributed property	-	(2,842)	-	(119)	(2,961)
CJMM - General Expenses	-	2,578,605	-	(3,100)	2,575,505
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)
		<b>(3,518,650)</b>	<b>-</b>	<b>1,697</b>	<b>(3,516,953)</b>

Statement of financial position

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 52. PRIOR PERIOD ERRORS (continued)

The increase in PPE results from the following:

Land take-on resulting from the reconciliation 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 reparational 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 subsequently 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 transferred to FMMU in the prior year at the time when all functions were transferred.

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 in the current year and corrected retrospectively.

#### Statement of financial performance

##### Property rates

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

##### Depreciation

The restatement of Depreciation results from:

R31m adjustment 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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 52. PRIOR PERIOD ERRORS (continued)

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

#### Contracted services

The adjustment of R52m results from the Red fleet being 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 being 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 accounted 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 subsequently 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 accounted 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 53. RISK MANAGEMENT

#### GROUP

##### Price risk

City Power Johannesburg SOC Limited

Distribution losses

The electricity energy losses can be classified into technical and non-technical losses, during 2013/14 financial year. The entity's non-technical losses increased from 16.59% to 16.59%. The non-technical losses are attributable mainly to the following:

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

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

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

Johannesburg Water SOC Limited

Water losses are included in Cost of Sales. The level of physical and commercial losses for the year under review is 35,7% [R1,160 billion], (2013: 28,9% [R0,820 billion]). The level of physical losses for the year under review is 9,5% [R308,6 million], (2013: 9,8% [R278,2 million]). The level of commercial losses for the year under review is 26,20% [R851,1 million], (2013: 19,1% [R542,3 million]).

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

#### GROUP

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

##### Portfolio 1

##### Overview

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 53. RISK MANAGEMENT (continued)

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

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

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

#### Financial Risk Management Framework

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

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

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

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

#### Liquidity and Concentration Risk

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

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

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 53. RISK MANAGEMENT (continued)

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
<b>Short-Term Borrowings</b>			
Standard Bank	675	-	675
<b>Long Term Borrowings</b>			
Borrowing	(1,458)	1,458	-
<b>Total</b>	<b>(783)</b>	<b>1,458</b>	<b>675</b>

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

In line with GRAP 104, the tables below show CJMM's contractual maturity analysis of its interest rate swap and non-derivative financial liabilities.

#### Funding Debt Maturities

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

#### Swap Redemption Analysis

Instrument	Maturity date	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Interest Rate Swap R1bn Loan	29-Mar-18	(26,788)	(16,317)	(9,982)	(6,222)	-	-

#### Capital Redemption Analysis of Non Derivative Liabilities

Class	Balance	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Floating Rate Loans	2,183,410	195,714	114,724	114,724	1,114,724	68,386	575,138
Fixed Rate Loans	11,220,070	788,034	1,458,694	409,869	1,995,654	284,255	6,283,564
		-	-	-	-	-	-

#### 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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 53. RISK MANAGEMENT (continued)

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.



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 53. RISK MANAGEMENT (continued)

#### Cash flow sensitivity analysis

Loan name	Institution	Nominal	Issue date	Cash Flow	Rate	Rate option	Interest rate shift						
							-1%	-0.50%	0%	0.50%	1%	1.50%	2%
DBSA 13541-1	DBSA	75,829	31 Mar-02	30-Sep-14	3 months JIBAR + 2.535%	Floating	3,783	3,863	3,942	4,022	4,102	4,181	4,261
				31-Dec-14			3,867	3,943	4,020	4,096	4,173	4,249	4,326
				31-Mar-15			3,908	3,980	4,051	4,123	4,195	4,266	4,338
				30-Jun-15			3,982	4,051	4,121	4,190	4,259	4,329	4,398
				30-Sep-15			4,050	4,117	4,184	4,251	4,318	4,385	4,452
DBSA 102761-1	DBSA	425,000	20-Aug-09	31-Dec-14	6 months JIBAR + 2.85%	Floating	29,476	30,453	31,429	32,406	33,383	34,359	35,336
				30-Jun-15			31,965	32,895	33,824	34,754	35,684	36,614	37,544
				31-Dec-15			32,805	33,719	34,632	35,546	36,460	37,374	38,287
				30-Jun-16			31,850	32,723	33,595	34,468	35,341	36,213	37,086
				31-Dec-16			34,537	35,388	36,239	37,089	37,940	38,791	39,641
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
DBSA 103345-1	DBSA	495,000	17-Apr-09	31-Dec-14	6 months JIBAR + 2.96%	Floating	34,963	36,098	37,232	38,366	39,500	40,635	41,769
				30-June-15			37,817	38,895	39,974	41,052	42,131	43,209	44,288
				31-Dec-15			38,759	39,817	40,876	41,935	42,993	44,052	45,110
				30-June-16			37,613	38,623	39,633	40,642	41,652	42,662	43,671
				31-Dec-16			40,682	41,665	42,648	43,631	44,614	45,597	46,580
CALYON	CALYON	190,469	05-Sep-06	30-Sep-14	3 months JIBAR less 0.35%	Floating	11,151	11,207	11,264	11,320	11,376	11,433	11,489
				31-Dec-14			11,313	11,370	11,427	11,484	11,541	11,598	11,655
				31-Mar-15			11,377	11,435	11,492	11,549	11,607	11,664	11,722
				30-Jun-15			11,483	11,541	11,599	11,657	11,715	11,773	11,831
				30-Sep-15			11,558	11,617	11,675	11,733	11,792	11,850	11,908

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 53. RISK MANAGEMENT (continued)

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 53. RISK MANAGEMENT (continued)

#### Hedging Interest Rate Risk

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

##### Dollar-Offset Method

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

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

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

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

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

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

#### Hedge effectiveness measurement

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

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

The effectiveness of the cash flow hedge is 118.51 percent which is within the 80-125 percent effectiveness range. Given that the cashflow hedge is effective in the current period (i.e. it is within 80-125 percent effectiveness range), COJ will continue with hedge accounting in the future financial periods. The per period calculations as at 30 June 2014 are shown below.

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 53. RISK MANAGEMENT (continued)

#### Swap Cashflow Sensitivity

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

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

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
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Total</b>	<b>(89,443)</b>	<b>(74,273)</b>	<b>(59,309)</b>	<b>(44,505)</b>	<b>(29,893)</b>	<b>(15,455)</b>	<b>(1,190)</b>

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

#### Swap Fair Value Sensitivity

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

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

Instrument	Maturity date	Swap Fair Value Sensitivity						
		Fair value sensitivity to the interest rate shift						
		-1%	-0.50%	0%	0.50%	1%	1.5%	2%
Interest Rate Swap on R1BN Loan	29-Mar-18	(81,619)	(67,671)	(54,113)	(40,893)	(28,033)	(15,507)	(3,301)

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

#### Estimation of Fair Values

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 53. RISK MANAGEMENT (continued)

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

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

#### Fair Value Hierarchy

In terms of GRAP 104.130 there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The fair value hierarchy applies to instruments reported at fair value on the statement of financial position. The interest rate swap is the only instrument reported at fair value and therefore needs to be classified as per fair value hierarchy. Level 2 Fair values are calculated using valuation techniques based on observable inputs either directly or indirectly other than level 1 inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data. The Level 2 all-inclusive fair value of the swap stood at -R54,1 million as at the end of 30 June 2014.

#### Credit/Counterparty Risk

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

The credit limit exposure table below depicts all investments with various counterparties as at the 30 June 2014. Total investments were R 5,227 billion. The table also shows the credit limit approved per counterparty. Treasury constantly monitors the percentage limit utilized.

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 53. RISK MANAGEMENT (continued)

#### Credit quality of Investments

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

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

#### Portfolio 2

##### Introduction and overview

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

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

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

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

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

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

##### Risk Management Framework

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

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

##### Credit Risk

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 53. RISK MANAGEMENT (continued)

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

#### Management of credit risk

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

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

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

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

#### Exposure to credit risk

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

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

#### Liquidity risk

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

#### Management of liquidity risk

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

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

#### Maturity analysis for financial instruments

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP				CJMM		
	2014	2013	2014	2013			
<b>53. RISK MANAGEMENT (continued)</b>							
<b>Class</b>	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)	-	-	-	-	-
<b>Class</b>	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	-	-	-	-	-
<b>Class</b>	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Settled Bond Assets	-	(17,508)	11,150	16,173	15,755	1,492	92,699
<b>Class</b>	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Settled Bond Liabilities	-	-	-	-	-	(12,420)	-
<b>Class</b>	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Floating Rate Note Assets	-	6,195	-	3,860	7,629	-	-
<b>Class</b>	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Forward Rate Agreement Assets	-	3,033	-	-	3,745	5,588	-
<b>Class</b>	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Forward Rate Agreement Liabilities	-	(8,775)	-	(3,239)	-	(3,270)	-
<b>Class</b>	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Swap Assets	-	8,363	(2,115)	4,553	5,098	2,034	8,538
<b>Class</b>	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Swap Liabilities	-	1,761	(3,294)	2,169	(2,099)	(4,882)	4,107



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP			CJMM			
	2014	2013	2014	2013			
<b>53. RISK MANAGEMENT (continued)</b>							
<b>Class</b>	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Amort Investor Relations Society Assets	-	(1,723)	-	-	-	-	(3,212)
<hr/>							
<b>Class</b>	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
ASM Investor Relations Society Assets	-	15,709	-	-	-	-	-
<hr/>							
<b>Class</b>	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
ASM Investor Relations Society Assets	-	(589)	-	-	-	-	-
<hr/>							

### 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 53. RISK MANAGEMENT (continued)

#### Fair Value Sensitivity Analysis

Asset Class	Fair Value Sensitivity to the interest rate movement/shift						
	R'000s -1%	R'000s -0.5%	R'000s 0	R'000s 0.5%	R'000s 1%	R'000s 1.5%	R'000s 2%
Liabilities	(5,581,975)	(5,454,904)	(5,332,046)	(5,213,231)	(5,098,299)	(4,987,096)	(4,879,475)
Contributions	2,178,396	2,155,550	2,133,119	2,111,095	2,089,468	2,068,228	2,047,368
Bonds	2,955,020	2,860,065	2,769,282	2,682,459	2,599,394	2,519,899	2,443,794
Bonds Repos	(513,973)	(513,941)	(513,910)	(513,879)	(513,847)	(513,816)	(513,785)
Floating Rate Note	826,404	825,740	825,080	824,423	823,770	823,120	822,473
Forward Rate Agreement	6,045	2,953	(126)	(3,191)	(6,244)	(9,284)	(12,311)
Investor Relations Society	206,529	171,157	138,699	108,993	81,882	57,221	34,873
ABSA Call	99,263	99,263	99,263	99,263	99,263	99,263	99,263
Standard Bank Collateral	35,501	35,501	35,501	35,501	35,501	35,501	35,501
Nedbank Collateral	(120,529)	(120,529)	(120,529)	(120,529)	(120,529)	(120,529)	(120,529)
<b>Net</b>	<b>90,681</b>	<b>60,855</b>	<b>34,333</b>	<b>10,904</b>	<b>(9,641)</b>	<b>(27,493)</b>	<b>(42,828)</b>

#### Operational risk

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

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

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

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

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

#### 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 53. RISK MANAGEMENT (continued)

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

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

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

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

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

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

30 June 2014	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
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
	<b>2,769,282</b>	<b>449,743</b>	-	<b>3,219,025</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>54. FRUITLESS AND WASTEFUL EXPENDITURE</b>				
<b>Reconciliation of fruitless and wasteful expenditure</b>				
Opening balance	24,075	18,670	6,200	5,769
Fruitless and wasteful expenditure current year	16,803	4,147	19	446
Approved by Council or condoned	(952)	(696)	(649)	(15)
Transfer to receivables	(6,302)	1,954	(3,250)	-
<b>Transfer to other debtors for verification</b>	<b>33,624</b>	<b>24,075</b>	<b>2,320</b>	<b>6,200</b>

### GROUP - 2014

Johannesburg City Parks NPC:

- Interest was raised on overdue creditors.
- Disciplinary steps/criminal proceedings : None.

Johannesburg Roads Agency SOC Limited:

- Interest charged by Telkom for late payment of accounts. - R7,915
- Disciplinary steps/criminal proceedings : None.

Pikitup Johannesburg SOC Limited:

- The amount of R1,000 was paid to MPD for failure to comply with the requirements for a sprinkler system which is in contravention of emergency services by- law.

- Interest paid on overdue accounts.
- Disciplinary steps/criminal proceedings : None.

Johannesburg Development Agency SOC Limited:

- Loss due to fraud - R972,841
- Interest and penalties - R182,446
- Disciplinary steps/criminal proceeding: Criminal case has been opened and forensic investigation is currently under way. Interest and penalties relating submission of VAT returns. The penalties are currently under objection with SARS.

City of Joburg Property Company SOC Limited:

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

- Disciplinary steps/criminal proceedings : None.

### GROUP - 2013

Johannesburg City Parks NPC:

- Interest was raised for late payments.
- Disciplinary steps/criminal proceedings : None.

Johannesburg Development Agency SOC Limited:

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

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

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

Johannesburg Roads Agency SOC Limited:

- Interest on late payment of accounts.

- Disciplinary steps/criminal proceedings : None.

Johannesburg Metropolitan Bus Services SOC Limited:

- Various traffic fines were paid.

- Disciplinary steps/criminal proceedings : None.

Metropolitan Trading Company SOC Limited:

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

- Disciplinary steps/criminal proceedings : None.

Johannesburg Tourism Company NPC:

- Interest levied on late payments.

- Disciplinary steps/criminal proceedings : None.

The Johannesburg Zoo NPC:

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

- Disciplinary steps/criminal proceedings : None.

### CORE - 2014

Revenue and Customer Relations

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

Legal expenses - R18,712

Disciplinary steps/criminal proceedings : None.

Group Corporate and Shared Services

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

Disciplinary steps/criminal proceedings : None.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

#### Housing

Interest paid on late accounts - R196,470

Disciplinary steps/criminal proceedings : None.

#### Development Planning and Urban Management

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

Disciplinary steps/criminal proceedings : None.

#### JMPD

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

Interest charged on various invoices from Post Office for bulk postage to the value of R420

Disciplinary steps/criminal proceedings : None

#### Economic Development

Telkom Interest - R8,231

Disciplinary steps/criminal proceedings : None.

#### Emergency Management Services

The expenditure for R206,397 was for Alexander Forbes, after a court order was issued for the payment to be processed.

Disciplinary steps/criminal proceedings : None.

### CORE - 2013

#### Office of the Speaker

Non-attendance of Conferences, Seminars and Training sessions by staff after the relevant bookings and payments were made - R10,000

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, Invoice No. 0459 dated 06/03/2012 for R3,240.00 and Invoice No. 0658 dated 06/03/2012 for R3,000.

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>55. UNAUTHORISED EXPENDITURE</b>				
<b>Reconciliation of unauthorised expenditure</b>				
Opening balance	53,166	51,711	51,711	51,711
Unauthorised expenditure current year	-	3,855	-	-
Approved by Council or condoned	-	(2,400)	-	-
Transfer to receivables for recovery	(1,077)	-	-	-
Unauthorised expenditure awaiting authorisation	377	-	-	-
	<b>52,466</b>	<b>53,166</b>	<b>51,711</b>	<b>51,711</b>

### GROUP - 2014

Johannesburg Development Agency SOC Limited:

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

### GROUP - 2013

Johannesburg Development Agency SOC Limited:

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

### CORE - 2014

None.

### CORE - 2013

Emergency Management Services

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

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

Infrastructure and Services Department

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

Disciplinary steps/criminal proceedings : None

### 56. IRREGULAR EXPENDITURE

#### Reconciliation of irregular expenditure

Opening balance	1,066,636	930,924	726,043	575,120
Irregular expenditure current year	54,311	205,597	40,700	152,216
Approved by Council or condoned	(5,600)	(83,912)	(260)	(1,293)
Transfer to receivables for recovery	(14)	14,027	(14)	-
	<b>1,115,333</b>	<b>1,066,636</b>	<b>766,469</b>	<b>726,043</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

#### GROUP - 2014

Johannesburg Development Agency SOC Limited:

- Supplier contracted with and was in service of the state
- Disciplinary steps/criminal proceedings : A disciplinary process was undertaken against the SCM Manager and a warning letter was issued.

Johannesburg Roads Agency SOC Limited:

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

Johannesburg Metropolitan Bus Services SOC Limited:

- Month to month extensions granted to suppliers pending tender procedures.
- Non application of SCP relates to proper tender procedures not being followed, the tender procedures have been completed 100% Month to month extensions granted to suppliers pending tender procedures.
- Contract Amount exceeded, the expenditure is directly related to unexpected or unplanned bus breakdowns.
- Deviations on consultants, expenditure relates to deviations approved by the accounting officer, these relate to. Rental of equipment, Software licences, IT Support and Labour Broking.
- Disciplinary steps/criminal proceedings : None.

City Power Johannesburg SOC Limited

- Verbal instructions were given to a supplier CBI Electric (African Cable) to conduct work without following the official purchase orders.
- Disciplinary steps/criminal proceedings : The employee concerned pleaded guilty at a disciplinary hearing and a sanction was imposed.

Joburg Theatre SOC Limited:

- On 27 November 2013 the RCT Board reconstructed the resolutions confirming that payments of R1,944,685 made by RCT during 2012/13 to Cut to Black Media and Danse LAfrique were approved at the Board meeting held on 23 November 2012. Reconstructed resolutions were submitted to Auditor - General SA for noting.
- A condonation report for payments of R4,581,459 made by RCT for the opening of the Soweto Theatre in 2011/12 was approved by the COJ Mayoral Committee on 26 June 2014.
- The Board resolved that a civil action should be instituted to recover the amount of R477,032 of allowances/acting allowances and study loan in the form of educational assistance. Civil action has been instituted under case number J5885/13 at the Labour Court of SA . An affidavit for the default judgement has been prepared for the trial.This amount has been reclassified as contingent asset in accordance with GRAP 105
- The Board of Directors minutes for the meeting that approved the payment of R1,944,685 could not be located at the end of June 2013. The minutes were reconstructed to regularise the expenditure of R1,944,685 in line with GRAP 105 principles.

Johannesburg City Parks NPC:



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

- Procurement without three quotations and without having followed tender process.
- Disciplinary steps/criminal proceedings : None.

#### GROUP - 2013

Johannesburg Development Agency SOC Limited:

- Services were provided past the contract term.
- Disciplinary steps/criminal proceedings : Disciplinary proceedings are currently underway against the employees.

Joburg Market SOC Limited:

- The Directors have approved a condonation report to the value of R 52,435,319. The report will be submitted to the mayoral committee for further condonation.
- Disciplinary steps/criminal proceedings : None.

Johannesburg Metropolitan Bus Services SOC Limited:

- Month to month extensions granted to suppliers pending tender procedures.
- Non application of SCP relates to proper tender procedures not being followed, the tender procedures have been completed 100% Month to month extensions granted to suppliers pending tender procedures.
- Contract Amount exceeded, the expenditure is directly related to unexpected or unplanned bus breakdowns.
- Deviations on consultants, expenditure relates to deviations approved by the accounting officer, these relate to. Rental of equipment, Software licences, IT Support and Labour Broking.
- Disciplinary steps/criminal proceedings : None.

Johannesburg Roads Agency SOC Limited:

- Ambassador Air - contract expired.
- Everest Leadership - SCM procedures not followed.
- Dakalo Cleaning Services - No contract.
- GNG Trading - SCM procedures not followed.
- Yo'Build Construction & Trading - SCM procedures not followed.
- Jilongo Trading - SCM procedures not followed.
- Vimtsire - contract expired.
- Otis - contract expired.
- Document Warehouse - contract expired.
- Rentokil - contract expired.
- Aqua Transport and Plant Hire - Transgression of SCM procedures,
- Barefoot in the keys - Transgression of SCM procedures.,
- Disciplinary steps/criminal proceedings: A circular was issued to all staff, advising that employees who cause the Company to incur irregular expenditure will face disciplinary hearing. A condonation report was written and this expenditure is reported to the Executive Management Team, Audit Committee Board of Directors and City of Johannesburg Staff who caused the Company to incur irregular expenditure were issued with notices and their delegations were removed. New contracts have been made for the expired contracts.

Pikitup Johannesburg SOC Limited:

- The expense relates to ICT contract that lapsed and running on a month to month basis. R321,248 relates to amount paid for extension of lease rental running on a month to month basis.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

- Disciplinary steps/criminal proceedings : None

Johannesburg City Parks NPC:

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

- Disciplinary steps/criminal proceedings : None.

Joburg Theatre SOC Limited:

- The irregular expenditure was inherited from Roodpoort theatre on 1 January 2013. It was payments that were not approved by the board of directors in terms of the delegation authority. The total amount was R6,526,144.

- Disciplinary steps/criminal proceeding: The board will ratify the payments at the next board meeting. The total amount was R6,526,144.

- Certain employees at Roodepoort theatre paid themselves excessive salaries which were not approved. The total amount was R477,032.

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

### CORE - 2014

Office of the Speaker

ACA Krans, R922,993 condoned for continuing occupancy of building without authorised extension of the lease contract.

Khayalami Building - leasing via JPC, EAC Decision Clause 27, amount outstanding to date, R266,422.

STD Bank Jabulani Building, contract renewed and signed through JPC, an amount of R369,896 approved for financial year end 2013.

Disciplinary steps/criminal proceedings : None.

Reclassified Deviations

- Audit Command Language Maintenance and Support Fee, R49,008.  
Reason  
The Audit Command Language (ACL) Software is a tool used by Internal Audit to perform various analytics on sets of data. The software was procured from Messrs CQS Technology Holdings (Pty) Ltd as the official sole distributor of ACL and support of ACL licences in South Africa, hence the request for a deviation.
- Extension of the Insurance Renewal terms and the contracts of short term insurance fund, R279,780.  
Reason  
The existing contract (256/09) with Guardrisk Insurance Company Ltd for short term self-insurance fund contingency policy administration services will expire on 20 September 2012. The Department has commenced with the process for a new tender to be finalised within 3 months hence the request for the extension of the existing contract.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

3. Procurement of General Algebraic Modelling system for Department of Economic Development, R102,400.  
Reason:  
The Economic Development Department commissioned the construction of a Compatible General Equilibrium (LGE) model that allows for the assessment of the impact of projects, policies and programmes on the economy and its attributes. The General Equilibrium Models require appropriate computer software to run the simulation and GAMPACK and GAMS are commonly used software programmes, however GAMS is popular locally and is friendly to use than GAMPACK. GAMS is sold and licensed only by GAMS Development Corporation in South Africa. This makes GAMS Development Corporation the sole supplier in South Africa for GAMS hence the request for a deviation.
4. Continuation of Technical A192 : Provision of Technical and Operational Services Associated with the Macro Surveillance Closed Circuit Television System. Service Provider Omega Risk Solution R1,509,698.  
Reason  
The new contract for the provision of technical and operational services associated with the Macro Surveillance Closed Circuit Television System was considered by the EAC who requested that JRAS audit the process leading to the finalisation of the Bid Evaluation Committee prior to the EAC making the final award. The Deviation to extend the current contract (A192) for a further three months period is to allow JRAS to finalise its due diligence report.
5. Adjustment of the Contract Amount for Emma Flats Box Curlert. Service Provider Nesandla Civils Pty (Ltd), R4,590,266.  
Reason  
The original contract for Emma Flats (308/11) was awarded to Nesandla Civils on 18th July 2011 for R14,136,000. The current contract progress to date is 80% completed and the contractor is 20% behind due to pipe jacking activity. Prior to the commencement of the contract and even during the contract no reasonable prospects of locating the granite rock layer existed at the time of conducting geo technical investigations. The contract price needs to be adjusted in order to deal with this unforeseen circumstances hence the deviation to adjust the price.
6. Extension of the existing Lease Agreement for a further three years relating to office accommodation at Block L, 400 16th Road, Central Park, Midrand, Region A, Service Provider, Growthpoint Properties Limited. 1st Year R285,853.09, 2nd Year R314,141, 3rd Year R345,555.  
Reason  
The Housing Department Region A offices are located at Block L, 400 16th Road Central Park, Midrand, the public has been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
7. Approval for Payment of the service provider : Yebo Shine (Pty) Ltd, R87,001.  
Reason  
Stakeholder Relationship Management continued to utilise the services of Yebo Shine (Pty) Ltd for a period of 4 months (January – April) after the contract which expired in 31 December 2011. This service could not be discontinued as it was going to pose a health risk to Ward Councillor Offices. Hence the ratification for approval of payment.
8. Utilisation of services of Steiner Hygiene Services (Pty) Ltd. R132,577.  
Reason  
The user department engaged the service provider under contract 176/08 approved by the City, however, the contract expired in October 2011 and the user department continued to utilise the services of Steiner Hygiene from the period December 2011 to June 2012 as discontinuing these services would have posed a serious health risk. Hence the ratification for approval of payment.
9. Service Provider Mailtronic Direct Marketing CC. R500,000.  
Reason  
The Section 49 Notification from the supplementary valuation Roll 9 needed as a matter of urgency to be posted with the monthly statements, hence Mailtronic Direct Media CC, the current service provider for the posting of monthly statements was requested to include in those statements the Section 49 notification. Unfortunately due to the urgent nature of the requirement no prior approval was obtained to secure the utilisation of this contract to include the notices, hence the ratification approval.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

10. Approval of payment : Relocation of the Alexandra Renewal Project Office. Service Provider A1 Office Movers, R91,370.  
Reason  
Development Planning and Urban Management, Alexandra Renewal Project Department has been leasing the building Penda House, for the period 1 September 2008 to 30 June 2012. The lease was terminated. Quotations for the furniture removal service providers were sourced from the three service providers on the CoJ database, as opposed to being advertised on the Notice Board for seven days as the value exceeds R30,000. Due to Financial year end processes it was impossible to follow normal procurement procedures on placing the requirement for the office move on the board for a period of seven days. Hence the ratification for approval of payment.
11. Condonation and Ratification with long term resolution, Service Provider Multilingua Translation Interpretation Services, R24,888.00. Service Provider, Questek Customer Care R22,029.77.  
Reason  
Multilingua Translation Interpretation Services is the sole supplier for translation of languages. Questek is the sole supplier for PA Complex and PA Systems. Hence the ratification for approval of payment.
12. Ratification of activities in relation to the design layout, proof-reading, photography, translating and printing of the 2013/16 and the 2012/15 Medium Term Budget. Service Provider Cut-to-Black Media, R604,923.70.  
Reason  
Quotations were solicited from Proposal Nr A290B for the IDP and Budget Books for 2012. The award was made to Cut-to-Black for R1,330,380.53 on 16th March 2012. However, additional tasks were given to Cut-to-Black for an additional amount of R604,923.70. The additional requirements could not be sourced through competitive bidding processes because they are linked to the original services/scope of work awarded to Cut-to-Black. As these services were urgently required, no authorisation was solicited prior to engagement of the service provider, hence the request for the ratification.
13. Payment to Private Security Companies in terms of Contract 270/09 for September and October 2012. Service Provider, Panel of eleven Private Security Companies, R29,103,000.00.  
Reason  
The increase in the value of the contract by R29,103,000.00 is due to the pay out of PSIRA Statutory increases to the eleven Private Security Companies for the period of September and October 2012.
14. Office Accommodation 222 Smit Street and Parking Bay, Service Provider Redefined Properties Limited, R2,702,278.00 and Service Provider Interpark R221,616.00.  
Reason  
The request for a Deviation to extend the Lease at 222 Smit Street for the office of the CIO is due to the following reasons: Critical IT infrastructure has been installed in this building. The SAP Competency Unit is housed in the building. For the above reasons and the cost associated with the removal cost, loss of productivity and the fact that the building is within close proximity to Metro Centre, it makes business sense and cost efficiency to renew the current lease, hence the request for the deviation.
15. Extension of the SAP ERP Support, SAP End User and IT Functional Training provided by EOH, UCS and BCX respectively. R13,280,000.00.  
Reason  
The new tender A472 was advertised and the Bid Evaluation Committee presented its report to the Bid Adjudication Committee on 27th July 2012. The Bid Adjudication Committee raised certain concerns that were to be considered by the BEC. However, the current arrangements with EOH will expire on 31 July 2012 and hence the request for a deviation to extend the contract until 31 August 2012 to allow the finalisation of the consideration of contract A472.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

16. Payment of Mailtronics, R331,668.24.  
Reason  
R&CRM needed to inform and educate ratepayers on changes, procedures and policies that impact their municipal accounts i.e annual tariff increase. Having no contract in place, the R&CRM Department made use of Mailtronics who have a contract with the City to book, place and ensure design of the tariff information for placement in 19 newspapers. On invoicing the Department was informed that the contract only relates to marketing and communication with regard to the printing and posting of statements. Hence the ratification for the approval of payment.
17. Payment of Nenongwe Building Construction and All Cleaning Services, R265,050.00.  
Reason  
Jabulani Fire Station was revamped at the cost of R1,402,193.00 excluding VAT. During the renovations it was discovered that the water table was much higher and the soil was spongy which made it impossible to compact to the required standards. An engineer was engaged to replace the spongy soil with imported G5 and G7 soil at the cost of R265,050.00 excluding vat, hence the request for the ratification as the scope of work was extended without obtaining the necessary approval.
18. Extension of the appointment of KMPG to second an Acting Group CFO on temporary basis for a period of six (6) months from 1 October 2012 to 31 March 2013, R4,000,000.00.  
Reason  
On 20 December 2011 KPMG was appointed to second an Acting Group CFO on a temporary basis for a period of nine months at a cost of R5,859,000.00. Subsequent to the appointment of KPMG the City commenced with the recruitment process of an appropriate Group CFO, however no suitable candidate was found, hence the request for a deviation to extend the original engagement of KPMG by six months.
19. Extension of Paper Ticketing, Service Provider, Reakgona Inspectorate (Pty) Ltd, R528,000.00, Tony'sTime & Access R50,000.00, TMT Service & Supplies (Pty) Ltd, R1,130,000.00, Ace Wholesalers R864,000.00, G4S Cash (Pty) Ltd R490,000.00.  
Reason  
It was anticipated that the paper ticketing system would be replaced by the AFC system on 1 November 2012. Due to circumstances beyond the control of Rea Vaya, the commencement of the implementation of the AFC system is presently scheduled for 26 November 2012, with an introductory transition period when the two systems will run together. Hence the ratification for the approval of payment.
20. Appointment of Rea Vaya Strategic Support, Service Provider, Dirk Jacques van Zijl, R1,200.00 per hour.  
Reason  
The institutional review process of the City resulted in significant changes that were not anticipated, such as the closure of the Metro Trading Company (MTC) necessitating the incorporation of the entire station management function into the Rea Vaya business unit and this had required a significant number of additional hours from Van Zijl. Hence the request for the approval for the appointment of Mr. D.J (Jacques) van Zijl as a strategic support resource for the Rea Vaya BRT and Scheduled Services Agency.
21. Acquisition of services from Events Galore Event Planning & Management Company for the Special Whippery Political Caucus Meeting. Service Provider, Events Galore, R66,883.00.  
Reason  
The Department solicited three quotes from the service providers as required by Supply Chain procedures. Events Galore was recommended since it was the lowest. The services were requested on an emergency basis hence the requirements were not advertised on the Notice Board nor signed off prior to engagement of the service provider by the delegated authority.
22. Increase of Current Budget to allow for the Retention of SAHA's AFC Consulting Services to Finalise the Implementation of the Rea Vaya Phase 1A AFC system, R645,810.00.  
Reason  
Due to mainly the ministerial Automated Fare Collection ("AFC") System Regulations, having necessitated the complete renegotiation of the contract with the City's AFC "Supply & Installation" contractor, the City's AFC Advisory Consultant's contract once again had to be further extended and provision made for the extra costs and fees occasioned by this further delay and all the additional work that had to be done in the process.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

23. Extension of Paper Ticketing Service Level Agreement, Service Provider TMT Services & Supplies (Pty) Ltd R302,841.00, Reakgona Inspectorate (Pty) Ltd R176,000.00, Tony's Time & Access R21,347.60, Ace Wholesalers R649,500.00, G4S Cash (Pty) Ltd R350,000.00.  
Reason  
Due to the delay in the funding of the bank account required by ABSA to load pre-paid fares on the new EMV smartcards and the fact of the integration of the AFC and APTM systems.
24. Lease of Driehoek Radio High Site from Eskom Enterprises (Pty) Ltd, R77,280.67.  
Reason  
This ICT high site is critical for continued uninterrupted services to COJ area and it is the only service provider for a high site in terms of specific and ICT requirements.
25. Renewal of Lease Agreements for rented Library Facilities, Service Provider Eris Property Group (Pty) Ltd, R145,245.64, Blend Property Group, R578,880.00, Redefine Properties Limited, R478,667.40, City Property Administration, R104,494.20, Heartland Leasing (Pty) Ltd, R86,701.56, Basfour 2296, R347,328.00.  
Reason  
The normal procurement processes were dispensed with on the basis that the procurement in question is regarded as an exceptional case where it is impractical to follow the normal procurement processes. The library facilities within the communities will be unhappy, and costs will be too much. These libraries have been established in these communities for a very long time and moving or relocating them might disadvantage the communities and will be costly.
26. Appointment of a Service Provider for use of the Private Emergency Medical Services at Primary Health Care Facilities to Prevent Loss of Life, Service Provider Netcare, R6,197.17.  
Reason  
The Department requested the services of the private medical emergency services at Local Government Primary Health Care (PHC) facilities in the event of non-response by Provincial Ambulances in life threatening situations and unnecessary possible medico-legal implications for the Health Department in the City.
27. Renewal/Extension of Lease Agreement, Alphen Square North Randjespark, Midrand, Service Provider, JT Ross Property Services (Pty) Ltd, R4,957,019.10, R761,624.28 and R198,076.32.  
Reason  
The Health Department Region A offices are located at Unit 6, 7 and 8, Alphen Square North Randjespark, Midrand. The public has been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
28. Utilisation of Services of Steiner Hygiene Services (Pty) Ltd, R3,845.99.  
Reason  
The user department engaged the service provider under contract 176/08 which was approved by the City, however, the contract expired in October 2011 and the user department continued to utilise the services of Steiner Hygiene from the period March 2012 to June 2012 as discontinuing these services would have posed a serious health risk, hence the ratification for approval of payment.
29. Undertaking an Educational Trip and Approval to re-imburse the University of Witwatersrand for money paid, R15,648.00.  
Reason  
Ms. P Bafo and Mr. Ramashala who are on subsidised education from the City, are currently studying towards a Masters degree in Housing and Development Planning through the University of Witwatersrand. As part of their studies they went on a compulsory field trip to Nairobi from 11 to 15 September 2012, where they participated in a symposium and they presented a paper relevant to their observation as part of an academic assessment. Hence the ratification for approval of payment.
30. Approval of payment of the Service Provider SOS Protect Sure National Division, R1,400,000.00.  
Reason  
Installation of CCTV monitoring systems at Midrand and Randburg to minimise the theft, fraud and corruption at the cash sites and testing stations.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

31. Approval of payment of the Service Provider Gijima AST Holdings (Pty) Ltd, R40,757.28.  
Reason  
Contract No. 280/10 exists between Gijima AST Holdings (Pty) Ltd and the City of Johannesburg for upgrade, maintenance and support for an existing Phillips telephony system installed at 66 Jorissen Street linked to 61 Jorissen Street via VOIP. The contract covers the entire telephony system and is therefore applicable for both buildings. Throughout the first year of the contract, no reconciliation of expenditure was done. On submission of the invoice, a reconciliation was done and it was established that the contract amount has been exceeded and no payment was effected.
32. Approval for payment of the service provider Munghwena Trading Projects, R102,600.00.  
Reason  
The absence of a contract and in compliance to Occupational Health and Safety standards, Group Finance requested Mungwena Trading Projects who was supplying the services from August 2012 to October 2012 to continue with the provision of hygiene services at 28 Harrison (Technical Call Centre). This service could not be discontinued as this was going pose a health risk to Call Centre staff and management. A request for quotations was placed on the board between the 17 October 2012 to 24 October 2012. Approval of the recommended supplier has taken longer and this has compelled the officials to continue with current service provider. Invoices for the months of November 2012 and December 2012 could not be paid for the reasons stipulated above.
33. Approval for payment of the service provider Bonamini Trading Enterprise, R117,800.00.  
Reason  
In the absence of a contract and in compliance to Occupational Health and Safety standards Group Finance requested Bonamini Trading Enterprise who was supplying the services from August 2012 to October 2012 to continue with the provision of cleaning services at 28 Harrison (Technical call centre). This service could not be discontinued as this was going pose a health risk to call centre staff and management. A request for quotations was placed on quotation board on 17 October 2012 and closed on 24 October 2012 (copies attached). Approval of the recommended supplier has taken longer and this has compelled the officials to continue with current service provider. Invoices for the months of November 2012 – December 2012 cannot be paid for reasons stipulated above.
34. Approval for payment of the service provider Manenzhe Hygiene Solutions, R41,040.00.  
Reason  
Contract number 144/08 for a panel of contractors to supply cleaning services to the City of Johannesburg expired in March 2012. In the absence of a contract and in compliance to Occupational Health and Safety standards Group Finance requested Manenzhe Hygiene Solutions to continue with the provision of cleaning services at 28 Harrison. This service could not be discontinued as this was going pose a health risk to call centre staff and management. Invoices for the month of July 2012 cannot be paid for reasons stipulated above.
35. Appointment of Two Tone Global Agency to execute AFCON 2013 Communication and Marketing Campaign. Service Provider, Two Tone Global Agency, R2,808,435.34.  
Reason  
The Department engaged the services of a service provider without following normal procurement processes in terms of utilisation of Panels as per Practice Note 004/2011 and the SSCM representatives were not engaged.
36. Ratification for exceeding the Value of Contract 287/10, Electronic Automate Clearing Services, Service Provider, Mindworx Consulting (Pty) Ltd, R109,982.07.  
Reason  
A tender No. 287/10 was advertised to a service provider to render services for the Electronic Automated Clearing services and the simplification of the payroll activities and Midworx Consulting (Pty) Ltd was appointed for the period of thirty six (36) months commencing from the date of acceptance 13 August 2010. The award was based on the contract not exceeding R1,296,000.00 for the duration of the contract.
37. Appointment of Universal Knowledge Software to provide the Symphony Library System. Service provider Universal Knowledge Software (UKS), R5,680,000.00.  
Reason  
The provision and support of the Library System and that of a new contract for the supply and maintenance of the Library System for a period of thirty six (36) months, starting on 01 February 2013.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

38. Delivery and installation of surveillance DVR System, Security Camera, Alarm Connectivity and monitoring of the Civic centre, Florida Park. SOS Service provider, R67,727.40.  
Reason  
Installation of surveillance DVR System, Security Camera, Alarm Connectivity in the walk-in centre in Roodepoort.
39. The appointment of XON to provide anti-virus protection software security support licenses. XON service provider, R1,413,146.70.  
Reason  
Security software support services for a period of twelve (12) months from 01 January 2013 until 31 December 2013.
40. Appointment of SKS Business Solution CC for minor works. SKS Business Solution CC service provider, R211,696.69.  
Reason  
Minor works at the Bellavista Clinic (Region F).
41. Actions of the officials of revenue shared services and approval of a deviation from the official procurement processes by the City Manager and the extension of scope of work on the project undertaken by Ernest & Young service provider, R1,093,906.38.  
Reason  
The increase in value of contract awarded to Ernest & Young to assist Revenue Shared Services Centre (RSSC) to perform additional imaging and analyses of computers in order to complete the cheque/cash management process review and forensic investigation services undertaken by the Department.
42. Ratification for exceeding the value of the contract A491, Acquisition Management Mogale Solution Providers (Pty) Ltd service provider, R214,132.36.  
Reason  
Appointed to facilitate the process of recruiting candidates for seven positions on the second reporting level, as an additional amount for the second headhunting process to appoint the Executive Director : Environment and Infrastructure Services.
43. Relicensing and support for the heritage collections database and ratification of actions of Arts and Culture in relation to utilising Glomas Africa service provider,  
1. Ratification R144,177.16,  
2. Deviation R459,635.06.  
Reason  
Approval payment from 01 November 2011 to 31 October 2012.  
Reason  
Sole Supplier of licenses and support for the STAR databases used for the City for a period of twenty four (24) months from November 2012 to 31 October 2014.
44. Expenditure incurred on EOH Contract No. A472. EOH Resources service provider, R11,935,418.10.  
Reason  
The Revenue Shared Service requested the assistance of EOH Resources in the clearing of error logs for Billing, invoicing and the Print Workbench. These extra resources were not included in the initial budget for 1st line and 2nd SAP Support. The huge volume of error was impacting on Revenue performance. The contract amount was reached between the OCIO and Revenue Department and though Revenue had sufficient estimate provision to accrue expenditure in the previous financial year, the department could not release the payment as approval had not been sought to increase the contract amount.
45. Appointment of Steiner Hygiene Services R173,056.56.  
Reason  
Utilising the services of Steiner Hygiene Services for the period of four (4) months from 01 February 2013 to 31 May 2013.



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

46. Appointment of Agonamathata Air Conditions and Projects as service provider, R190,596.60.  
Reason  
Agonamathata Air Conditions and Projects for a period of six (6) months from 01 February 2013 to 31 July 2013, and that the requirement for a MBD 4 form in the case of Steiner Hygiene Services as well as the requirement of a signature in the case of Agonamathata Air Conditions and Projects is waived.
47. Request for payment to Bella Recruitment Team for the service rendered to the Private Office of the Executive Mayor. R138,144.00.  
Reason  
The City pays Bella Recruitment Team for the services rendered for paying temporary employment of Tshepiso Mbedzi over the period of ten (10) months.
48. Extension of contract for the expanded social package (ESP) system with resultant finance. Service provider Resultant Finance, R288,728.00.  
Reason  
The extension of contract approved for the period of six (6) months.
49. Motivation for payment to service provider Lufhereng IT, R35,595.00.  
Reason  
To continue utilizing the services of Mogale Information Technologies (Pty) LTD for services rendered in June, July, August, September and October 2012. No further payment regarding Lufhereng IT will be permitted.
50. Extension of lease to accommodate the department of Economic Development at Jorrisen Place. Service provider LLP, R716,816.01.  
Reason  
The DED continues with a month-month lease from the 1st February to 31st August 2013 lease contract with LLP, subject to changes in utility consumption and other recoveries and the 9% annual escalation rate as per the lease agreement.
51. The insurance renewal terms and the contracts of short term insurance fund/contingency policy administration services due to unforeseen delays for the appointment of insurance broker/s. Service provider Guardrisk Insurance Company Ltd, R48,000,000.00.  
Reason  
The Executive Director : Group Assurance be authorised to finalise and sign-off the addendum to the existing service level agreement, to effect the payment to Guardrisk in accordance with this approval.
52. Request for Payment to the Cleaning Services contract. Beef, General and Civil Construction service provider, R49,950.00.  
Reason  
Resulting in the continued use of a service provider without proper authorization.
53. Extension of lease agreement to accommodate ward councillors and the legislature at the ACA Krans Building Region B, R958,431.09.  
Reason  
Failure to include the Office of the Speaker into the new lease agreement and continuing to occupy the said premises without the approved lease agreement with the Landlord for the period of 01 August 2012 to 30 April 2013.
54. Extension of the service level agreement. Service provider BNP Capital and Goba (Pty) Ltd, R4,189,363.20.  
Reason  
The contract was extended for the period of three (3) months or until the budget is exhausted.
55. Appointment of the Organ of State. Service provider CSIR Meraka Institute, R275,000.00.  
Reason  
Appointment approved to undertake the development of the CoJ Smart City Strategic and Implementation plan.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

56. Supply and installation of the workstations. Service provider Badiri ba Setshaba business enterprise, R61,490.09.  
Reason  
Enable payment for approval by the City Manager.
57. Extension of the service level agreement. Service provider Exponent (Pty) Ltd, R1,014,000.00.  
Reason  
Enable payment for approval for six months until 31 October 2013.
58. Request for payment of Office Furniture and Equipment suppliers, Service provider, Imvelo Office Profile CC R873,231.81, Mukulu Library Furniture Manufactures, R222,452.76, Akanani Office Furniture Manufacturers, R556,291.50, Thuthuka Paper (Pty) Ltd R533,504.36.  
Reason  
Payment for the procurement of office furniture and equipment from Imvelo Office Profile CC, Mukulu Library Furniture Manufactures, Akanani Office Furniture Manufacturers, Thuthuka Paper (Pty) Ltd and Instant Office Furniture CC.
59. Request for payment to Insearch recruitment projects for a temporary driver/messenger. Service provider Insearch recruitment project, R120,000.00.  
Reason  
Authorises payment for the Insearch Recruitment Projects service rendered from 01 July 2012 to June 2013.
60. Approval of short term employment contracts with recruitment agencies for Administrative assistance. Service providers, Mandisa Human Capital, Vogue HR Services and Innovations Recruitment, R363,400.53.  
Reason  
Mandisa Human Capital, Vogue HR Services, Innovations Recruitment specialist for the administrative resources from 01 July 2012 to May 2013.

### CORE - 2013

1. Ratification of SCM processes Regarding the Appointment of Consultants, R 165,000  
Reason  
A request for quotations was placed on the board for a period of seven (7). 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 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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

**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

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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

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, R793,90.80

**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. 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

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 for services that provide research engine licenses for law reports, cases, training etc, for HR related cases and ordinary cases. Three service providers Sabinet, Juta and LexisNexis submitted their products and were interviewed and presentations were held to determine which product best suits the requirements of the City. The product by LexisNexis proved to provide a reliable reference and research engine that can be used as a reference work. The City has been using the product by LexisNexis since then, hence the request to deviate from the normal procurement process and appoint LexisNexis to provide licenses and services to be used as a research engine for the City.

18. Deviation Report to Rescind the First Appointment of the Design Engineer in Terms of Contract A396 for the Design, Supply and Installation of 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 R7,700,000.00

**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 liaising 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

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, Administration Officer and Personal Assistant to the Executive Director: Group Assurance Services, the department had to extend the contract of the temporary staff services with NT Ngidi.

23. Office Accommodation of Group Risk & Assurance Services Department at 48 Ameshoff Street Building, R15,079,699

**Reason**

To Request the Executive Adjudication Committee (EAC) to rescind the approval of Office Accommodation in 125 Simmonds Street for the Group Risk and Assurance Services Department (GRAS). This office building was sold to City Campus while the Department was in the process of obtaining approval from the EAC. To seek the approval for the Department to enter into a three year lease agreement for suitable and adequate office space at 48 Ameshoff Street.

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

**Reasons**

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 December 2013 and January 2014 from Urban Brew for the Inner City Clean-up Project Hillbrow, an executive decision was taken to continue with the project. However, this resulted in the mobile toilets being retained for the month of February 2014, and we were only notified on the 03 February 2014 therefore it became impracticable and impossible to follow the normal procurement processes which then resulted in a deviation and thereafter ratification by the EAC.

26. Appointment of a Service Provider to produce Squeeze and Stings Advertising Material for Joburg Open 2014, R103,254

**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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

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 09 December 2013 (R25 791).

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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 56. IRREGULAR EXPENDITURE (continued)

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

Reason

Disciplinary steps / Criminal proceedings: None



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 57. IN-KIND DONATIONS AND ASSISTANCE

The Health Department received the following:

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

The JMPD Department received the following:

- 2X Canon DSLR EOS 1100D digital cameras @ R4,899.99 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 58. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### Contributions to organised local government

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

#### Audit fees

Opening balance	6,567	2,424	1,639	1,555
Current year audit fee	40,342	39,993	20,639	19,317
Amount paid - current year	(34,665)	(30,292)	(20,366)	(19,233)
Amount paid - previous years	(6,289)	(5,558)	-	-
	<b>5,955</b>	<b>6,567</b>	<b>1,912</b>	<b>1,639</b>

#### PAYE and UIF

Opening balance	81,096	57,646	56,104	50,701
Current year payroll deductions	1,102,234	990,608	723,929	691,536
Amount paid - current year	(1,031,523)	(916,457)	(662,635)	(635,432)
Amount paid - previous years	(56,104)	(50,701)	(56,104)	(50,701)
	<b>95,703</b>	<b>81,096</b>	<b>61,294</b>	<b>56,104</b>

#### Pension and Medical Aid Deductions

Opening balance	100,283	87,994	99,751	87,994
Current year payroll deductions and council contributions	1,358,918	1,568,527	1,358,500	1,247,514
Amount paid - current year	(1,252,211)	(1,468,244)	(1,251,794)	(1,147,763)
Amount paid - previous years	(99,751)	(87,994)	(99,751)	(87,994)
	<b>107,239</b>	<b>100,283</b>	<b>106,706</b>	<b>99,751</b>

#### VAT

VAT receivable	438,872	151,448	429,077	143,845
VAT payable	(427,036)	(528,221)	-	-
	<b>11,836</b>	<b>(376,773)</b>	<b>429,077</b>	<b>143,845</b>

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 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
	<b>25,405</b>	<b>323,535</b>	<b>348,940</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 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
	<b>13,281</b>	<b>294,409</b>	<b>307,690</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>58. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)</b>				
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
		<b>371,980</b>	<b>431,791</b>	<b>-</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

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

#### GROUP

##### Joburg Market SOC Limited

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

##### Johannesburg Social Housing Company SOC Limited

1.	Human Communications	R11,012
2.	21st Century	R61,560
3.	Kya Guards	R10,759
4.	E. Martin	R2,850
5.	Werksmans Attorneys	R217,595
6.	Sinden & Associates	R20,538
7.	Eller Security Services	R285,000
8.	PC Plug	R5,706
9.	Dempster McKinnon	R6,987,261
10.	MDA Property Systems	R193,408
11.	Ethiqs	R1,133,258
12.	BKS/ AECOM	R12,183,346
13.	Shabangu Architects	R21,000,000
14.	Delta-Link (Mfiles)	R4,446
15.	The Housing Development Agency	R30,000,000
16.	Mahlatsi Tumelo	R5,762,145

##### Johannesburg Roads Agency SOC Limited

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

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

#### Pikitup Johannesburg SOC Limited

- |    |                                      |          |
|----|--------------------------------------|----------|
| 1. | Repairs and maintenance of equipment | R199,441 |
| 2. | Plumbing services                    | R24,000  |
| 3. | Cleaning                             | R78,000  |
| 4. | Information Technology               | R200,027 |
| 5. | Consulting and advisory              | R383,371 |
| 6. | Conference                           | R47,474  |
| 7. | Training                             | R10,259  |
| 8. | Casual workers                       | R35,000  |

#### City Power Johannesburg SOC Limited

1. Emergency replacement of cable in Nick Toomey Street R102,310.
2. Emergency replacement of air conditioners R30,000.
3. Emergency repairs to feeder cable supplying Bridgeport substation R70,000.
4. Emergency repairs to 88kV cable between San Souci and Ridge substation R682,155.
5. Emergency procurement for the production of a dvd covering strike activities R32,000.
6. Emergency repairs to cable at Penny street substation R1,010,259.
7. Emergency procurement for security resources to secure substations and other hotspots R9,011,569.
8. Emergency repairs to faulty cable on Cydna R1,100,000.
9. Emergency repairs to tripped cable R120,000.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

10. Emergency repairs to cable in the Westgate shopping centre area R120,000.
11. Emergency repairs to Robertville substation R15,000,000.
12. Emergency procurement for outages notices R22,395.
13. Emergency repairs to transformers and cable at Ridge substation R600,000.
14. Emergency repairs to cable at Florida substation R700,000.
15. Emergency replacement of low voltage fuse units R2,367,548.
16. Emergency procurement of temporary switchboard rental R4,000,000.
17. Emergency procurement of internal firewall to replace Microsoft TMG firewall R500,000.
18. Emergency procurement of medical practitioner R201,000.
19. Emergency procurement of metering equipment R11,921,000.
20. Emergency repairs on Nirvana 88kV overhead transmission lines and towers R12,378,826. An additional amount of R7,669,553 is being paid in the new financial year.
21. BDFM - Advertising R645,373.
22. Sowetan - Advertising R963,249.

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

#### Johannesburg City Parks NPC

1. Purchase order REQ14157 for procurement of trees for Madiba Day event was made to Brandopp (Pty) Ltd for the amount of R400,000 as they are the sole provider of the project.
2. Purchase order REQ13994 for procurement of Billboards adverts was made to Prime Media (Pty) Ltd for the amount of R187,140 as they have sole ownership of the particular required advertising sites.
3. Purchase order REQ13997 for procurement of Pole adverts was made to Fikelela Media (Pty) Ltd for the amount of R28,845 as they are the sole provider that can sell and place advertisements on poles in Johannesburg.
4. Purchase order REQ13983 for procurement of Bus Shelter adverts was made to Pro-Vantage (Pty) Ltd for the amount of R173,820 as they are the sole provider that can sell and place advertisements on bus shelters in Johannesburg.
5. Purchase order REQ14096 for procurement of the running of the Musical Fountain at Pioneer Park Pool was made to Pool Spa for the amount of R107,419.92 as they are the sole provider of the required service.
6. Purchase order REQ15382 for procurement of a cisco catalyst was made to Dimension Data for the amount of R221,578.58 as emergency network switches were damaged during ESKOM's load shedding and as a result thereof connectivity was lost at JCPZ Head Office.
7. Purchase order REQ15759 for procurement of the installation of an animal incinerator was made to Johnson Thermal Engineers for the amount of R1,982,611 as they were the only service provider's that responded to a bid that was advertised twice.



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

8. Purchase order REQ16006 for procurement of Tropical fish for the Temple of Ancient was made to WCB Imports for the amount of R1,087,027.98 as the project was advertised twice with no good response.

Johannesburg Development Agency SOC Limited

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

Johannesburg Water SOC Limited

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

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

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

It is further noted that the deviations referred to above have been ratified by the Accounting Officer on a monthly basis and the appropriate reasons recorded, where officials or bid committees acted in terms of delegated powers which are purely of a technical nature. All these deviations have also in terms of the regulations been reported to the board of directors as required. Total deviations of R189.4 million (2012/13: R244.6 million) for the period under review indicates a 22.6% year on year improvement.

Joburg Theatre SOC Limited

1. Acquisition of Trainers/Facilitators for Youth Development Workshops and Training Programmes 2013/2014 - R300,000 the Acquisition of Skilled Professional Production Company (Exceptional Case).
2. In-House Productions at Joburg - Monthly Python Spamalot; 2014 Pantomime, Peter Pan; Anthems of Democracy-R4,255,000. Acquisition of creative properties for in-house production and Acquisition Services from Marketing Partners/Special Barter, Arrangements for Individual Productions Presented at Joburg City Theatres for 2013/2014 Financial Year (Special works of art – specifications are difficult to compile and Special barter arrangements).
3. In-House productions At Soweto Theatre - Freedom Tales; Eclipse; Are you Dik; Book of Rebellations; Dlala Mapantsula; And the Girls in their Sunday Dresses; Skierlik; Freedom tales; Birthday Celebrations and Ndlovukazi R2,098,080. Acquisition of creative properties for in-house productions and co-productions and utilisation of specific media suppliers to provide services to the Soweto theatre and the acquisition of programming and event management services for the Soweto theatre celebration (Special works of art; media advertising and event management specifications are difficult to compile).
4. In-House Productions at Roodepoort Theatre - My Band project; Too Much Punch for Judy; Youth and Community Projects; Aria Opera; Soofah Comedy; Charl du Plessis – R 1,449,328 Acquisition of creative properties for in-house productions and co-productions (Special works of art –specifications are difficult to compile).
5. Artslink – R7,800 Arts Website Distributing Theatre Information (Sole Supplier).

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

6. Carel Controls – R26,895 Control for Air Handling Units for Building Management System (Sole Supplier of Original Parts Needed For Maintenance).
7. Cool Runners – R11,746 Ola Ice-Creams (Sole Supplier).
8. CQS Consulting – R48,645 Renewal of Caseware Licence (Sole Supplier).
9. Datategra -R59,713 Antivirus (Sophos) (Sole Supplier).
10. Drain Surgeon –R31,444 Unblocking Of Drain /Burst Manhole (Emergency).
11. DWR Distributors –R103,796 Le Maitre Haze/Smoke Machine; LSC Haze machine fluid; repair of robe fixtures; DF 50 Haze Fluid. (Sole Supplier).
12. Electrosonic SA CC - R820,377 Electrosonic (Jem Martin Splitter; versalight LED RGB high power PAR64 3W) (Sole Supplier).
13. Finware –R37,356 Data Integration (Exceptional Case).
14. Indian Spice Website – R3,050 Marketing for History of India Production (Website Targeted At Indian Communities).
15. Intellpark – R2,301 Card Reader (Sole Supplier).
16. Jubzin Security –R2,500 Staff Transportation (Additional Staff Transportation).
17. Kena Media –R7,763 Billboard Services in Locations That Service Community of Soweto (Sole Supplier).
18. Mgg Production – R12,013 Show Merchandise (Show Settlement; History of India) (Exceptional Case).
19. Mocon Systems – R19,289 Stage Wagon (Sole Supplier).
20. Moody & Robertson – R7,247 Legal services (Exceptional case).
21. Noona Creations –R82,570 Upgrade of Auditorium and Restaurant – Roodepoort Theatre (Additional Work Performed On Bid 00030/13).
22. Prosound (Pty) Ltd –R38,273 Sound equipment (Sole Supplier).
23. Quattro Security – R16,006 Security Additional Security for Youth Arts Festival.
24. Red Base Services Cc –R314,457 Upgrade to the Air-Conditioning for the Dressing Rooms (Sole Supplier).
25. Rock It Cargo –R27,375 Clear Of Shipment from UK (Sole Supplier).
26. SA Institute of Government Auditors –R8,892 Annual Subscription (Sole Supplier).
27. Sage Pastel –R32,300 Renewal of Pastel Partner and Pastel Payroll Licence (Sole Supplier).
28. SAMRO –R98,577 Performing Rights Fees Musical Shows Licence (Sole Supplier).
29. Schindler Lifts –R314,457 Lifts Maintenance (Sole Supplier).
30. Sennheiser Electronics –R65,167 MK E2 EW Gold microphones (Sole Supplier).
31. Slo- Jo –R16,627 Slo- Jo Syrups (Sole Supplier).
32. Slush Puppy –R 9,047 Slush Puppy Syrups (Sole Supplier).

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

33. Sono Luminus –R3,215 Atomizer Units for Tiny Fogger Vaporiser Units.
34. Starcoded Solutions –R7,980 IT consultant (Extension on month to month contract).
35. Sysman Public Safety Systems –R12,735 Radio Link Soweto Theatre to Emergency Services (Sole Supplier).
36. Thompson Attorneys –R93,318 Appointment as Initiator of a Disciplinary Hearing (Exceptional case).
37. Toyota Westrand –R12,970 Service On Motor Vehicle (Original Dealer /Supplier).
38. Video Africa –R15,480 show merchandise (Exceptional case paid the supplier on behalf of an international show).
39. G4S –R53,724 Cash collection services (Ratification of minor breaches).
40. Svend's Violin –R8,375 Rental of Double Bass (To hire one double bass for "Tango Fire" on behalf of the producers at their request. The amount to be deduct from their final settlement).
41. Westpoint Executive Suites –R214,500 Accommodation for Tango Fire Dance Company (Exceptional Case).
42. PNA Flora –R2,703 Compliance with various acts by acquiring and displaying appropriate documentation in the form of Basic Conditions of Employment, Summary of Employment Equity Act and the Occupational Health and Safety Act. (Exceptional Case).
43. Continental outdoor – R2,264,435 Billboard (Sole Supplier).
44. MZ security services –R59,202 repairing of central processing unit of the building management system (Sole Supplier).
45. New way power –R6,669 Inspections, regulated refilling and maintenance of stand by generator at Soweto Theatre (Sole Supplier) .
46. The fine art travel – R32,970 Transportation for Tango Fire (Exceptional case).
47. South African State Theatre – R2,527 Props hire for Tango Fire (Exceptional case).
48. Zwane media –R4,200 Billboard advertising for productions at Soweto Theatre (Sole Supplier).
49. Alive advertising – R22,914 Billboard advertising in the M1 south (Sole Supplier).

### CORE

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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

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 i.e.impractical for the department to go on tender to relocate their offices.

6. Extension of the Contract with CAB Holding (Pty) Ltd for the Printing of Payslip, IRP 5's and Payslip A4 Bound Booklets for Seven Months. R306,000.00.

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.

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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

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.
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.
12. Payment to Microsoft for the Third Year of Enterprise Agreement and the True up fees as Sole Provider. Microsoft Corporation service provider, R3,389,928.97 and R2,445,300.00.  
Reason  
The GH ICT & IM be authorised to pay for the annual license fees and additional products and services acquired through the True-up process.
13. The use of Microsoft as Sole Provider in terms of the conceptional design of Migration from the Lotus domino to the Microsoft exchange server. Microsoft Corporation service provider, R1,035,375.00.  
Reason  
Conceptual Design of a messaging and calendaring platform based on the Microsoft exchange server 2013 and the Conceptual Migration design to facilitate the migration of the existing Lotus notes platform to exchange server 2013.
14. Ended the appointment of KPMG to second an Acting Group CFO on a temporary basis for a period of one month ending on the 30 April 2013. Service provider KPMG, R0.  
Reason  
The extension of the KPMG contract regarding the above post will not result in any cost implication to the City.
15. Extension of the service Level Agreement. Service provider, Exponent (Pty) Ltd, R1,014,000.00.  
Reason  
The Contract was extended for a period of Six (6) Months until 31 October 2013.
16. Extension of the insurance renewal terms and the contracts of motor and non-motor insurance brokers due to the delays for the appointment of insurance brokers. Service provider Marsh Risk and Indwe Risk services, R0.  
Reason  
The extension of existing contracts for motor Insurance Brokers for the period of seven (7) months to allow for the transition and handover to the winning bidder.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

17. Appointment of consultants Mailtronics Direct Marketing CC, R149,880.00.  
Reason  
Enable payment for approval to Mailtronics Direct Marketing CC.
18. Procurement for the Rand Easter show stand builder. Garona Communications and Projects service provider. R70,000.00.  
Reason  
Payment to Garona Communications and Projects for the Rand Easter show stand builder.
19. Appointment of consultants. Service provider Garona Communications and Projects, R80,000.00.  
Reason  
Payment to Garona Communication and Projects.
20. Appointment of consultants. Service provider, Cut to Black Media, R196,472.16.  
Reason  
Payment to Cut to Black Media.
21. Expenditure incurred for the appointment of temporary resources. Service provider NT Ngidi Consulting (Pty) Ltd, R153,736.72.  
Reason  
Payment to NT Ngidi Consulting (Pty) Ltd.
22. Service provider, Sixpence Construction and Projects, R89,608.56.  
Reason  
The City to authorise the payment for the service provider for repairs and maintenance of six customer service centres in Region G.
23. The ICT and other departments pertaining to expenditure incurred on contract no. A387 for exceeding the budget, Service providers, Dimension Data including 3rd Parties, R22,401,411.00, TSS including 3rd Parties R4,672,666.00 and Accenture R1,800,000.00.  
Reason  
The City Manager approved for the use of the current A387 contract to provide services in their respectful functional areas leading to the contract award limit value being exceeded.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 60. HEDGING ACTIVITIES

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

#### Swap Details

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

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

The hedge effectiveness was assessed using the following method:

- Dollar - Offset Method 79%

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

### CASH FLOW RESERVE

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

### 61. RELATED PARTIES

Relationships

CORE

Other members of the group

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

#### Related party balances

##### Amounts included in Loans,

##### Trade and other receivables regarding related parties

City Power Johannesburg SOC Limited	3,531,641	3,553,737
City of Joburg Property Company SOC Limited	483,028	1,263
Johannesburg City Parks NPC	69,791	36,481
Johannesburg Development Agency SOC Limited	176,609	554
Johannesburg Metropolitan Bus Services SOC Limited	297,596	166,554
Johannesburg Roads Agency SOC Limited	282,791	154,394
Johannesburg Social Housing Company SOC Limited	36,586	98,318
Johannesburg Water SOC Limited	3,930,559	3,175,360
Pikitup Johannesburg SOC Limited	4,116,444	414,767
Joburg Theatre SOC Limited	2,550	2,935
Joburg Market SOC Limited	533,861	175,935
	<b>13,461,456</b>	<b>7,780,298</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013
<b>61. RELATED PARTIES (continued)</b>				
<b>Amounts included in Loans, Trade and other payables regarding related parties</b>				
City Power Johannesburg SOC Limited			3,384,699	3,294,211
City of Joburg Property Company SOC Limited			391,516	96,945
Johannesburg City Parks NPC			468,776	414,726
Johannesburg Development Agency SOC Limited			561,084	196,307
Johannesburg Metropolitan Bus Services SOC Limited			32,233	-
Johannesburg Roads Agency SOC Limited			1,929,903	570
Johannesburg Social Housing Company SOC Limited			142,071	124,812
Johannesburg Water SOC Limited			694,418	277,848
Pikitup Johannesburg SOC Limited			3,069,240	236,654
Joburg Theatre SOC Limited			69,235	2,634
Joburg Market SOC Limited			447,505	67,706
			<b>11,190,680</b>	<b>4,712,413</b>
<b>Related party transactions</b>				
<b>Revenue from related parties</b>				
City Power Johannesburg SOC Limited			65,978	534,975
City of Joburg Property Company SOC Limited			33,225	134
Johannesburg City Parks NPC			3,162	34,560
Johannesburg Development Agency SOC Limited			533	-
Johannesburg Metropolitan Bus Services SOC Limited			18,461	6,681
Johannesburg Roads Agency SOC Limited			27,425	39,889
Johannesburg Water SOC Limited			198,280	581,916
Pikitup Johannesburg SOC Limited			21,090	37,287
Joburg Theatre SOC Limited			63,940	7,322
Joburg Market SOC Limited			17,153	54,487
			<b>449,247</b>	<b>1,297,251</b>
<b>Operating Expenditure</b>				
City Power Johannesburg SOC Limited			188,678	239,152
City of Joburg Property Company SOC Limited			205,709	136,775
Johannesburg City Parks NPC			641,684	517,966
Johannesburg Development Agency SOC Limited			2,185	29,913
Johannesburg Metropolitan Bus Services SOC Limited			5,273	319,450
Johannesburg Roads Agency SOC Limited			20,541	499,308
Johannesburg Social Housing Company SOC Limited			-	16,900
Johannesburg Water SOC Limited			379,445	4,066
Pikitup Johannesburg SOC Limited			619,581	1,169,497
Joburg Theatre SOC Limited			6,827	37,994
Joburg Market SOC Limited			62,300	2,291
			<b>2,132,223</b>	<b>2,973,312</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2014

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2014	2013	2014	2013

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

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

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