

IMAGINE TOMORROW



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# General information

## MAYORAL COMMITTEE (1 MARCH 2006 – 30 JUNE 2006)

|                 |                       |   |
|-----------------|-----------------------|---|
| EXECUTIVE MAYOR | Amos Masondo          | Chairperson                               |
| COUNCILLORS     | Nandi Mayathula-Khoza | Community Development                     |
|                 | Parks Tau             | Finance and Economic Development          |
|                 | Matshidiso Mfikoe     | Health                                    |
|                 | Christine Walters     | Corporate and Shared Services             |
|                 | Prema Naidoo          | Environment                               |
|                 | Thomas Phakathi       | Public Safety                             |
|                 | Strike Ralegoma       | Housing                                   |
|                 | Ross Greeff           | Infrastructure and Services               |
|                 | Ruby Mathang          | Development Planning and Urban Management |
|                 | Rehana Moosajee       | Transport                                 |
|                 | Bafana Sithole        | Chief Whip                                |
|                 | Nkele Ntingane        | Speaker                                   |

## MAYORAL COMMITTEE (1 JULY 2005 – 28 FEBRUARY 2006)

|                 |                         |  |
|-----------------|-------------------------|--|
| EXECUTIVE MAYOR | Amos Masondo            | Chairperson  |
| COUNCILLORS     | Sol Cowan               | Inner City   |
|                 | Parks Tau               | Finance, Strategy and Economic Development           |
|                 | Brian Hlongwa           | Municipal Services Entities                          |
|                 | Prema Naidoo            | Health   |
|                 | Sizakele Nkosi-Malobane | Public Safety  |
|                 | Nkele Ntingane          | Municipal Enterprises                                |
|                 | Thomas Phakathi         | Municipal Administration                             |
|                 | Strike Ralegoma         | Housing  |
|                 | Hilda Mokoena           | Development Planning, Transportation and Environment |
|                 | Christine Walters       | Community Development, Roads and Parks               |
|                 | Bafana Sithole          | Chief Whip   |
|                 | Nandi Mayathula-Khoza   | Speaker  |

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.

AUDITORS The Office of the Auditor-General: Gauteng  
Block E PO Box 91081  
Parkridge Office Park Auckland Park  
61 Empire Road 2006  
Parktown

BANKERS ABSA Bank Limited  
CITY MANAGER Mavela AV Dlamini

CITY MANAGER Pascal Moloi

(1 July 2005 – 30 April 2006)  
EXECUTIVE DIRECTOR: Mankodi Moitse

FINANCE

REGISTERED OFFICE

Metropolitan Centre PO Box 1049  
Loveday Street Johannesburg  
Johannesburg 2000  
2001 Telephone:  
+27 (0)11 407-6111  
Facsimile:  
+27 (0)11 339-5704



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# Group Annual Financial Statements

for the year ended 30 June 2006

I am responsible for the preparation of these annual financial statements, which are set out on pages 8 – 127, in terms of Section 126 (1) of the Municipal Finance Management Act, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



MAVELA DLAMINI

City Manager

31 January 2007



# Report of the Auditor-General

## TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY (CJMM) FOR THE YEAR ENDED 30 JUNE 2006

### 1. AUDIT ASSIGNMENT

The CJMM and group financial statements as set out on pages 8 to 127, for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004), section 126(3) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and section 300 of the Companies Act, 1973 (Act No. 61 of 1973), where applicable. These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

### 2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 1512 of 2006, issued in Government Gazette No. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

### 3. BASIS OF ACCOUNTING

The municipality is required to prepare financial statements on the basis of accounting determined by the National Treasury, as described in the addendum to this report.

### 4. QUALIFICATION

#### 4.1 DEPARTURE FROM SA GENERALLY ACCEPTED ACCOUNTING PRACTICE

Due to the late clarification on the applicable accounting framework, the CJMM was not in a position to process all the adjustments required to comply with SA GAAP. The following areas of non-compliance were identified:

Operating lease expenditure was not recognised on a straight line method as required by IAS 17, Leases and SAICA Circular 7 of 2005. Furthermore, certain office equipment leased met the criteria to be accounted for as finance leases, whilst the office equipment was not accounted for as a finance lease.

The impact of the error could not be quantified.

#### 4.2 REVENUE AND DEBTORS

In prior financial years, the audit opinions of Johannesburg Water (Pty) Ltd were disclaimed mainly due to the fair presentation of revenue generated by the billing system administered by CJMM. In the financial year under review and mainly as a result of the ongoing data clean-up process, numerous adjustments, relating to previous financial years, were effected to revenue and debtors' accounts as a result of the incorrect billing in the past. Therefore, until the data clean-up process is completed, I cannot conclude on the accuracy and completeness of revenue and debtors of Johannesburg Water (Pty) Ltd. Management anticipates completing the project in the 2007 financial year.

#### 4.3 PROPERTY, PLANT AND EQUIPMENT

**4.3.1** The fixed asset register of City Power (Pty) Ltd for movable and immovable assets held by the company was incomplete and was inadequately detailed to allow identification of the physical assets. Asset policies and procedures not approved at the time of the audit, untimely asset transfer capturing, inadequate fixed asset descriptions and changes to asset master file records not approved contributed to an inadequate fixed asset register.



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Consequently, I was unable to verify the completeness, existence and valuations of property, plant and equipment. Management embarked on an asset identification project aimed at identifying all assets owned by the company and determining the fair value of assets held. Management anticipates completing the project in the 2007 financial year.

**4.3.2** CJMM had a policy to capitalise and fully depreciate property, plant and equipment over twelve months if the cost is below R10 000. This is contrary to GAMAP 17, Property, Plant and Equipment, which requires that depreciation be provided over the useful lives of the assets. The non-compliance with GAMAP 17 resulted in a depreciation charge of assets worth R43 million acquired during the year under review being recognised over twelve months rather than over the useful lives of the related assets. The cumulative misstatement of depreciation and property, plant and equipment resulting from the inadequate accounting policy could not be quantified.

## 5. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements fairly present, in all material respects, the financial position of the CJMM at 30 June 2006 and the results of their operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in the accounting policy note 1 to the financial statements, and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and the Companies Act, 1973 (Act No. 61 of 1973), where applicable.

## 6. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

### 6.1 DEFERRED TAX

As disclosed in note 5 to the annual financial statements, an amount of R75 187 067 (2005: R68 258 797) related to Pikitup (Pty) Ltd. Pikitup (Pty) Ltd incurred accounting losses for the last two years and is not

expected to be in a profit position in the next financial year. Although, Pikitup (Pty) Ltd tabled a plan, with clearly defined milestones, to generate additional revenue streams, the probability of the plan realising taxable profits in the near future could not be determined with certainty at the time of the audit.

The effectiveness of management's plan will be evaluated during the 2006-2007 financial year.

### 6.2 INDIGENT DEBTORS' WRITE-OFF

The controls around the registration and write-off of indigent debtors were not implemented effectively. This resulted in an amount of R334 993 669 written-off which could not be supported by the appropriate documentation. Our audit enquiry resulted in the write-off of R334 993 669 being reversed. Thereafter the doubtful debtors provision was increased by R334 993 669.

### 6.3 NON-COMPLIANCE WITH LAWS AND REGULATIONS

Due to inadequate procedures to monitor and report on areas of non-compliance with laws and regulations, the following key areas of non-compliance with laws and regulations were noted:

#### 6.3.1 Non-compliance with the MFMA

(a) Section 89(a) of the MFMA provides for the core municipality to determine the upper limits of the remuneration of the chief executive officers and senior management of the Municipal Entities. Such upper limits were not determined for the year under review.

(b) Contrary to section 165 of the MFMA, internal audit functions at the Johannesburg Social Housing Company, Metropolitan Trading Company (Pty) Ltd, Johannesburg Tourism Company, Johannesburg Roads Agency (Pty) Ltd and Johannesburg Fresh Produce Market (Pty) Ltd did not operate effectively during the financial year in that internal audit only commenced during the latter part of the financial year or the internal audit division was not appropriately capacitated.

(c) Contrary to sections 97, 98 and 105(d) of the MFMA, Pikitup (Pty) Ltd did not develop and implement controls to ensure the completeness of bin rental revenue administered by the CJMM.



# Report of the Auditor-General

(d) The board of Johannesburg Metropolitan Bus Services (Pty) Ltd did not promptly report irregular, fruitless and wasteful expenditure incurred by Johannesburg Metrobus Services (Pty) Ltd to the mayor and municipal manager of the parent municipality as required by section 102 of the MFMA.

## **6.3.2 Non-compliance with the Municipal Systems Act, 2003 (Act No. 44 of 2003)**

Section 93K of the Municipal Systems Act, 2003 (Act No. 44 of 2003), prohibits a municipal entity from the establishment of and acquisition of interests in corporate bodies. Contrary to this, the Johannesburg Development Agency (Pty) Ltd and Pikitup (Pty) Ltd acquired interests in corporate bodies.

From a governance point of view, the board should have regularised the transaction to ensure it is in line with the Municipal Systems Act and appropriately accounted for.

Pikitup (Pty) Ltd did not determine the nature of the investment in a company and the current recognition at cost was contrary to either IAS 28, Investments in Associates or IAS 27, Consolidated Financial Statements depending on the nature of the investment.

The deed of suretyship entered into by Pikitup (Pty) Ltd with this company in 2001 was not disclosed. The commitments or contingent liabilities in this regard were therefore not accounted for.

## **6.3.3 Non-compliance with Municipal Supply Chain Management Regulations (GNR 868 of 30 May 2005) (Regulations)**

(a) Contrary to paragraph 19(a) of the regulations, certain goods and services at City Power (Pty) Ltd were not procured through a competitive bid process by the entity. A contract of R3 million could not be submitted for audit purposes to verify compliance to supply chain management regulations. Furthermore, two contracts totalling R54,5 million were not signed by both parties.

(b) The accounting officer of Johannesburg Fresh Produce Market (Pty) Ltd approved a contract dated 23 May 2006 amounting to R3 765 845 without evidence that the Procurement and Executive

Committees had approved the contract after evaluating the tender proposal.

(c) Contrary to regulations, Pikitup (Pty) Ltd awarded a tender to the value of R776 126 without the parties formalising the terms and conditions of the contract in writing. Furthermore certain tenders were awarded without entering into a service level agreement to enforce contractual performance.

(d) Pikitup (Pty) Ltd disposed of bulk containers to the value of R354 786 without following the tender procedures as required by the company policy and the supply chain management regulations.

(e) Paragraph 12 of regulations states that goods or services exceeding the amount of R200 000 must be procured through a competitive bidding process. Based on the sample tested, the CJMM procured security and filing system services each exceeding R200 000 without following the competitive bidding or tender process. These transactions were classified as emergency; hence the CJMM did not follow the competitive bidding process using the exemptions as highlighted in paragraph 36 of the regulations.

Although the exemption was applied in terms of paragraph 36 of the regulations, not all the conditions for the exemption were complied with as there was no evidence that the reasons for the deviation were tabled at council as required.

## **6.4 Departure from SA Generally Accepted Accounting Practice (SA GAAP)**

Johannesburg Metropolitan Bus Service (Pty) Ltd, City Power (Pty) Ltd, Pikitup (Pty) Ltd and Johannesburg Fresh Produce Market (Pty) Ltd departed from SA GAAP, and hence qualified audit opinions were issued on the financial statements of these companies. The following key areas of non-compliance which resulted mainly from capacity constraints were identified:

- Property, plant and equipment were not assessed for impairment as required by IAS 16. Furthermore, the useful lives and residual values were not reviewed as required by IAS 16, Property, Plant and Equipment.
- IAS 39, Financial instruments: Recognition and measurement, which states that loans and receivables should be disclosed at amortised cost thus discounting it, using the effective interest rate method was not complied with.
- IAS 18, Revenue read with South African Institute of Chartered Accountants Circular 9 of 2006 was not adhered to regarding revenue and expenditure received/incurred by the entities, which should have been recognised at amortised cost thus discounting it using the effective interest rate method.

#### 6.6 Grant finance

Due to the lack of supporting documentation the accuracy, validity, completeness and existence of grant finance amounting to R24 511 464 recognised in the books of City Housing Company could not be verified. Furthermore, the source as well as the accountability and governance structure for the original grant could not be determined.

#### 6.7 Unknown bank call account

A bank call account unknown to the management was opened in the name of Johannesburg Metropolitan Bus Services (Pty) Ltd. The bank call account was not included in the accounts of Johannesburg Metropolitan Bus Services (Pty) Ltd. Management requested a forensic investigation on this matter to investigate the validity of transactions in this account.

#### 6.8 Registration of freehold land and buildings

Freehold land and buildings sold by the CJMM to the municipal owned entities in terms of the sale of business agreement dated 30 May 2003 were not yet transferred into the name of the entities. The delay was due to unresolved technicalities relating to the transfer.

#### 7. APPRECIATION

The assistance rendered by the staff of the CJMM and its Municipal Entities during the audit is sincerely appreciated.



TERENCE NOMBEMBE

Auditor-General

Pretoria

19 February 2007



# Report of the Executive Director: Finance

Once again I am pleased to report the City of Johannesburg's balance sheet has grown stronger and its operational budget remains balanced. The City of Johannesburg continues to seize opportunities for excellence as we move forward.

Any discussion of the City of Johannesburg finances must begin with an expression of appreciation to the Executive Mayor, Member of Mayoral Committee responsible for finance, Mayoral Committee, Municipal Manager, Councillors, Executive Directors, Board of Directors, Managing Directors, CFO of municipal owned entities and Directors for the support they have given my personnel and me during the 2005/2006 financial year. A special word of gratitude is extended to all financial staff and others for their contribution, and to the office of the Auditor-General, and his staff, for conducting the external audits, as well as for their assistance, support and co-operation during the year.

Finally, a further word of thanks to everybody for the months of hard work, sacrifices and concentrated effort during the year, which enabled us to finalise these financial statements.

This review adds context and meaning to the group annual financial statements and should be read in conjunction with the attached group financial statements for the City of Johannesburg set out on pages 28 to 127. The consolidated results of the municipality incorporate the results and operations of its 16 operating companies as detailed in the annual report.

This is the first year in which the City has prepared its annual financial statements in compliance with Generally Recognised Accounting Practice (GRAP), Generally Accepted Municipal Accounting Practice (GAMAP) and South African Generally Accepted Accounting Practice (SA GAAP). The City believes that a firm foundation has been laid, which will enhance the timeliness and value of the statements to users not only in the current but also over future years.

The City of Johannesburg is formally functioning under the new Municipal Finance Management Act (MFMA),

which took effect from 1 July 2004. As a pilot municipality the City of Johannesburg has been working since 2001 to modernise its financial governance systems in order to operate openly, effectively and efficiently under the MFMA. The City is proud of its record of compliance with the MFMA, particularly in respect of public consultation on the budget and integrated development plan, and of meeting the deadlines for the Act's voluminous reporting requirements. The City remains fully committed to implementing both the letter and the spirit of the Act.

## TECHNICAL AUDIT QUALIFICATION

In the past, in terms of MFMA Circular 18 – New Accounting Standards issued on 23 June 2005 and MFMA Circular 36 – Annual Financial Statements for 2005/06 – issued on 11 July 2006, municipalities and municipal entities had to comply with three GRAP and eight GAMAP statements. These three GRAP and eight GAMAP standards are the minimum standards to be complied with. In the event that a municipality has transactions not covered in these accounting standards, the procedures mentioned in paragraphs .07 to .12 of GRAP 3 (which deals with accounting policies, changes in accounting estimates and errors) must be followed.

However, on 4 October 2006 the Accountant General issued a letter to assist municipalities' auditors to finalise the 30 June 2006 audits and avoid the complexity resulting from the introduction of ISA 800. The three GRAP and eight GAMAP standards were still to be complied with. In applying the hierarchy provided in paragraph .12 of GRAP 3, municipalities seeking guidance in determining appropriate accounting policies and disclosure, municipalities must apply SA GAAP statements only.

Following from the letter issued on 4 October 2006, accounting policies for material transactions, events or conditions not covered by the three GRAP and eight GAMAP standards have been developed in accordance with paragraphs .07, .11 and .12 of GRAP 3. These accounting policies and the applicable disclosures have been based on South African Statements of Generally



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Accepted Accounting Practice including any interpretation of such Statements issued by the Accounting Practice Board.

This resulted in the City of Johannesburg obtaining a technical audit qualification because of office equipment leases not being capitalised (IAS17), the rental agreements not smoothed over the life of the agreements (IAS 17).

Notwithstanding the above the City has had a huge improvement on the previous year's audit. The CJMM,

on holding entity level, has successfully managed to address issues relating to completeness of revenue, the fixed asset register, and many other control environment issues. This has demonstrated the City's commitment to resolving issues and moving towards obtaining a unqualified audit opinion. The 'except for' qualification is a fundamental departure from many years of disclaimers. There is no doubt that the City's priority of being a well managed and governed city is expressed in the opinion expressed by the Auditor-General.



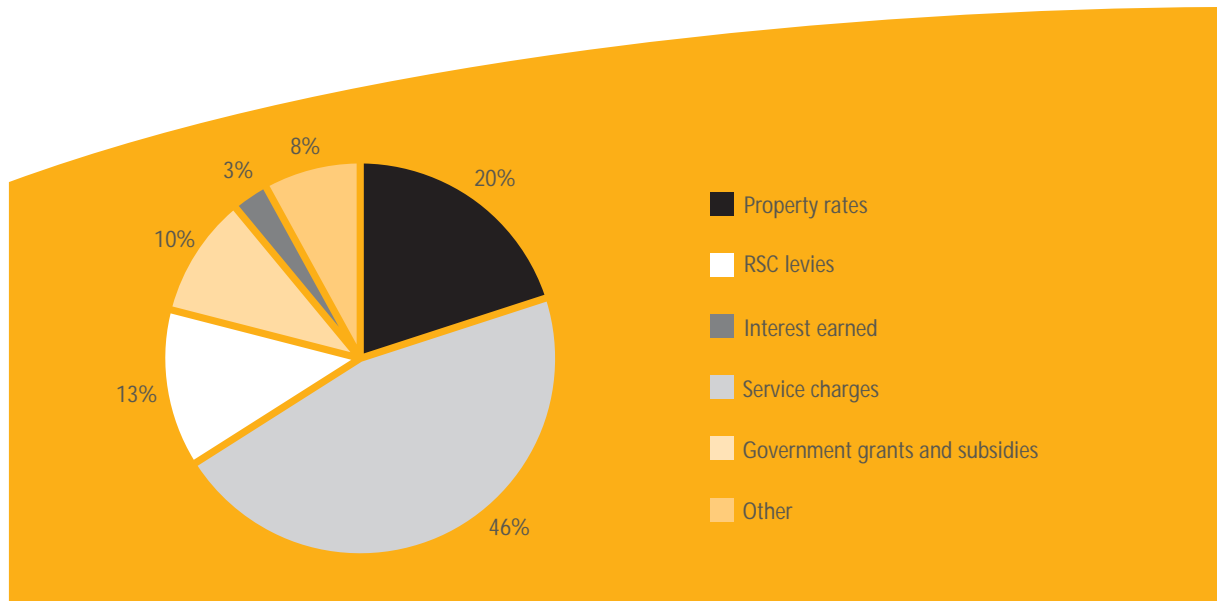
# Report of the Executive Director: Finance and Economic Development

## REVIEW OF THE GROUP OPERATING RESULTS

### 1. GROUP STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006

|  | 2005        | 2006        | 2006        | 2006            | 2005 to 2006 | Proportion of total |      | Notes    |        |
|--|-------------|-------------|-------------|-----------------|--------------|---------------------|------|----------|--------|
|  | Actual R000 | Actual R000 | Budget R000 | Budget variance | Growth       | 2005                | 2006 | Variance | Growth |
| <b>Revenue</b>                                     |             |             |             |                 |              |                     |      |          |        |
| Property rates                                     | 2 684 309   | 2 918 647   | 2 986 376   | (2%)            | 9%           | 20%                 | 20%  |          |        |
| Services charges                                   | 6 275 055   | 6 666 438   | 6 909 013   | (4%)            | 6%           | 46%                 | 46%  |          |        |
| RSC levies   | 1 550 966   | 1 905 493   | 1 714 508   | 11%             | 23%          | 11%                 | 13%  | 1        | 5      |
| Government grants and subsidies                    | 1 049 989   | 1 370 865   | 1 187 959   | 15%             | 31%          | 8%                  | 10%  | 2        | 6      |
| Interest earned                                    | 409 719     | 465 175     | 369 964     | 26%             | 14%          | 3%                  | 3%   | 3        | 7      |
| Other  | 1 535 930   | 1 100 630   | 908 768     | 21%             | (28%)        | 11%                 | 8%   | 4        | 8      |
|  | 13 505 968  | 14 427 248  | 14 076 588  | 2%              | 7%           | 100%                | 100% |          |        |
| <b>Expenses</b>                                    |             |             |             |                 |              |                     |      |          |        |
| Employee related costs                             | 3 057 727   | 3 467 390   | 3 566 781   | 3%              | 13%          | 25%                 | 26%  |          | 9      |
| Bad debts  | 980 420     | 844 645     | 903 397     | 7%              | (14%)        | 8%                  | 6%   |          | 10     |
| Depreciation                                       | 872 163     | 909 050     | 940 753     | 3%              | 4%           | 7%                  | 7%   |          |        |
| Interest on external borrowings                    | 671 268     | 775 344     | 753 881     | (3%)            | 16%          | 6%                  | 6%   |          | 11     |
| Bulk purchases                                     | 3 242 530   | 3 490 303   | 3 519 487   | 1%              | 8%           | 27%                 | 26%  |          |        |
| Other  | 3 223 508   | 3 811 870   | 4 136 070   | 8%              | 18%          | 27%                 | 29%  |          | 12     |
|  | 12 047 616  | 13 298 602  | 13 820 369  | 4%              | 10%          | 100%                | 100% |          |        |
| <b>Surplus before fair value adjustment</b>        |             |             |             |                 |              |                     |      |          |        |
|  | 1 458 352   | 1 128 646   | 256 219     |                 |              |                     |      |          |        |
| Impairment of loans                                |             | (36 599)    |             |                 |              |                     |      |          |        |
| Impairment of investments                          |             | (57 250)    |             |                 |              |                     |      |          |        |
| Net fair value adjustment on derivative instrument | (46 430)    |             |             |                 |              |                     |      |          |        |
| <b>Surplus before taxation</b>                     |             |             |             |                 |              |                     |      |          |        |
|  | 1 411 922   | 1 034 797   | 256 219     |                 |              |                     |      |          |        |
| Taxation   | 75 275      | 158 484     | 48 334      |                 |              |                     |      |          |        |
| <b>Surplus after taxation</b>                      |             |             |             |                 |              |                     |      |          |        |
|  | 1 336 647   | 876 313     | 207 885     |                 |              |                     |      |          |        |

REVIEW OF THE GROUP OPERATING RESULTS (continued)  
 2. BREAKDOWN OF MAJOR REVENUE STREAMS



Service charges comprise:

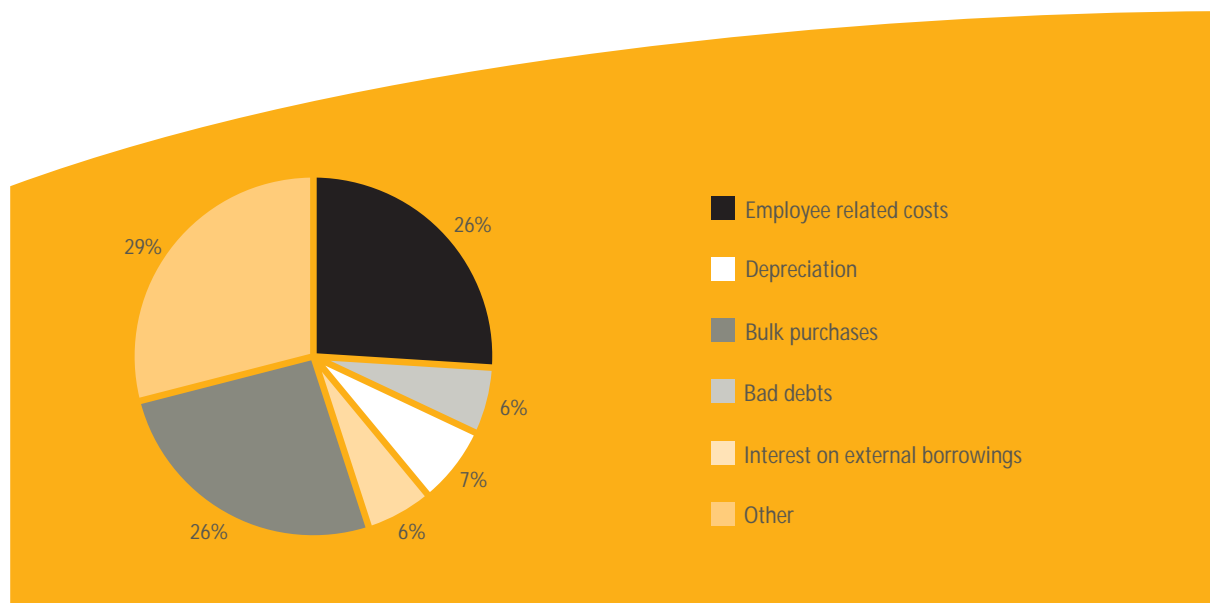
|                                 | 2006             |             | 2005             |             |
|---------------------------------|------------------|-------------|------------------|-------------|
|                                 | R000             | Actual %    | R000             | Actual %    |
| Sale of electricity             | 3 381 998        | 51%         | 3 255 876        | 52%         |
| Sale of water                   | 1 826 910        | 27%         | 1 717 316        | 27%         |
| Refuse removal                  | 336 047          | 5%          | 321 339          | 5%          |
| Sewerage and sanitation charges | 1 015 407        | 15%         | 897 699          | 14%         |
| Other services                  | 106 076          | 2%          | 82 825           | 1%          |
| <b>Total</b>                    | <b>6 666 438</b> | <b>100%</b> | <b>6 275 055</b> | <b>100%</b> |



# Report of the Acting Executive Director: Finance and Economic Development

## REVIEW OF THE GROUP OPERATING RESULTS (continued)

### 3. BREAKDOWN OF MAIN CATEGORIES OF EXPENDITURE



| GROUP      |            | CJMM      |           |
|------------|------------|-----------|-----------|
| 2006       | 2005       | 2006      | 2005      |
| R000       | R000       | R000      | R000      |
| 26,07%     | 25,38%     | 23,43%    | 22,08%    |
| 3 467 390  | 3 057 727  | 1 801 659 | 1 462 874 |
| 13 298 602 | 12 047 616 | 7 689 245 | 6 625 040 |

#### 3.1 Employee Related Cost to Operating Expenditure (%)

Personnel costs  
Operating expenditure

The actual expenditure on personnel cost expressed as a percentage of the total expenditure shows an increase from 25,38% in 2004/05 to 26,07% in 2005/06. The ratio increased mainly as a result of actuarial gains recognised during 2004/05 against the personnel cost.

## 4. NOTES TO THE GROWTH AND VARIANCE ANALYSIS

### Variations (actual vs budget 2006)

- 1 The additional RSC levies relate to additional debtors raised during the current year. The full amount has been provided for as doubtful and thus a zero impact on the surplus for the current financial year.
- 2 The MEs budget for Government Grants and Subsidies in terms of SA GAAP. The variance was caused due to the conversion of the deferred income to GRAP and GAMAP for consolidation purposes.
- 3 There was a reallocation of deemed interest from individual revenue accounts to interest received, amounting to R76 million.
- 4 The leave accrual has been written back.

## REVIEW OF THE GROUP OPERATING RESULTS (continued)

### 4. NOTES TO THE GROWTH AND VARIANCE ANALYSIS (continued)

#### Growth (actual 2005 to actual 2006)

- 5 The positive growth is as a result of the favourable growth rate in the economy and an increase in turnover and salary cost levied by businesses.
- 6 Additional capital grant allocations were received from Government during the current financial year.
- 7 The budget for interest income was conservative, and did not fully anticipate the improvement in overall cash position and improved payment levels.
- 8 Included in the 2005 other income is a market-to-market gain on held-for-sale investments of R294 million, due to the changes in interest rates there was a loss in the current financial year of R81 million.
- 9 There was a general salary increase of about 7%, as well as a prior year recognition of actuarial gains.
- 10 The implementation of the revised bad debt policy.
- 11 The growth in the external interest mainly relates to the additional borrowing incurred.
- 12 The provision for the settlement of pension funds is the main contributor to the increase in general expenditure.

### 5. STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006

|                                   | 2006<br>R000      | 2005<br>R000      | Growth     | Notes |
|-----------------------------------|-------------------|-------------------|------------|-------|
| <b>Net assets and liabilities</b> |                   |                   |            |       |
| Net assets                        | 10 786 880        | 8 081 535         | 33%        | 1     |
| Non-current liabilities           | 7 641 129         | 6 419 100         | 19%        | 2     |
| Current liabilities               | 4 829 138         | 4 943 876         | (2%)       |       |
|                                   | <b>23 257 147</b> | <b>19 444 511</b> | <b>20%</b> |       |
| <b>Assets</b>                     |                   |                   |            |       |
| Non-current assets                | 18 102 755        | 14 154 892        | 28%        | 3     |
| Current assets                    | 5 154 392         | 5 289 619         | (3%)       | 4     |
|                                   | <b>23 257 147</b> | <b>19 444 511</b> | <b>20%</b> |       |

#### 5.1 Notes

- 1 Included in non-current assets is a fair value adjustment to land in CJMM of R1,838 million.
- 2 During June 2006 there was a bond issue of R1,200 million.
- 3 Included in fixed assets is a fair value adjustment to land in CJMM of R1,838 million and capital expenditure of R2,768 million for the Group during the current financial year.
- 4 There was a reduction in the bad debt provision as well as an improvement in the current investments.



# Report of the Acting Executive Director: Finance and Economic Development

## REVIEW OF THE GROUP OPERATING RESULTS (continued)

### 6. ACCOUNTING RATIOS

#### 6.1 Quick asset ratio

This ratio is a more accurate test of a municipality's ability to settle its current debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since inventory is for City's own use and not for sale, it is not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. Inventory is immaterial and has no significant impact on the difference between the operating capital ratio and the quick asset ratio.

|                                      | GROUP        |              | CJMM         |              |
|--------------------------------------|--------------|--------------|--------------|--------------|
|                                      | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
| <b>Quick asset ratio</b>             | <b>1,05</b>  | 1,05         | <b>0,85</b>  | 0,81         |
| Current assets (excluding inventory) | 5 070 250    | 5 204 000    | 4 012 562    | 4 025 059    |
| Current liabilities                  | 4 829 138    | 4 943 876    | 4 746 120    | 4 978 505    |

This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since current debt can be paid out of current assets. The ratio remained constant for both financial years under review.

#### 6.2 Solvency

The total assets are compared to the total liabilities, and shows the City's ability to meet its obligations in the long term. A ratio of less than one is an indication of insolvency.

|                          | GROUP             |              | CJMM              |              |
|--------------------------|-------------------|--------------|-------------------|--------------|
|                          | 2006<br>R000      | 2005<br>R000 | 2006<br>R000      | 2005<br>R000 |
| <b>Solvency ratio</b>    | <b>1,87</b>       | 1,71         | <b>1,78</b>       | 1,65         |
| <b>TOTAL ASSETS</b>      |                   |              |                   |              |
| Non-current assets       | 18 102 755        | 14 154 892   | 17 089 309        | 13 952 634   |
| Current assets           | 5 154 392         | 5 289 619    | 4 032 277         | 4 045 279    |
| <b>Total</b>             | <b>23 257 147</b> | 19 444 511   | <b>21 121 586</b> | 17 997 913   |
| <b>TOTAL LIABILITIES</b> |                   |              |                   |              |
| Non-current liabilities  | 7 641 129         | 6 419 100    | 7 145 741         | 5 962 432    |
| Current liabilities      | 4 829 138         | 4 943 876    | 4 746 120         | 4 978 505    |
| <b>Total</b>             | <b>12 470 267</b> | 11 362 976   | <b>11 891 861</b> | 10 940 937   |

There was an overall improvement in the solvency of the City of Johannesburg. During the year there was a fair value adjustment of Property Plant and Equipment of R1,838 million and capital expenditure of R2,768 million. The major external debt used to finance the capital expenditure was a bond issue of R1,200 million.

## REVIEW OF THE GROUP OPERATING RESULTS (continued)

### 6. ACCOUNTING RATIOS (continued)

#### 6.3 Interest bearing debt to revenue

|   | GROUP             |              | CJMM             |              |
|---|-------------------|--------------|------------------|--------------|
|   | 2006<br>R000      | 2005<br>R000 | 2006<br>R000     | 2005<br>R000 |
| <b>Interest bearing debt to revenue (%)</b> | <b>40,78%</b>     | 39,00%       | <b>69,51%</b>    | 65,92%       |
| Non-current interest bearing debt           | 5 770 475         | 4 594 119    | 5 537 102        | 4 335 473    |
| Current interest bearing debt               | 113 589           | 672 743      | 91 315           | 631 561      |
| <b>Total interest bearing debt</b>          | <b>5 884 064</b>  | 5 266 862    | <b>5 628 417</b> | 4 967 034    |
| <b>Total revenue</b>                        | <b>14 427 248</b> | 13 505 968   | <b>8 097 006</b> | 7 535 117    |

There was an increase in the ratio as a result of the additional bond issue during the financial year. The ratio still remains under 50% for the Group and can thus be regarded as acceptable. The ratio for CJMM is extremely high due to the central borrowing being done by CJMM Treasury for the whole Group. Inter-company loans are then given to the MEs in order to finance their capital expenditure.

#### 6.4 Interest paid on debt

|                                  | GROUP         |              | CJMM          |              |
|----------------------------------|---------------|--------------|---------------|--------------|
|                                  | 2006<br>R000  | 2005<br>R000 | 2006<br>R000  | 2005<br>R000 |
| <b>Interest paid on debt (%)</b> | <b>13,18%</b> | 12,75%       | <b>12,57%</b> | 12,20%       |
| External interest                | 775 344       | 671 268      | 707 355       | 605 834      |
| Total interest bearing debt      | 5 884 064     | 5 266 862    | 5 628 417     | 4 967 034    |

This ratio gives a good indication of the interest rate for the City. The weighted average cost of borrowings (excluding finance leases) was 10,90% for the 2005/06 financial year.

#### 6.5 Days debtors outstanding

|                                       | GROUP             |              | CJMM             |              |
|---------------------------------------|-------------------|--------------|------------------|--------------|
|                                       | 2006<br>R000      | 2005<br>R000 | 2006<br>R000     | 2005<br>R000 |
| <b>Days debtors outstanding</b>       | <b>302</b>        | 320          | <b>276</b>       | 300          |
| Opening consumer debtors              | 9 022 358         | 8 886 218    | 3 748 841        | 3 690 629    |
| Closing consumer debtors              | 9 446 016         | 9 022 358    | 3 877 799        | 3 748 841    |
| Bad debts written off during the year | 739 466           | 727 151      | 309 273          | 116 022      |
| <b>Average consumer debtors</b>       | <b>9 603 920</b>  | 9 317 864    | <b>3 967 957</b> | 3 777 746    |
| Property rates                        | 2 918 647         | 2 684 309    | 2 931 476        | 2 706 596    |
| Service charges                       | 6 666 438         | 6 275 055    | 302 554          | 248 059      |
| Regional Service Council levies       | 1 905 493         | 1 550 966    | 1 925 379        | 1 573 638    |
| Interest earned – outstanding debtors | 126 770           | 119 585      | 83 401           | 67 875       |
| <b>Total</b>                          | <b>11 617 348</b> | 10 629 915   | <b>5 242 810</b> | 4 596 168    |



# Report of the Acting Executive Director: Finance and Economic Development

## REVIEW OF THE GROUP OPERATING RESULTS (continued)

### 7. REVIEW OF CJMM AND MEs OPERATING RESULTS

#### CJMM

| Description    | 2006<br>Actual<br>R000 | 2006<br>Original<br>budget<br>R000 | 2006<br>Revised<br>budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|----------------|------------------------|------------------------------------|-----------------------------------|--------------------------|------------------------|
| Income         | 8 097 006              | 7 177 746                          | 7 693 352                         | 403 654                  | 7 535 117              |
| Expenditure    | 7 689 245              | 6 889 780                          | 7 612 827                         | (76 418)                 | 6 625 040              |
| <b>Surplus</b> | <b>407 761</b>         | <b>287 966</b>                     | <b>80 525</b>                     | <b>327 236</b>           | <b>910 077</b>         |

| Description                     | 2006<br>Actual<br>R000 | 2006<br>Original<br>budget<br>R000 | 2006<br>Revised<br>budget<br>R000 | 2006<br>Variance<br>R000 | 2006<br>Variance<br>% |
|---------------------------------|------------------------|------------------------------------|-----------------------------------|--------------------------|-----------------------|
| Government grants and subsidies | 1 156 260              | 1 041 427                          | 1 179 878                         | (23 618)                 | (2%)                  |
| Interest earned                 | 1 016 477              | 790 526                            | 947 526                           | 68 951                   | 7%                    |
| Other income                    | 5 924 269              | 5 345 793                          | 5 565 948                         | 358 321                  | 6%                    |
| <b>Income</b>                   | <b>8 097 006</b>       | <b>7 177 746</b>                   | <b>7 693 352</b>                  | <b>403 654</b>           | <b>5%</b>             |
| Depreciation                    | 463 736                | 574 067                            | 463 767                           | 31                       | 0%                    |
| Grants and subsidies paid       | 1 807 163              | 1 670 154                          | 1 802 711                         | (4 452)                  | 0%                    |
| Bad debts                       | 316 624                | 368 055                            | 332 005                           | 15 381                   | 5%                    |
| Other expenses                  | 5 101 722              | 4 277 504                          | 5 014 344                         | (87 378)                 | (2%)                  |
| <b>Expenditure</b>              | <b>7 689 245</b>       | <b>6 889 780</b>                   | <b>7 612 827</b>                  | <b>(76 418)</b>          | <b>(1%)</b>           |

#### MEs – aggregated profit/surplus and (loss)/(deficit) before tax

| Description              | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------|------------------------|------------------------|--------------------------|------------------------|
| Aggregate profit/surplus | 598 350                | 67 630                 | 530 720                  | 528 615                |
| Aggregate loss/deficit   | (50 693)               | 72                     | (50 765)                 | (74 597)               |
| <b>Net result</b>        | <b>547 657</b>         | <b>67 702</b>          | <b>479 955</b>           | <b>454 018</b>         |

Adjustments were made to these numbers as a result of normal consolidation process and ensuring all subsidiaries apply the same accounting practices.

#### City Power Johannesburg

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 3 658 471              | 3 617 396              | 41 075                   | 3 445 028              |
| Expenditure                          | 3 513 231              | 3 557 682              | 44 451                   | 3 281 549              |
| <b>Profit/(loss) before taxation</b> | <b>145 240</b>         | <b>59 714</b>          | <b>85 526</b>            | <b>163 479</b>         |

The positive variance in revenue is attributable to the substantial increase in volumes sold particularly during the winter period. Other revenue streams contributed to the positive variance, such as new service connections and skills development grants though to a limited extent.

The positive variance in expenditure is due to savings in employee related costs because of budgeted vacancies not being filled, savings in consulting fees, and savings in the depreciation charge due to capital projects still under construction. This is notwithstanding the increase in direct costs relating to energy purchases.



## REVIEW OF THE GROUP OPERATING RESULTS (continued)

### 7. REVIEW OF CJMM AND MEs OPERATING RESULTS (continued)

#### Pikitup Johannesburg

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 600 468                | 622 861                | (22 393)                 | 600 461                |
| Expenditure                          | 638 843                | 622 861                | (15 982)                 | 641 204                |
| <b>Profit/(loss) before taxation</b> | <b>(38 375)</b>        |                        | <b>(6 411)</b>           | (40 743)               |

During the current financial year, Pikitup embarked on a data clean up project. The project revealed that some of the business customers being billed by Pikitup were actually receiving services from private contractors or were no longer occupying the buildings and some buildings were occupied by illegal residents. Therefore the preparation for the budget was based on incorrect data. The negative variance in expenditure is largely due to finance costs as a result of interest paid on Post-retirement employee benefits.

#### Johannesburg Water

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 3 278 975              | 3 199 995              | 78 980                   | 3 104 759              |
| Expenditure                          | 2 863 538              | 3 143 987              | 280 449                  | 2 785 853              |
| <b>Profit/(loss) before taxation</b> | <b>415 437</b>         | <b>56 008</b>          | <b>359 429</b>           | 318 906                |

The positive variance in revenue is largely due to better service revenue as a result of the continuing data cleansing exercise, whilst the positive variance in expenditure is primarily due to the positive effects of Operation Gcin'amanzi in reducing cost of sales as well as the reduction in bad debts due to improved payment levels and a prudent cost management of operational expenditure.

#### Johannesburg Roads Agency

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 415 406                | 401 699                | 13 707                   | 385 966                |
| Expenditure                          | 413 227                | 401 686                | (11 541)                 | 382 069                |
| <b>Profit/(loss) before taxation</b> | <b>2 179</b>           | <b>13</b>              | <b>2 166</b>             | 3 897                  |

The positive variance is largely due to increased jobbing income as a result of capex roll-out and the asphalt sales being above budget. The unfavourable variance in expenditure is due to the appointment of external contractors to assist JRA with the implementation of its projects as well as price increases in material cost of up to 56% for bitumen used to manufacture asphalt.



# Report of the Acting Executive Director: Finance and Economic Development

## REVIEW OF THE GROUP OPERATING RESULTS (continued)

### 7. REVIEW OF CJMM AND MEs OPERATING RESULTS (continued)

#### Johannesburg City Parks

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 357 014                | 342 945                | 14 069                   | 336 286                |
| Expenditure                          | 328 908                | 342 945                | 14 037                   | 322 623                |
| <b>Profit/(loss) before taxation</b> | <b>28 106</b>          |                        | <b>28 106</b>            | 13 663                 |

The positive variance is mainly due to higher than expected grave bookings and rental of facilities and equipment. The positive variance in expenditure is due savings in employee related costs due to natural attrition, and the savings in contracted services due to the company's outsourcing reduction strategy and the CoJ2 contract with Fleet Africa not implemented.

#### Johannesburg Metropolitan Bus Services

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 310 527                | 327 435                | (16 908)                 | 293 544                |
| Expenditure                          | 310 254                | 327 385                | 17 131                   | 291 194                |
| <b>Profit/(loss) before taxation</b> | <b>273</b>             | <b>50</b>              | <b>223</b>               | 2 350                  |

The negative variance in revenue is mainly due to the industrial action during the first half of the year resulting in a negative impact on the reliability of Johannesburg Metropolitan Bus Services buses, hence the decline in expected revenue. The favourable variance in expenditure is largely due to savings in employee related costs because of vacancies not being filled.

#### Johannesburg Fresh Produce Market

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 142 847                | 123 194                | 19 653                   | 111 570                |
| Expenditure                          | 139 091                | 112 734                | (26 357)                 | 94 354                 |
| <b>Profit/(loss) before taxation</b> | <b>3 756</b>           | <b>10 460</b>          | <b>(6 704)</b>           | 17 216                 |

The positive variance in revenue is attributable to commission revenue due to higher crops, demand by consumers with more disposable income and ongoing efforts by the Johannesburg Fresh Produce Market to "bring back the Retailers".

The negative variance in expenditure is primarily due to overspending in employee related costs and contracted services because of a lack of capacity in the Finance Department and the Human Resource Department, resulting in the utilisation of management consultants.

#### Johannesburg Zoo

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 42 837                 | 41 216                 | 1 621                    | 35 311                 |
| Expenditure                          | 41 629                 | 41 215                 | (414)                    | 34 624                 |
| <b>Profit/(loss) before taxation</b> | <b>1 208</b>           | <b>1</b>               | <b>1 207</b>             | 687                    |

The positive variance is mainly due to additional operating subsidy income of R4,4 million from the CJMM. The negative variance in expenditure is mainly due to an increase in employee related costs as a result of the Zoo's development programme where additional animal keepers are required and some services are performed in-house.

## REVIEW OF THE GROUP OPERATING RESULTS (continued)

### 7. REVIEW OF CJMM AND MEs OPERATING RESULTS (continued)

#### The Johannesburg Civic Theatre

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 32 514                 | 31 821                 | 693                      | 31 792                 |
| Expenditure                          | 30 995                 | 31 134                 | 139                      | 29 410                 |
| <b>Profit/(loss) before taxation</b> | <b>1 519</b>           | <b>687</b>             | <b>832</b>               | <b>2 382</b>           |

The favourable variance is mainly due to a very well attended and received season. The contributing highlights in the last quarter were David Kau (SA comedian); Groet die grotman (Afrikaans comedy); and the return of Harry Sideropoulos 'No sugar, Canderel please'.

#### Johannesburg Property Company

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 24 044                 | 28 651                 | (4 607)                  | 25 362                 |
| Expenditure                          | 23 729                 | 28 460                 | 4 731                    | 20 099                 |
| <b>Profit/(loss) before taxation</b> | <b>315</b>             | <b>191</b>             | <b>124</b>               | <b>5 263</b>           |

The unfavourable variance in revenue is mainly due to the CJMM operational subsidy income that was not fully drawn, due to the entity maximising other revenue streams. The positive variance in expenditure is mainly due to cost savings caused by the timing of new appointments and savings on recruitment costs.

#### Johannesburg Development Agency

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 26 384                 | 29 053                 | (2 669)                  | 23 797                 |
| Expenditure                          | 26 068                 | 29 031                 | 2 963                    | 50 017                 |
| <b>Profit/(loss) before taxation</b> | <b>316</b>             | <b>22</b>              | <b>293</b>               | <b>(26 220)</b>        |

The negative variance in revenue is as a result of lower investment income being derived due to a reduction in cash holdings. JDA budget had anticipated the transfer from Blue IQ i.r.o. the Kliptown project and the transfer from the Strategic Public Transport Network, which did not materialise. The positive variance in expenditure is mainly due to savings in employee related costs as a result of a high staff turnover experienced during the year as well as savings on project consultants costs for the Inner City project that was put on hold.

#### Metropolitan Trading Company

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 29 956                 | 32 734                 | (2 778)                  | 28 360                 |
| Expenditure                          | 32 102                 | 32 734                 | 632                      | 28 364                 |
| <b>Profit/(loss) before taxation</b> | <b>(2 146)</b>         |                        | <b>(2 146)</b>           | <b>(4)</b>             |

The unfavourable variance is mainly due to a 25% reduction in rentals in order to accommodate traders, and the fact that the Kliptown complex has not yet been handed over for occupation.



# Report of the Acting Executive Director: Finance and Economic Development

## REVIEW OF THE GROUP OPERATING RESULTS (continued)

### 7. REVIEW OF CJMM AND MEs OPERATING RESULTS (continued)

#### Johannesburg Tourism Company

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 11 680                 | 11 992                 | (312)                    | 7 358                  |
| Expenditure                          | 11 721                 | 11 920                 | 199                      | 7 385                  |
| <b>Profit/(loss) before taxation</b> | <b>(41)</b>            | <b>72</b>              | <b>(113)</b>             | <b>(27)</b>            |

The negative variance is mainly due to lower than anticipated private sector support/sponsorships.

#### Johannesburg Social Housing Company

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 15 411                 | 16 427                 | (1 016)                  | 10 248                 |
| Expenditure                          | 15 479                 | 16 336                 | 857                      | 10 056                 |
| <b>Profit/(loss) before taxation</b> | <b>(68)</b>            | <b>91</b>              | <b>(159)</b>             | <b>192</b>             |

The negative variance in revenue is mainly due to a lower recoupment of expenditure claims from City Housing Company for the recovery of general expenses normally incurred on behalf of City Housing Company by Johannesburg Social Housing Company. Conversely, the favourable variance in expenditure is due to the savings in general expenses normally recouped from City Housing Company.

#### Roodepoort City Theatre

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 7 002                  | 8 160                  | (1 158)                  | 5 736                  |
| Expenditure                          | 6 933                  | 8 053                  | 1 120                    | 5 128                  |
| <b>Profit/(loss) before taxation</b> | <b>69</b>              | <b>107</b>             | <b>(38)</b>              | <b>608</b>             |

The unfavourable variance is mainly due to private sector support/sponsorships not materialising, particularly the sponsorship withdrawal by SASOL due to a re-focus from the Arts to Soccer and Rugby as well as the donation from the National Lotteries Distribution Trust Fund not materialising. The favourable variance in expenditure is mainly due to the Theatre not incurring expenditure linked to the private-sector donations and sponsorships.

#### Johannesburg City Housing Company

| Description                          | 2006<br>Actual<br>R000 | 2006<br>Budget<br>R000 | 2006<br>Variance<br>R000 | 2005<br>Actual<br>R000 |
|--------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Income                               | 4 441                  |                        |                          | 2 552                  |
| Expenditure                          | 14 504                 |                        |                          | 10 182                 |
| <b>Profit/(loss) before taxation</b> | <b>(10 063)</b>        |                        |                          | <b>(7 630)</b>         |

Johannesburg City Housing Company is currently being liquidated and did not form part of the City's budget process on its own, due to a Council decision to voluntarily liquidate the entity.

# Report of the Executive Director: Finance

## SPECIAL PROJECTS

The City of Johannesburg has undertaken a number of processes to ensure that all revenue due to the City is being billed. In particular reconciliation between the billing system and the valuation system has been undertaken. To date the City of Johannesburg has been able to match 93% of properties listed in both systems. The vast majority of the properties not matched on the two systems have a value of less than R20 000 and are thus exempt from assessment rate charges. These outstanding properties will not affect the financial statements materially during future periods.

The billing system has been one of our major challenges for some time. The City is implementing corrective measures to address the billing issues. The aim is to improve both revenue and service to the customers.

The City has performed an overall assessment of the billing processes, resulting in the introduction of Programme Phakhama, which will also address the customer-relation management process. The Programme is mandated to establish a new service utility that will perform the customer and revenue billing functions for the City. This includes the implementation of SAP CRM and SAP IS-U 4.7. The benefits expected to flow from this will be seamless revenue management and customer-interface business processes.

## PROGRAMME MOTHEO

On 1 March 2007 the City will be going live on SAP R/3 Financials to further enhance the benefits that will arise from implementing a single integrated application to support Revenue and Customer Interface Management (Programme Phakhama). The goal of Project Motheo is to replace the existing administrative and financial functions on the COJ Venus system with an integrated back office system enabled by SAP R/3.

The objectives of Project Motheo are to:

- support the financial reforms
- provide a stable sustainable and cost-effective operational platform to enable internal users to provide excellent services, promote a self-help environment for clients of CJMM
- align and integrate with the revenue process.

The implementation of an ERP came at the right time to ensure that the City can work effectively and be able to comply with the required standards and legislation.

## APPLICATION OF INDIGENT DEBTOR POLICY

A project was initiated to audit and ensure the completeness of the documentation for each approved write-off emanating from the indigent registration process.

The audit and creation of files was completed in the current financial year and a number of deficient files were identified. A process of obtaining missing documents is currently underway. The registration process continued and additional indigent debtor write-offs of R876 million were made during the current financial year. The incentive of writing off arrears on registration was stopped on 31 March 2006. A number of reversals totalling R344 million took place mainly as a result of customers selling their properties and the correction of fraudulent applications.



# Report of the Executive Director: Finance

## **FIXED ASSETS**

As reported last year management embarked on a land-register project to update the municipal records with correct information. The City of Joburg is pleased that the time consuming and complex exercise led to the value of the immovable assets being reflected at their fair value in the financial statements in the current and previous financial year. These adjustments were R6,8 billion and R1,8 billion for 04/05 and 05/06 financial years respectively.

## **RETIREMENT BENEFITS FUNDING**

The process of finalising the settlement is nearing the end in respect of post retirement benefits of employees for which the City of Johannesburg, for the two major funds, accrued approximately R400 million in the current financial year.

## **CONTINGENT LIABILITIES**

The City's contingent liabilities are made up of several court actions and other claims against the City of Johannesburg amounting to approximately R267 million.

## **WATER LOSSES**

Unaccounted-for water for the year improved from 32,8% to around 31,5% of bulk purchases. To reduce this inherent business risk the City has implemented operation Gcin'amanzi, which is a multi-faceted programme, already successfully addressing water supply, water demand, water conservation, water wastage, education, communication, ownership of consumption and non-payment for services.

## **ELECTRICITY LOSSES**

Unaccounted-for electricity losses have decreased by 0,51% from a base of 12,9% to 12,48% of bulk purchases compared year-on-year. The City is implementing a plan to reduce non-technical losses such as illegal connection and inadequate meter reading.

## **AGEING INFRASTRUCTURE/CUSTOMER ORIENTATION**

The City is focusing on improving service delivery to all our customers. In addressing service delivery, the City is continuing to invest in the infrastructure with the capital, which is a high priority as the future cost of replacement or maintenance increases substantially the

longer such work is deferred. Approximately R3 billion per year has been earmarked for capital projects over the next three years.

## **IMPAIRMENT OF INVESTMENTS AND LOANS**

In line with the decision to subordinate certain ME loans, a review was performed of the carrying value of all MEs and their loans. The provision created in the previous year was sufficient and thus no impairments were provided for in the current financial year, except for the impairment of loans to Pikitup Johannesburg (Pty) Ltd amounting to R91,6 million. There were, however, minor reversals of impairments provided for in the financial year 2005/2006.

## **REGIONAL ELECTRICITY DISTRIBUTION SERVICES (REDS)**

On 25 October 2006, Cabinet approved the proposal to create six Regional Electricity Distributors (REDS) which will be established as public entities under the auspices of the Electricity Distribution Industry Holdings Ltd. These entities will be accountable to the Ministry of Minerals and Energy. The next steps will include the drafting of legislation and business plan for the establishment of the REDs.

The participation of each municipality or its entity is still to be determined, but it is likely that it will be based on the valuation of its assets or future revenue streams. The National Treasury is to provide a framework, which will be used as basis of business valuation and transfer of assets. In a restructured state, a RED will be service provider to a municipality, which will remain a service authority in accordance with the prescripts of the MSA. Further clarity is still to be provided around the legislative and regulatory issues such as the constitutional mandate of local government as a service authority.

## **REGIONAL SERVICE LEVIES**

From 1 July 2007 the City is no longer levying RSC. Currently replacement by a grant funding a zero rating of property rates etc. The City of Joburg and all other municipalities have been given two years to collect all outstanding levies as at 30 June 2006.



a world class African city

## INVESTOR RELATIONS BOND MARKET

The decreased funding requirement of the government due to improved tax collections continued to limit the supply of public-sector debt instruments during 2006. In the first ten months of 2006, net issues of government bonds amounted to R10,4 billion. At the same time net issues of fixed-interest securities by public corporations amounted to R5,0 billion and the City of Johannesburg raised R1,2 billion in June 2006 to fund its capital investment initiatives. In total, the net issues of fixed-interest securities by the public sector of R16,7 billion in the first ten months of 2006 fell substantially below the R22,8 billion raised in the corresponding period in 2005.

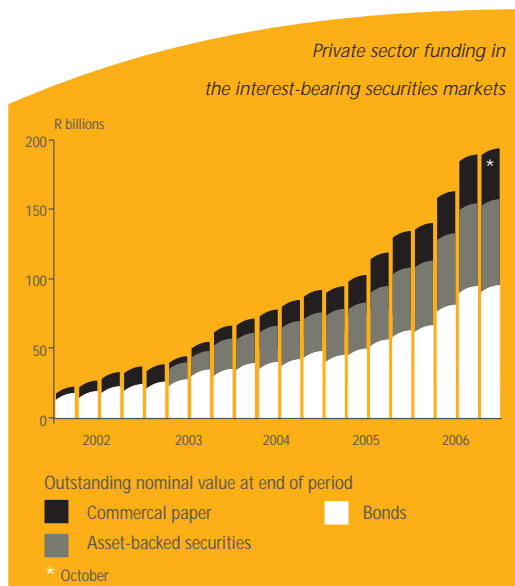
Notwithstanding the low borrowing requirement, the government maintained its presence in the international bond markets with the issuance in April 2006 of a €750 million ten year bond, which mobilised funds to the amount of R5,5 billion. Prior to the issuance by the government, two private-sector companies entered the international markets in January and February 2006 and Eskom issued a €500 million seven-year bond in March. Although no further issuance occurred from May to October, the R12,1 billion raised by public and private-sector borrowers in the first ten months of 2006 exceeded the R8,9 billion raised in the international bond markets in the whole of 2005. The private sector increasingly sourced funding through the domestic bond market in 2006. After increasing by R19,3 billion in 2004 and R31,5 billion in 2005, the outstanding nominal value of private-sector loan stock listed on the Bond Exchange of South Africa (BESA) increased by a further R48,8 billion in the first ten months of 2006. The private sector also attained additional funding through the issuance of short-term commercial paper. The value of commercial paper listed on BESA increased by R9,7 billion in the first ten months of 2006, bringing the outstanding nominal value to R36,1 billion in October.

## PRIVATE SECTOR FUNDING IN THE INTEREST-BEARING SECURITIES MARKETS

Although the Repo rate has been hiked by a cumulative 200 basis points the bond yields have bucked the Repo rate trend. Bond yields have rallied by a cumulative 120 basis points from the highs although the repo rate and inflation have been trending upwards.

### MUNICIPAL BONDS

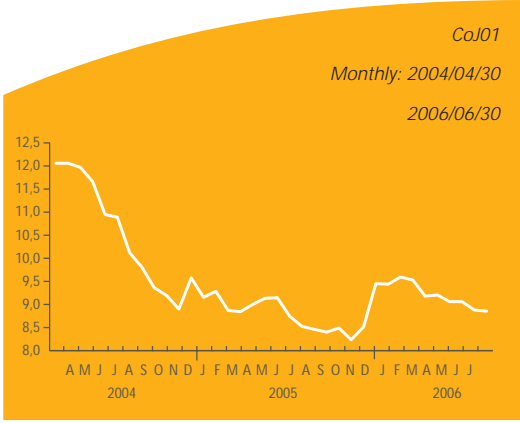
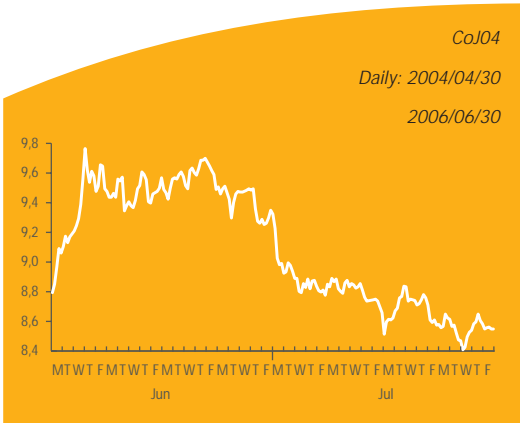
The City of Johannesburg successfully launched its second bond COJ04 under its Domestic Medium Term Note Programme (DNTM) in June 2006. COJ04 was a 12-year bond with a R1,2 billion nominal amount. It cleared at 120 basis points above the government comparison R203. It was 4,6 times over subscribed and the City broadened its investor base by adding four additional institutional investors who hold and trade the bonds. COJ04 is truly remarkable, which reflects investor confidence in the City of Johannesburg and a deeper understanding of the City's credit curve by the investors. The City of Johannesburg had R3,9 billion outstanding on the Bond Exchange of South Africa for the period ended 30 June 2006.



# Report of the Acting Executive Director: Finance and Economic Development

| Bond code | Maturity   | Nominal amount | Tenure (years) | Comparison bond | BP spread | Coupon % |
|-----------|------------|----------------|----------------|-----------------|-----------|----------|
| COJ01     | 13/04/2010 | R1 bn          | 6              | R153            | 90        | 11,95    |
| COJ02     | 15/09/2016 | R1 bn          | 12             | R157            | 120       | 11,90    |
| COJ03     | 26/04/2013 | R700 m         | 8              | R157            | 105       | 9,70     |
| COJ04     | 05/06/2018 | R1,2 bn        | 12             | R203            | 110       | 9,00     |

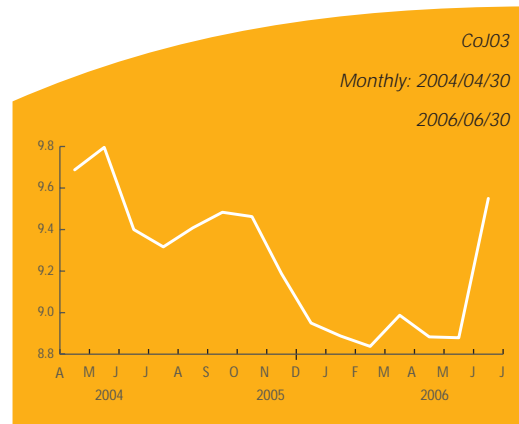
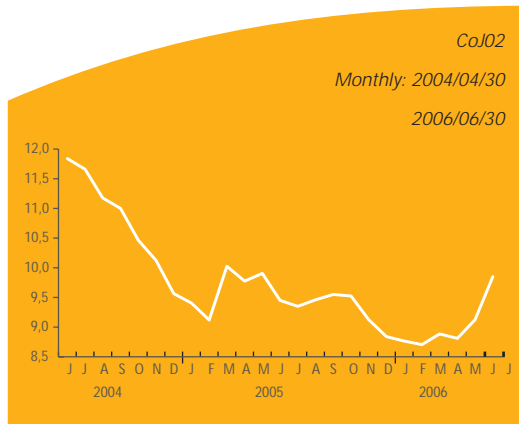
Source: Bond Exchange of South Africa (BESA) at 30 June 2006



COJ01 spread above the R153 has compressed significantly from 130 basis points above the R153 to 90 basis points; this is due to the increased liquidity of trading in the secondary market. The compression is also a result of investor confidence as COJ01 originally cleared at 230 basis points above the benchmark in 2004.







COJ02 originally cleared at 164 basis points above the R157; its spread compressed to 145 in June 2005 and as of 30 June 2006, the partially guaranteed bond was trading at 120 basis points above the comparison. COJ02 is a 12-year bond, 40% partially guaranteed by the Development Bank of Southern Africa (DBSA) and International Finance Corporation (IFC) and is rated AA by Fitch ratings. It redeems on 15 March 2016 and has a multiple redemption structure.

COJ03 was the inaugural issue to come from the Domestic Medium Term Note Programme (DMTN); it originally cleared at 154 basis points above the government comparison R157 in 2005. It was trading at 145 basis points on 30 June 2005 and has compressed to 105 basis points for the period under review. COJ03 was the smallest issue of all of the City's bonds, with a nominal issue size of R700 million.

### THE CITY'S CREDIT RATING

The City of Joburg is rated by two rating agencies:

| Rating                   | Fitch ratings   |                |                 |               |
|--------------------------|-----------------|----------------|-----------------|---------------|
|                          | National rating | Current rating | Previous rating | Rating action |
| Short-term               |                 | F1 (zaf)       | F2 (zaf)        | April 2005    |
| Long-term                |                 | A (zaf)        | A- (zaf)        | May 2006      |
| Outlook                  |                 | Positive       | -               | -             |
| Partial guaranteed bonds |                 | AA (zaf)       | AA- (zaf)       | May 2006      |



# Report of the Executive Director: Finance

## FITCH RATINGS

In May 2006, Fitch ratings upgraded the City of Johannesburg's long-term rating from A- (zaf) to A (zaf). This was due to:

- a strong economic performance, the City has 5% annual growth rate outperforming the national average of 4%
- improving operations, reflecting in above 90% collection rates and improving water and electricity losses
- strengthening budgetary performance
- a solid liquidity position, cash and equivalents averaged ZAR1,6 billion
- a stable 45% debt-to-operating revenue ratio.

## CA RATINGS

| Rating     | CA rating      |               |                 |               |
|------------|----------------|---------------|-----------------|---------------|
|            | Current rating | Rating action | Previous rating | Rating action |
| Short-term | ZaA1           |               | ZaA1            |               |
| Long-term  | ZaA+           | April 2005    | ZaA             | May 2005      |
| Outlook    | Stable         |               | Stable          |               |

CA ratings upgraded the City of Johannesburg in May 2006 from zaA to zaA+ due to:

- the City of Johannesburg's diversified local economy
- strong operating performance
- improvement in the City of Johannesburg's billing systems that allow for complete revenue and strong improvement in collections
- the City of Johannesburg's strong cash and near cash balances
- the City of Johannesburg's debt burden remaining moderate during 2005 with a debt to income ratio of 40%.

## PROSPECTS

The City of Johannesburg Metropolitan Municipality is committed to sourcing the most cost-effective and diversified funding to fund its capital infrastructure projects. It will continue to fund through the debt capital markets and is currently investigating raising its capital expenditure for 2006-2007 through a retail bond issue where the Joburg resident will be able to participate in assisting the City in raising capital. There are a number of other initiatives such as the Infrastructure conference, which will enable the City to source the most innovative funding, and structural solutions to fund 2010 Soccer projects and other long-term capital projects.

## AUDIT COMMITTEE

The City's independent Audit Committee, reconstituted under the MFMA consisted of four members chaired by

Mr Brian Hawksworth, was an important contributor to the City of Johannesburg's financial improvement during the year. The Audit Committee closely monitored management's progress in addressing the audit findings of the Auditor-General, and held to account individual managers in the few cases where there was no progress. The Audit Committee closely monitored management's progress in addressing the audit findings of the Auditor-General, and held to account individual managers in the cases where there was inadequate progress

Finally, the Committee's individual and collective professional expertise contributed significantly to operational improvement in Johannesburg Risk and Audit Services, the Department of Finance and Economic Development and the financial functions throughout the core administration and Municipal Entities.

MANKODI MOITSE

Executive Director: Finance

City of Johannesburg Metropolitan Municipality  
Johannesburg

31 February 2007

# Statement of financial position

as at 30 June 2006

| Notes                             | GROUP                                      |              | CJMM              |              |
|-----------------------------------|--|--------------|-------------------|--------------|
|                                   | 2006<br>R000                               | 2005<br>R000 | 2006<br>R000      | 2005<br>R000 |
| <b>NET ASSETS AND LIABILITIES</b> |  |              |                   |              |
| <b>Net assets</b>                 |  |              |                   |              |
|                                   | <b>10 786 880</b>                          | 8 081 535    | <b>9 229 725</b>  | 7 056 976    |
| 2                                 | Housing Development Fund                   |              |                   |              |
|                                   | 98 783                                     | 94 358       | 98 783            | 94 358       |
|                                   | Capital Replacement Reserve                |              |                   |              |
|                                   | 439 360                                    | 497 781      | 439 360           | 497 781      |
|                                   | Capitalisation Reserve                     |              |                   |              |
|                                   | 1 182 802                                  | 789 318      | 503 084           | 281 758      |
|                                   | Government Grant Reserve                   |              |                   |              |
|                                   | 466 708                                    | 379 676      | 207 860           | 225 483      |
|                                   | Donations and Public Contribution Reserves |              |                   |              |
|                                   | 38 596                                     | 29 935       | 38 596            | 29 935       |
|                                   | COID Reserve                               |              |                   |              |
|                                   | 3 984                                      | 226          |                   |              |
|                                   | Revaluation Reserve                        |              |                   |              |
|                                   | 8 556 647                                  | 6 290 241    | 7 942 042         | 5 927 661    |
|                                   | Accumulated surplus/(deficit)              |              |                   |              |
|                                   | <b>7 641 129</b>                           | 6 419 100    | <b>7 145 741</b>  | 5 962 432    |
| <b>Non-current liabilities</b>    |  |              |                   |              |
| 3                                 | Non-current liabilities                    | 4 594 119    | 5 537 102         | 4 335 473    |
| 4                                 | Non-current provisions                     | 1 824 981    | 1 608 639         | 1 626 959    |
| 5                                 | Deferred tax liability                     | 71 548       |                   |              |
|                                   | <b>4 829 138</b>                           | 4 943 876    | <b>4 746 120</b>  | 4 978 505    |
| <b>Current liabilities</b>        |  |              |                   |              |
| 6                                 | Consumer deposits                          | 310 485      | 201 978           | 203 940      |
| 7                                 | Current provisions                         | 58 646       | 413 598           |              |
| 8                                 | Creditors                                  | 3 601 084    | 3 802 383         | 3 976 347    |
| 9                                 | Unspent conditional grants and receipts    | 286 344      | 214 011           | 166 657      |
| 10                                | VAT  | 12 107       | 22 835            |              |
|                                   | Taxation                                   | 14 574       |                   |              |
| 3                                 | Current portion of non-current liabilities | 672 743      | 91 315            | 631 561      |
|                                   | <b>23 257 147</b>                          | 19 444 511   | <b>21 121 586</b> | 17 997 913   |
| <b>ASSETS</b>                     |  |              |                   |              |
| <b>Non-current assets</b>         |  |              |                   |              |
|                                   | <b>18 102 755</b>                          | 14 154 892   | <b>17 089 309</b> | 13 952 634   |
| 11                                | Property, plant and equipment              | 13 274 501   | 11 823 227        | 9 114 049    |
| 12                                | Intangible assets                          | 82 314       |                   |              |
| 13                                | Investments                                | 562 828      | 1 138 496         | 695 536      |
| 5                                 | Deferred tax asset                         | 82 252       |                   |              |
| 14                                | Non-current receivables                    | 152 997      | 4 127 586         | 4 143 049    |
|                                   | <b>5 154 392</b>                           | 5 289 619    | <b>4 032 277</b>  | 4 045 279    |
| <b>Current assets</b>             |  |              |                   |              |
| 15                                | Inventory                                  | 85 619       | 19 715            | 20 220       |
| 16                                | Accounts receivable                        | 1 867 606    | 716 461           | 562 564      |
| 10                                | VAT  | 7 056        |                   | 11 033       |
| 17                                | Other debtors                              | 848 516      | 616 845           | 676 693      |
| 13                                | Current investments                        | 827 847      | 579 275           | 827 847      |
| 14                                | Current portion of non-current receivables |              | 312 275           | 276 854      |
| 18                                | Call deposits                              | 1 595 188    | 1 700 671         | 1 584 344    |
| 19                                | Bank balances and cash                     | 57 787       | 87 035            | 85 724       |
|                                   | <b>23 257 147</b>                          | 19 444 511   | <b>21 121 586</b> | 17 997 913   |



# Statement of financial performance

for the year ended 30 June 2006

| BUDGET GROUP            |                          |                         |   |
|-------------------------|--------------------------|-------------------------|---|
| 2005<br>Revised<br>R000 | 2006<br>Original<br>R000 | 2006<br>Revised<br>R000 |   |
|                         |                          |                         | <b>Revenue</b>  |
| 2 695 183               | <b>2 936 376</b>         | <b>2 986 376</b>        | Property rates  |
| 6 257 519               | <b>6 822 805</b>         | <b>6 909 013</b>        | Service charges   |
| 1 510 484               | <b>1 574 508</b>         | <b>1 714 508</b>        | Regional Service Council levies   |
| 81 747                  | <b>111 749</b>           | <b>71 498</b>           | Rental facilities and equipment   |
| 142 446                 | <b>162 376</b>           | <b>316 332</b>          | Interest earned – external Investments and ME loans                         |
| 57 678                  | <b>40 200</b>            | <b>53 632</b>           | Interest earned – outstanding debtors                                       |
| 191 000                 | <b>200 608</b>           | <b>200 678</b>          | Fines   |
| 152                     | <b>256</b>               | <b>256</b>              | Licences and permits  |
| 125 879                 | <b>131 758</b>           | <b>133 812</b>          | Income from agency services   |
| 964 831                 | <b>694 935</b>           | <b>1 187 959</b>        | Government grants and subsidies   |
| 539 595                 | <b>564 405</b>           | <b>458 807</b>          | Other income  |
|                         | <b>351 142</b>           | <b>6 557</b>            | Public contributions, donated and contributed property, plant and equipment |
| 37 000                  | <b>37 000</b>            | <b>37 160</b>           | Gains on disposal of property, plant and equipment                          |
| <b>12 603 514</b>       | <b>13 628 118</b>        | <b>14 076 588</b>       | <b>Total revenue</b>  |
|                         |                          |                         | <b>Expenditure</b>  |
| 3 265 689               | <b>3 541 051</b>         | <b>3 566 781</b>        | Employee-related costs  |
| 50 100                  | <b>48 219</b>            | <b>52 719</b>           | Remuneration of councillors   |
| 973 030                 | <b>904 686</b>           | <b>903 397</b>          | Bad debts   |
|                         |                          |                         | Collection costs  |
| 916 137                 | <b>1 062 506</b>         | <b>940 753</b>          | Depreciation  |
| 194 339                 | <b>210 690</b>           | <b>214 986</b>          | Repairs and maintenance   |
| 614 522                 | <b>794 786</b>           | <b>753 881</b>          | Interest on external borrowings   |
| 3 361 209               | <b>3 686 503</b>         | <b>3 519 487</b>        | Bulk purchases  |
| 1 500 104               | <b>1 437 496</b>         | <b>1 536 715</b>        | Contracted services   |
| 167 251                 | <b>25 399</b>            | <b>133 906</b>          | Grants and subsidies paid   |
| 1 363 096               | <b>1 517 460</b>         | <b>2 197 744</b>        | General expenses  |
| 5                       |                          |                         | Loss on disposal of property, plant and equipment                           |
| <b>12 405 482</b>       | <b>13 228 796</b>        | <b>13 820 369</b>       | <b>Total expenditure</b>  |
| 198 032                 | <b>399 322</b>           | <b>256 219</b>          | <b>Surplus (deficit) before fair value adjustment</b>                       |
|                         |                          |                         | Impairment of loans   |
|                         |                          |                         | Impairment of investments   |
|                         |                          |                         | Fair value adjustment on derivative instrument                              |
| 198 032                 | <b>399 322</b>           | <b>256 219</b>          | <b>Surplus (deficit) before taxation</b>                                    |
| 37 295                  | <b>23 624</b>            | <b>48 334</b>           | Taxation  |
| <b>160 737</b>          | <b>375 698</b>           | <b>207 885</b>          | <b>Surplus (deficit) after taxation</b>                                     |

| Notes | ACTUAL GROUP      |                   | ACTUAL CJMM      |                  |
|-------|-------------------|-------------------|------------------|------------------|
|       | 2006              | 2005              | 2006             | 2005             |
|       | R000              | R000              | R000             | R000             |
| 20    | 2 918 647         | 2 684 309         | 2 931 476        | 2 706 596        |
| 21    | 6 666 438         | 6 275 055         | 302 554          | 248 059          |
|       | 1 905 493         | 1 550 966         | 1 925 379        | 1 573 638        |
|       | 63 627            | 78 468            | 47 887           | 65 281           |
|       | 338 405           | 290 134           | 933 076          | 853 768          |
|       | 126 770           | 119 585           | 83 401           | 67 875           |
|       | 193 030           | 167 363           | 193 030          | 167 363          |
|       | 928               | 557               | 928              | 557              |
|       | 146 119           | 141 340           | 145 773          | 141 085          |
| 22    | 1 370 865         | 1 049 989         | 1 156 260        | 879 115          |
| 23    | 524 437           | 1 004 811         | 334 717          | 777 158          |
|       | 133 481           | 89 660            | 4 768            | 1 597            |
|       | 39 008            | 53 731            | 37 757           | 53 025           |
|       | <b>14 427 248</b> | <b>13 505 968</b> | <b>8 097 006</b> | <b>7 535 117</b> |
| 24    | 3 467 390         | 3 057 727         | 1 801 659        | 1 462 874        |
| 25    | 50 056            | 45 180            | 50 056           | 45 180           |
| 26    | 844 645           | 980 420           | 316 624          | 463 712          |
|       | 1 631             | 749               |                  |                  |
| 11    | 909 050           | 872 163           | 463 736          | 423 841          |
|       | 241 009           | 205 523           | 62 603           | 49 246           |
| 27    | 775 344           | 671 268           | 707 355          | 605 834          |
| 28    | 3 490 303         | 3 242 530         |                  |                  |
| 29    | 1 368 252         | 1 453 371         | 736 874          | 790 504          |
| 30    | 142 280           | 183 104           | 1 807 163        | 1 774 817        |
| 31    | 1 973 939         | 1 332 146         | 1 708 623        | 1 009 032        |
|       | 34 703            | 3 435             | 34 552           |                  |
|       | <b>13 298 602</b> | <b>12 047 616</b> | <b>7 689 245</b> | <b>6 625 040</b> |
| 32    | 1 128 646         | 1 458 352         | 407 761          | 910 077          |
|       | (36 599)          |                   | (90 623)         | (216 804)        |
| 32    | (57 250)          | (46 430)          |                  | (31 701)         |
|       | <b>1 034 797</b>  | <b>1 411 922</b>  | <b>317 138</b>   | <b>661 572</b>   |
| 33    | 158 484           | 75 275            |                  |                  |
|       | <b>876 313</b>    | <b>1 336 647</b>  | <b>317 138</b>   | <b>661 572</b>   |



# Statement of changes in net assets

for the year ended 30 June 2006

| Group   | Housing<br>Development<br>Fund<br>R000 | Capital<br>Replacement<br>Reserve<br>R000 | Capitalisation<br>Reserve<br>R000 |
|---|--|---|-----------------------------------|
| <b>Balance at 1 July 2004</b>                                 | 106 178                                | 50 713                                    | 1 105 886                         |
| Operating surplus for the year                                |  |   |                                   |
| Land audit  |  |   |                                   |
| Assets at fair value (depreciation)                           |  |   |                                   |
| Correction of errors (note 45)                                |  |   |                                   |
| Revaluation of property, plant and equipment                  |  |   |                                   |
| Transfer to CRR   |  | 75 392                                    |                                   |
| Property, plant and equipment purchased                       |  | (31 963)                                  | 31 963                            |
| Capitalisation adjustment                                     |  | 216                                       |                                   |
| Capital grants used to purchase property, plant and equipment |  |   |                                   |
| Donated/contributed property, plant and equipment             |  |   |                                   |
| Contribution to COID reserve                                  |  |   |                                   |
| COID claims processed   |  |   |                                   |
| Off-setting of depreciation                                   |  |   | (640 068)                         |
| <b>Balance at 30 June 2005 as previously stated</b>           | <b>106 178</b>                         | <b>94 358</b>                             | <b>497 781</b>                    |
| Correction of errors (note 41)                                | (106 178)                              |   |                                   |
| <b>Balance at 1 July 2005 (restated)</b>                      |  | <b>94 358</b>                             | <b>497 781</b>                    |
| Operating surplus for the year                                |  |   |                                   |
| Revaluation property, plant and equipment                     |  |   |                                   |
| Transfer to CRR   |  | 35 861                                    |                                   |
| Property, plant and equipment purchased                       |  | (31 597)                                  |                                   |
| Capitalisation adjustment                                     |  | 161                                       |                                   |
| Capital grants used to purchase property, plant and equipment |  |   |                                   |
| Donated/contributed property, plant and equipment             |  |   |                                   |
| Contribution to COID reserve                                  |  |   |                                   |
| COID claims processed   |  |   |                                   |
| Asset disposals   |  |   | (5 519)                           |
| Land audit  |  |   |                                   |
| Assets at fair value (depreciation)                           |  |   |                                   |
| Assets found – offsetting of depreciation                     |  |   |                                   |
| Off-setting of depreciation                                   |  |   | (52 902)                          |
| <b>Balance at 30 June 2006</b>                                |  | <b>98 783</b>                             | <b>439 360</b>                    |

| Government Grants Reserve R000 | Donations and Public Contribution Reserve R000 | COID Reserve R000 | Revaluation Reserve (NDR) R000 | Accumulated surplus (deficit) R000 | Total R000        |
|--------------------------------|--|-------------------|--------------------------------|------------------------------------|-------------------|
| 444 731                        | 600 059  | 20 661            | 1 198                          | (371 759)                          | 1 957 667         |
|                                |  |                   |                                | 1 123 927                          | 1 123 927         |
|                                |  |                   |                                | 6 354 647                          | 6 354 647         |
| 169 754                        | (193 152)                                      |                   | (972)                          | (1 290 115)                        | (1 290 115)       |
|                                |  |                   |                                | (550 805)                          | (574 203)         |
|                                |  |                   |                                | 972                                |                   |
|                                |  |                   |                                | (75 392)                           |                   |
| 450 300                        | 84 529   | 18 985            |                                | 13 869                             | 14 085            |
|                                |  | (9 711)           |                                | (450 300)                          |                   |
|                                |  |                   |                                | (84 529)                           |                   |
|                                |  |                   |                                | (18 985)                           |                   |
|                                |  |                   |                                | 9 711                              |                   |
| (273 549)                      | (125 583)                                      |                   |                                | 1 039 200                          |                   |
| <b>791 236</b>                 | <b>365 853</b>                                 | <b>29 935</b>     | <b>226</b>                     | <b>5 700 441</b>                   | <b>7 586 008</b>  |
| <b>(1 918)</b>                 | <b>13 823</b>                                  |                   |                                | <b>589 800</b>                     | <b>495 527</b>    |
| <b>789 318</b>                 | <b>379 676</b>                                 | <b>29 935</b>     | <b>226</b>                     | <b>6 290 241</b>                   | <b>8 081 535</b>  |
|                                |  |                   |                                | <b>876 313</b>                     | <b>876 313</b>    |
|                                |  |                   | <b>3 758</b>                   | <b>3 758</b>                       | <b>3 758</b>      |
|                                |  |                   |                                | <b>(35 861)</b>                    |                   |
|                                |  |                   |                                | <b>31 597</b>                      | <b>161</b>        |
| <b>485 913</b>                 | <b>142 670</b>                                 | <b>19 882</b>     |                                | <b>(485 913)</b>                   |                   |
|                                |  | <b>(11 221)</b>   |                                | <b>(127 918)</b>                   | <b>14 752</b>     |
|                                |  |                   |                                | <b>(19 882)</b>                    |                   |
|                                |  |                   |                                | <b>11 221</b>                      |                   |
|                                | <b>(15 824)</b>                                |                   |                                | <b>23 788</b>                      | <b>2 445</b>      |
|                                |  |                   |                                | <b>1 838 253</b>                   | <b>1 838 253</b>  |
|                                |  |                   |                                | <b>(229 502)</b>                   | <b>(229 502)</b>  |
|                                |  |                   |                                | <b>229 502</b>                     | <b>229 502</b>    |
| <b>(92 429)</b>                | <b>(39 814)</b>                                |                   |                                | <b>154 808</b>                     | <b>(30 337)</b>   |
| <b>1 182 802</b>               | <b>466 708</b>                                 | <b>38 596</b>     | <b>3 984</b>                   | <b>8 556 647</b>                   | <b>10 786 880</b> |



# Statement of changes in net assets

for the year ended 30 June 2006

| CJMM  | Housing<br>Development<br>Fund<br>R000 | Capital<br>Replacement<br>Reserve<br>R000 |
|---|--|---|
| <b>Balance at 1 July 2004</b>                       | 106 178                                | 50 713                                    |
| Land audit and assets found                         |  |   |
| Assets at fair value (depreciation)                 |  |   |
| Correction of errors (note 41)                      |  |   |
| <b>Balance at 1 July 2004 (restated)</b>            | 106 178                                | 50 713                                    |
| Operating surplus for the year                      |  |   |
| Transfer to CRR                                     |  | 75 392                                    |
| Property, plant and equipment purchased             |  | (31 963)                                  |
| Capitalisation adjustment                           |  | 216                                       |
| Capital grants used to purchase PPE                 |  |   |
| Donated/contributed PPE                             |  |   |
| Contribution to COID Reserve                        |  |   |
| COID claims processed                               |  |   |
| Offsetting of depreciation                          |  |   |
| <b>Balance at 30 June 2005 as previously stated</b> | <b>106 178</b>                         | <b>94 358</b>                             |
| Correction of errors (note 41)                      | (106 178)                              |   |
| <b>Balance at 1 July 2005 (restated)</b>            |  | <b>94 358</b>                             |
| Operating surplus for the year                      |  |   |
| Assets at fair value                                |  |   |
| Transfer to CRR                                     |  | 35 861                                    |
| Property, plant and equipment purchased             |  | (31 597)                                  |
| Capitalisation adjustment                           |  | 161                                       |
| Capital grants used to purchase PPE                 |  |   |
| Donated/contributed PPE                             |  |   |
| Contribution to COID Reserve                        |  |   |
| COID claims processed                               |  |   |
| Shortfall on reserves                               |  |   |
| Offsetting of depreciation                          |  |   |
| <b>Balance at 30 June 2006</b>                      |  | <b>98 783</b>                             |



| Capitalisation Reserve R000 | Government Grants Reserve R000 | Donations and Public Contribution Reserve R000 | COVID Reserve R000 | Accumulated surplus (deficit) R000 | Total R000       |
|-----------------------------|--------------------------------|--|--------------------|------------------------------------|------------------|
| 1 105 886                   | 237 009                        | 334 315  | 20 661             | (151 800)                          | 1 702 962        |
|                             |                                |  |                    | 6 354 647                          | 6 354 647        |
|                             |                                |  |                    | (1 290 115)                        | (1 290 115)      |
|                             |                                |  |                    | (309 891)                          | (309 891)        |
| 1 105 886                   | 237 009                        | 334 315  | 20 661             | 4 602 841                          | 6 457 603        |
|                             |                                |  |                    | 424 084                            | 424 084          |
| 31 963                      |                                |  |                    | (75 392)                           |                  |
|                             | 285 041                        |  |                    | 13 869                             | 14 085           |
|                             |                                | 1 204  |                    | (285 041)                          |                  |
|                             |                                |  | 18 985             | (1 204)                            |                  |
|                             |                                |  | (9 711)            | (18 985)                           |                  |
| (640 068)                   | (230 936)                      | (123 151)                                      |                    | 9 711                              |                  |
|                             |                                |  |                    | 994 155                            |                  |
| <b>497 781</b>              | <b>291 114</b>                 | <b>212 368</b>                                 | <b>29 935</b>      | <b>5 664 038</b>                   | <b>6 895 772</b> |
|                             | (9 356)                        | 13 115   |                    | 263 623                            | 161 204          |
| 497 781                     | 281 758                        | 225 483  | 29 935             | 5 927 661                          | 7 056 976        |
|                             |                                |  |                    | 317 138                            | 317 138          |
|                             |                                |  |                    | 1 838 253                          | 1 838 253        |
|                             |                                |  |                    | (35 861)                           |                  |
|                             |                                |  |                    | 31 597                             |                  |
|                             | 277 610                        |  |                    | (277 610)                          | 161              |
|                             |                                | 14 907   |                    | (155)                              | 14 752           |
|                             |                                |  | 19 882             | (19 882)                           |                  |
|                             |                                | (15 824)                                       | (11 221)           | 11 221                             |                  |
| (5 519)                     |                                | (16 706)                                       |                    | 23 788                             | 2 445            |
| (52 902)                    | (56 284)                       |  |                    | 125 892                            |                  |
| 439 360                     | 503 084                        | 207 860  | 38 596             | 7 942 042                          | 9 229 725        |



# Cash flow statement

for the year ended 30 June 2006

| Notes | GROUP                                       |                    | CJMM               |                    |
|-------|---|--------------------|--------------------|--------------------|
|       | 2006<br>R000                                | 2005<br>R000       | 2006<br>R000       | 2005<br>R000       |
|       | <b>Cash flows from operating activities</b> |                    |                    |                    |
|       | 13 886 597                                  | 13 221 240         | 7 965 200          | 7 108 074          |
|       | (11 153 532)                                | (10 421 160)       | (7 197 004)        | (5 343 168)        |
| 34    | 2 733 065                                   | 2 800 080          | 768 196            | 1 764 906          |
|       | 465 175                                     | 409 719            | 1 016 477          | 921 643            |
| 35    | (775 344)                                   | (671 268)          | (707 355)          | (605 834)          |
|       | (10 974)                                    | (289 595)          |                    |                    |
|       | <b>2 411 922</b>                            | <b>2 248 936</b>   | <b>1 077 318</b>   | <b>2 080 715</b>   |
|       | <b>Cash flows from investing activities</b> |                    |                    |                    |
|       | (2 742 657)                                 | (1 860 270)        | (1 361 285)        | (1 016 210)        |
|       | 54 170                                      | 54 154             | 47 153             | 53 113             |
|       | (48 596)                                    | (30 811)           |                    |                    |
|       | (449 801)                                   | 479 311            | (442 960)          | 460 193            |
|       | 248 572                                     | (827 847)          | 248 572            | (827 847)          |
|       | (119 015)                                   | (445 558)          | (116 327)          | (434 714)          |
|       | 14 560                                      | (40 755)           | (110 581)          | (718 595)          |
|       | <b>(3 042 767)</b>                          | <b>(2 671 776)</b> | <b>(1 735 428)</b> | <b>(2 484 060)</b> |
|       | <b>Cash flows from financing activities</b> |                    |                    |                    |
| 37    | 1 176 356                                   | (140 631)          | 1 201 629          | (66 640)           |
|       | 16 637                                      | 58 686             | (1 962)            | 36 318             |
| 37    | (559 154)                                   | 428 026            | (540 246)          | 410 976            |
|       | <b>633 839</b>                              | <b>346 081</b>     | <b>659 421</b>     | <b>380 654</b>     |
|       | <b>2 994</b>                                | <b>(76 759)</b>    | <b>1 311</b>       | <b>(22 691)</b>    |
|       | <b>Bank and cash equivalents</b>            |                    |                    |                    |
|       | 57 787                                      | 134 546            | 85 724             | 108 415            |
| 19    | 60 781                                      | 57 787             | 87 035             | 85 724             |

# Notes to the financial statements

for the year ended 30 June 2006

## 1. ACCOUNTING POLICIES

### BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless otherwise stated.

These financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Standards of Generally Accepted Municipal Accounting Practice (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005.

The Standards comprise the following:

|          |  |
|----------|--|
| GRAP 1   | Presentation of Financial Statements                                     |
| GRAP 2   | Cash Flow Statements   |
| GRAP 3   | Accounting Policies, Changes in Accounting Estimates and Errors          |
| GAMAP 4  | The Effects of Changes in Foreign Exchange Rates                         |
| GAMAP 6  | Consolidated Financial Statements and Accounting for Controlled Entities |
| GAMAP 7  | Accounting for Investments in Associates                                 |
| GAMAP 8  | Financial Reporting of Interests in Joint Ventures                       |
| GAMAP 9  | Revenue  |
| GAMAP 12 | Inventories  |
| GAMAP 17 | Property, Plant and Equipment  |
| GAMAP 19 | Provisions, Contingent Liabilities and Contingent Assets                 |

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs .07, .11 and .12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, except for the straight-lining of operating leases and the capitalisation of office equipment leases in the City of Johannesburg Metropolitan Municipality.

These accounting policies are consistent with those of the previous financial year.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

These group annual financial statements have been prepared on the accrual basis of accounting and are in accordance with the historical cost convention, except where otherwise stated.

The group annual financial statements represent the consolidated financial position, financial performance, and cash flow information of CJMM and its Municipal Entities. Municipal Entities are companies over which the Group exercises control. The share of net assets and results of these MEs are included from the effective date of control, until the effective date of cessation of control.

### BASIS OF CONSOLIDATION

#### Investment in Municipal Entities (MEs)

MEs are those entities over whose financial and operating policies the Group has the power to exercise beneficial control.

The group annual financial statements incorporate the assets, liabilities and results of the operations of the CJMM and its MEs. The results of the MEs acquired and disposed of during the financial year are, respectively, included from the effective dates of acquisition, and to the effective dates of disposal.

Where necessary, the accounting policies of MEs are changed to ensure consistency with the policies adopted by the Group.

#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated when preparing the consolidated financial statements.



# Notes to the financial statements

for the year ended 30 June 2006

## 1. ACCOUNTING POLICIES (continued)

### USE OF ESTIMATES

The preparation of financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### PRESENTATION CURRENCY

These group annual financial statements are presented in South African Rand.

### GOING CONCERN ASSUMPTION

These group annual financial statements have been prepared on the going concern basis.

### COMPARATIVE INFORMATION

#### Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year.

#### Prior year comparatives:

When the presentation or classification of items in the annual financial statements has been amended, prior period comparative amounts have been reclassified. The nature and reason for the reclassification has been disclosed.

### HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing developments undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing developments, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act all proceeds from housing developments, which includes rental income and sale of houses, must be paid into the

Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area, subject to the approval of the Provincial MEC responsible for housing.

### 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 unappropriated surplus to the CRR in terms of a Council resolution (Item 22 dated 23 June 2004). A corresponding amount has been ring-fenced against call investment deposits. The ring-fenced cash can be utilised only 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 CRR is utilised.

The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan.

#### Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.



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## RESERVES (continued)

### Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grant Reserve equal to the government grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

### Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

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

### Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

## POST-EMPLOYMENT BENEFITS

### Pension funds

CJMM and certain MEs provide defined benefit and/or defined contribution retirement benefit plans for the benefit of employees. The employees fund these plans and the employers in the Group, taking into account the recommendations of independent actuaries where relevant. The Group also provides gratuity plans and subsidies after retirement for medical aid contributions and housing costs. These plans are partly unfunded, except that in respect of the MEs a portion of the cost may be recovered from CJMM.

### Defined contribution plans

The Group's funding of defined contribution plans is charged to the statement of financial performance in the same period as the related service is provided.



# Notes to the financial statements

for the year ended 30 June 2006

## 1. ACCOUNTING POLICIES (continued) POST-EMPLOYMENT BENEFITS (continued)

### Defined benefit plans

The group provides defined benefit plans in respect of retirement benefits, gratuities, and subsidisation of medical aid contributions and housing costs after retirement for qualifying employees.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligations, calculated by using the projected unit credit method, and reduced by the fair value of plan assets, where relevant. The amount of any surplus recognised is limited to the present value of any available refunds and reduction in future contributions for the employers in the Group. To the extent that there is uncertainty as to the entitlement to the surplus, no asset is recognised.

Actuarial gains and losses are recognised immediately in income or expense in the period in which they arise. Past service costs are recognised immediately the benefits are vested, otherwise they are recognised when it is probable that the expense will be incurred.

### Post-retirement medical benefits

The Group operates a number of employee medical schemes. The Group provides post-retirement medical benefits to certain ex-employees. The liability for these benefits up to the date of the formation of the MEs has been assumed by CJMM. These benefits are charged to the statement of financial performance in the year of payment. The expected costs of these benefits are accrued over the period of employment. Independent actuaries carry out valuations of these obligations.

### Housing subsidies

The CJMM provides post-retirement housing subsidies for qualifying staff members. The payment of these subsidies is reflected as expenditure in the statement of financial performance.

### Purchase of service

Certain pension funds allow members to purchase additional service in terms of the fund's rules. This is reflected in the

statement of financial performance when the expense is incurred.

### Gratuities

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

### Bonus pensionable service and medical boardings

The benefits of bonus pensionable service and medical boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which it is paid.

### PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the cost of average weighted borrowings to the Group.

### TRADE CREDITORS

Trade creditors are stated at their nominal value.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, excluding land and heritage, is stated at cost less accumulated depreciation and accumulated impairment losses, except land as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs incurred in the acquisition, establishment and installation

**1. ACCOUNTING POLICIES (continued)**  
**PROPERTY, PLANT AND EQUIPMENT (continued)**

of such assets so as to bring them to working condition for their intended use. The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

**Residual value**

The City of Johannesburg maintains and acquires assets to provide a social service to the community with no intention of disposing the assets for any economic gain and thus no residual values are determined.

Property, plant and equipment (excluding land) are depreciated to a nil value with no residual values being maintained. Where there are residual values these are not material.

**Depreciation**

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight-line basis, over the estimated useful life. Depreciation of asset commences when the asset is ready for its intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Profits and losses arising on the disposal or retirement of an item of property, plant and equipment, determined as the difference between the actual proceeds and the carrying amount of the assets, are recognised in the statement of financial performance in the period in which they occur.

Landfill site, where historical experience indicates that restoration costs will be incurred; a liability for the site restoration costs is recorded. The liability recorded is measured at the present value of the estimated future restoration costs to be incurred. The present value of the liability is capitalised to the underlying landfill site asset to which the restoration costs relate at the inception of the restoration obligation. These amounts are amortised over the estimated useful life of the related asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The annual depreciation rates are based on the following estimated asset lives:

| <b>Infrastructure assets</b> | <b>Years</b> | <b>Other assets</b>                | <b>Years</b> |
|------------------------------|--------------|------------------------------------|--------------|
| Roads and paving             | 30           | Buildings                          | 30           |
| Pedestrian malls             | 30           | Specialist vehicles                | 10           |
| Electricity                  | 20 – 30      | Other vehicles                     | 5            |
| Water infrastructure         | 15 – 20      | Office equipment                   | 3 – 7        |
| Sewerage infrastructure      | 15 – 20      | Furniture and fittings             | 7 – 10       |
| Housing                      | 30           | Watercraft                         | 15           |
| <b>Community assets</b>      | <b>Years</b> | Bins and containers                | 5            |
| Buildings                    | 30           | Specialised plant and equipment    | 10 – 15      |
| Recreational facilities      | 20 – 30      | Other items of plant and equipment | 2 – 5        |
| Security                     | 5            |                                    |              |



# Notes to the financial statements

for the year ended 30 June 2006

## 1. ACCOUNTING POLICIES (continued)

### Investment properties

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years, except for land where no depreciation is provided for.

### Impairment of cash-generating assets

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the consolidated statement of financial performance immediately. The recoverable amount of the asset is the higher of the asset fair value less cost of disposal and its value in use.

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

The value in use of an asset represents the expected future cash flows, from continuing use and disposal that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amounts of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

### Impairment of non-cash generating assets

Non-cash generating assets such as Infrastructure and community assets are not impaired as no open market value can be obtained and there is no intention to sell these assets as they are for the benefit of the community.

## INTANGIBLE ASSETS

Intangible assets comprise software and servitudes, and are shown at cost, less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life.

Servitudes are not amortised.

Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Group and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset. Associated costs include staff costs of the development team and an appropriate portion of relevant overheads.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

Research and development expenditure is written off as incurred.



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## 1. ACCOUNTING POLICIES (continued) INVESTMENTS

The municipality may have the following types of investments.

- Held-to-maturity (HTM) investments are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity.
- Held-for-sale investments are those financial assets that are designated as available for sale or not classified as held-to-maturity investments or financial assets at fair value through profit or loss.

INITIAL MEASUREMENT of financial instruments is at cost, which is the fair value of the consideration given. The fair value is usually the transaction price or market price.

Transaction costs are included in the initial measurement of financial assets. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges; and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

SUBSEQUENT MEASUREMENT of financial assets.

HTM investments and loans and receivables originated by the entity and not held for trading are subsequently recognised at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The Municipality limits its counterparty exposure arising from money market by only dealing with well established financial

institutions confirmed by the rating agency. The credit ratings of these institutions are reviewed quarterly and investments are spread across different types of approved investments and institutions.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of financial performance.

### Investment in MEs

Investments in MEs are carried at cost. The group annual financial statements are prepared to account for the CJMM's share of net assets and post-acquisition results of these investments.

### LEASES

#### Leases classification.

Leases involving property, plant and equipment whereby the lessor provides finance to the lessee with the asset as security, and where the lessee assumes significant risks and rewards of ownership of those leased assets, are classified as finance leases.

Leases of property, plant and equipment to the lessee, under which the lessor effectively retains the significant risks and rewards of ownership of the leased assets, are classified as operating leases.

#### Finance leases

Finance leases are capitalised at the estimated present value of the underlying lease payments and a corresponding finance lease liability is raised. Each lease payment is allocated between the liability and finance charge so as to achieve a constant finance rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing borrowings. The interest element of the finance charges is charged to the statement of financial performance over the lease period. The property, plant and equipment acquired under finance lease contracts are depreciated over the useful lives of the assets.



# Notes to the financial statements

for the year ended 30 June 2006

## 1. ACCOUNTING POLICIES (continued)

### LEASES (continued)

#### Operating leases

Payments made under operating leases are charged to the statement of financial performance.

When an operating lease is terminated before the lease period has expired, any payment made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### INVENTORIES

Inventories include consumable stores, maintenance materials, spare parts for plant and equipment, work in progress and land and or property held for sale. Cost is determined by the first-in-first-out method and comprises all costs of purchases, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost and current replacement cost. Current replacement cost represents the cost the municipality would incur to acquire the asset on the reporting date.

When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense on the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when goods are distributed or related service is rendered.

The amount of any write-down of inventories and all losses of inventories shall be 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, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

### CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are investments with maturities of three months or less, subject to an insignificant risk of change in value, that are held with registered banking institutions. These cash reserves are available to the group.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts

### REVENUE RECOGNITION

#### Revenue from exchange transactions

Service charges relating to electricity and water are based on consumption. Meter readings are made on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly where meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Revenue from the sale of electricity pre-paid meter cards is recognised at the point of sale and not when prepaid electricity is consumed.

Revenue from the sale of goods is recognised when the risks and rewards of ownership are passed to the purchaser.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Interest and rentals are recognised on a time-proportion basis.

## 1. ACCOUNTING POLICIES (continued) REVENUE RECOGNITION (continued)

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreements.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

### Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from Regional Service Levies, both that based on turnover as well as that based on remuneration, is recognised on the receipt basis. Whilst provisional estimates are prepared when a registered levy payer does not submit a levy declaration, these provisional estimates cannot be recognised as Regional Service Levies due to uncertainty as to the reason why a registered levy payer has not submitted a declaration, as well as the basis of determining provisional estimates, which are deliberately inflated to encourage submission of declarations by registered levy payers.

Fines arise from both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis, or, where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

### Conditional grants and receipts

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

## TAXATION

### Current taxation

The charge for current taxation is based on the results for the period and is adjusted for items that were disallowed. Current taxation is measured at the amount expected to be paid, using taxation rates and laws that have been enacted by the financial position date. Taxation is provided for only in the MEs to whom the Income Tax Act is applicable.

### Deferred taxation

Deferred taxation is provided using the balance sheet liability method for all temporary differences arising between the carrying amount of assets and liabilities on the consolidated statement of financial position, and their respective taxation basis.

Deferred tax liability is recognised for all taxable temporary differences to the extent that it is probable that it will not reverse in the foreseeable future.

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

### BORROWING COSTS

Borrowing cost are recognised as an expense in the statement of financial performance.



# Notes to the financial statements

for the year ended 30 June 2006

## 1. ACCOUNTING POLICIES (continued)

### UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or in contravention of the Group's supply-chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### SEGMENTAL INFORMATION

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, 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.

### DERIVATIVE INSTRUMENTS

The Group does not engage in speculative trading in derivative instruments.

## 2. HOUSING DEVELOPMENT FUND

The Housing Development Fund encompasses the following assets:

Other debtors

Accumulated losses limited to fund assets

Other

### Unappropriated surplus

## 3. NON-CURRENT LIABILITIES

Local registered stock loans

Funding facility

Structured loans

Development Bank of SA

Listed bonds

Capitalised leases

Other

### Less: Current portion transferred to current liabilities

Local registered stock loans

Funding facility

Structured loans

Development Bank of SA

Capitalised leases

Other

|   | GROUP            |                  | CJMM             |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2006<br>R000     | 2005<br>R000     | 2006<br>R000     | 2005<br>R000     |
| Other debtors   | 61 342           | 56 570           | 61 342           | 56 570           |
| Accumulated losses limited to fund assets                       | (61 342)         | (56 570)         | (61 342)         | (56 570)         |
| <b>Unappropriated surplus</b>                                   |                  |                  |                  |                  |
| <b>3. NON-CURRENT LIABILITIES</b>                               |                  |                  |                  |                  |
| Local registered stock loans                                    | 30 000           | 330 400          | 30 000           | 330 400          |
| Funding facility  | 47 433           | 60 155           | 47 433           | 60 155           |
| Structured loans  | 1 249 159        | 1 439 508        | 1 249 159        | 1 439 508        |
| Development Bank of SA  | 570 525          | 625 541          | 570 525          | 625 541          |
| Listed bonds  | 3 730 000        | 2 510 000        | 3 730 000        | 2 510 000        |
| Capitalised leases  | 255 647          | 299 828          |                  |                  |
| Other   | 1 300            | 1 430            | 1 300            | 1 430            |
|   | <b>5 884 064</b> | <b>5 266 862</b> | <b>5 628 417</b> | <b>4 967 034</b> |
| <b>Less: Current portion transferred to current liabilities</b> |                  |                  |                  |                  |
| Local registered stock loans                                    |                  | 300 399          |                  | 300 400          |
| Funding facility  | 15 995           | 12 734           | 15 995           | 12 733           |
| Structured loans  | 20 327           | 263 336          | 20 327           | 263 336          |
| Development Bank of SA  | 54 863           | 54 962           | 54 863           | 54 962           |
| Capitalised leases  | 1 357            | 25 137           |                  |                  |
| Other   | 21 047           | 16 175           | 130              | 130              |
|   | <b>113 589</b>   | <b>672 743</b>   | <b>91 315</b>    | <b>631 561</b>   |
|   | <b>5 770 475</b> | <b>4 594 119</b> | <b>5 537 102</b> | <b>4 335 473</b> |

Refer to Appendix A for details of non-current liabilities.

The capitalised lease liabilities are secured by the underlying assets.

For so long as any portion of the bonds remains outstanding, CJMM and its MEs may encumber their assets only provided that, subsequent to any such encumbrance, CJMM retains unencumbered assets with an aggregate book value of not less than R3,75 billion and, when combined with assets of the MEs, an aggregate book value of not less than R8 billion.



# Notes to the financial statements

for the year ended 30 June 2006

## 4. NON-CURRENT PROVISIONS

Provision for reclamation of refuse landfill sites  
 Post-retirement purchase of service  
 Pensionable bonus and medical boarding  
 Post-retirement medical aid  
 Post-retirement housing subsidies  
 Post-retirement gratuities

|   | GROUP            |                  | CJMM             |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2006<br>R000     | 2005<br>R000     | 2006<br>R000     | 2005<br>R000     |
|   | 140 152          | 145 043          |                  |                  |
|   | 12 597           | 27 421           | 12 597           | 27 421           |
|   | 30 368           | 66 858           | 30 368           | 66 858           |
|   | 1 173 933        | 1 155 477        | 1 138 959        | 1 116 828        |
|   | 10 525           | 10 699           | 10 375           | 10 439           |
|   | 431 531          | 419 483          | 416 340          | 405 413          |
|   | <b>1 799 106</b> | <b>1 824 981</b> | <b>1 608 639</b> | <b>1 626 959</b> |
|   |                  |                  |                  |                  |
| <b>The movement in provisions is reconciled as follows:</b> |                  |                  |                  |                  |
| <b>Provision for reclamation of refuse landfill sites</b>   |                  |                  |                  |                  |
| <b>Balance at beginning of year</b>                         | 145 043          | 141 389          |                  |                  |
| Contributions to provision                                  | 5 583            | 3 764            |                  |                  |
| Expenditure incurred  | (5 080)          | (110)            |                  |                  |
| Transfer to current provisions                              | (5 394)          |                  |                  |                  |
| <b>Balance at end of year</b>                               | <b>140 152</b>   | <b>145 043</b>   |                  |                  |
| <b>Post-retirement purchase of service</b>                  |                  |                  |                  |                  |
| <b>Balance at beginning of year</b>                         | 27 421           | 32 000           | 27 421           | 32 000           |
| Contributions to provision                                  |                  | 2 515            |                  | 2 515            |
| Expenditure incurred  | (14 824)         | (7 094)          | (14 824)         | (7 094)          |
| <b>Balance at end of year</b>                               | <b>12 597</b>    | <b>27 421</b>    | <b>12 597</b>    | <b>27 421</b>    |
| <b>Pensionable bonus and medical boarding</b>               |                  |                  |                  |                  |
| <b>Balance at beginning of year</b>                         | 66 858           | 135 173          | 66 858           | 135 173          |
| Expenditure incurred  | (36 490)         | (68 315)         | (36 490)         | (68 315)         |
| <b>Balance at end of year</b>                               | <b>30 368</b>    | <b>66 858</b>    | <b>30 368</b>    | <b>66 858</b>    |
| <b>Post-retirement medical aid</b>                          |                  |                  |                  |                  |
| <b>Balance at beginning of year</b>                         | 1 155 477        | 1 038 026        | 1 116 828        | 1 005 940        |
| Contributions to provision                                  | 95 233           | 189 271          | 94 283           | 181 406          |
| Expenditure incurred  | (76 777)         | (71 820)         | (72 152)         | (70 518)         |
| <b>Balance at end of year</b>                               | <b>1 173 933</b> | <b>1 155 477</b> | <b>1 138 959</b> | <b>1 116 828</b> |
| <b>Post-retirement housing subsidies</b>                    |                  |                  |                  |                  |
| <b>Balance at beginning of year</b>                         | 10 699           | 10 861           | 10 439           | 10 739           |
| Contributions to provision                                  | 1 672            | 1 534            | 1 478            | 1 401            |
| Expenditure incurred  | (1 846)          | (1 696)          | (1 542)          | (1 701)          |
| <b>Balance at end of year</b>                               | <b>10 525</b>    | <b>10 699</b>    | <b>10 375</b>    | <b>10 439</b>    |
| <b>Post-retirement gratuities</b>                           |                  |                  |                  |                  |
| <b>Balance at beginning of year</b>                         | 419 483          | 468 710          | 405 413          | 462 591          |
| Contributions to provision                                  | 52 971           | (8 293)          | 41 609           | (25 496)         |
| Expenditure incurred  | (40 923)         | (40 934)         | (30 682)         | (31 682)         |
| <b>Balance at end of year</b>                               | <b>431 531</b>   | <b>419 483</b>   | <b>416 340</b>   | <b>405 413</b>   |

## 5. DEFERRED TAXATION

Deferred taxation assets  
Deferred taxation liabilities

### Deferred taxation liability comprises:

Property, plant and equipment  
Intangible assets  
Provisions and deferred income  
Impairments  
Prepayments and other allowances  
Doubtful debts  
Lump sum pension contributions  
Capitalised lease liability  
Other

### Reconciliation

Balance at the beginning of the year  
Income Statement (expense)/ Income

### Balance at end of year

## 6. CONSUMER DEPOSITS

Electricity and water deposits  
Refuse  
Other deposits

No interest accrues on consumer deposits as the CJMM is not a deposit-taking organisation in terms of the Banking Act.

|  | GROUP        |              | CJMM         |              |
|--|--------------|--------------|--------------|--------------|
|  | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
|  | 509 885      | 597 795      |              |              |
|  | (581 433)    | (515 543)    |              |              |
|  | (71 548)     | 82 252       |              |              |
|  | (523 284)    | 25 007       |              |              |
|  | (1 966)      | (1 418)      |              |              |
|  | 29 871       | (2 877)      |              |              |
|  | 212 091      | (205 389)    |              |              |
|  | (122)        | (135)        |              |              |
|  | (505)        |              |              |              |
|  | 462          | -            |              |              |
|  | (1 738)      | (1 454)      |              |              |
|  | 213 643      | 268 518      |              |              |
|  | (71 548)     | 82 252       |              |              |
|  | 82 252       | (138 821)    |              |              |
|  | (153 800)    | 221 073      |              |              |
|  | (71 548)     | 82 252       |              |              |
|  | 323 580      | 307 052      | 198 801      | 200 507      |
|  | 102          |              |              |              |
|  | 3 440        | 3 433        | 3 177        | 3 433        |
|  | 327 122      | 310 485      | 201 978      | 203 940      |
|  |              |              |              |              |



# Notes to the financial statements

for the year ended 30 June 2006

## 7. CURRENT PROVISIONS

Performance bonus  
Staff 13th cheque  
Defined benefit funds  
Other

The movements in provisions are reconciled as follows:

### Performance bonus

#### Balance at beginning of year

Contributions to provision  
Expenditure incurred

#### Balance at end of year

### Staff 13th cheque

#### Balance at beginning of year

Contributions to provision  
Expenditure incurred

#### Balance at end of year

### Defined benefit funds

#### Balance at beginning of year

Contributions to provision  
Expenditure incurred

#### Balance at end of year

### Other

#### Balance at beginning of year

Contributions to provision  
Expenditure incurred

#### Balance at end of year

## 8. CREDITORS

Trade creditors  
Payments received in advance  
Retentions  
Credit balances in consumer debtors  
Accruals  
Staff leave  
Other creditors  
MEs current loans

|                                     | GROUP        |              | CJMM         |              |
|-------------------------------------|--------------|--------------|--------------|--------------|
|                                     | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
|                                     |              |              |              |              |
| Performance bonus                   | 20 875       | 31 402       |              |              |
| Staff 13th cheque                   | 23 994       | 26 667       |              |              |
| Defined benefit funds               | 413 598      |              | 413 598      |              |
| Other                               | 5 869        | 577          |              |              |
|                                     | 464 336      | 58 646       | 413 598      |              |
|                                     |              |              |              |              |
| <b>Performance bonus</b>            |              |              |              |              |
| <b>Balance at beginning of year</b> | 31 402       | 21 254       |              |              |
| Contributions to provision          | 8 434        | 23 927       |              |              |
| Expenditure incurred                | (18 961)     | (13 779)     |              |              |
| <b>Balance at end of year</b>       | 20 875       | 31 402       |              |              |
| <b>Staff 13th cheque</b>            |              |              |              |              |
| <b>Balance at beginning of year</b> | 26 667       | 21 064       |              |              |
| Contributions to provision          | 31 473       | 30 942       |              |              |
| Expenditure incurred                | (34 146)     | (25 339)     |              |              |
| <b>Balance at end of year</b>       | 23 994       | 26 667       |              |              |
| <b>Defined benefit funds</b>        |              |              |              |              |
| <b>Balance at beginning of year</b> | 413 598      |              | 413 598      |              |
| Contributions to provision          |              |              |              |              |
| Expenditure incurred                |              |              |              |              |
| <b>Balance at end of year</b>       | 413 598      |              | 413 598      |              |
| <b>Other</b>                        |              |              |              |              |
| <b>Balance at beginning of year</b> | 577          | 238          |              |              |
| Contributions to provision          | 5 869        | 177          |              |              |
| Expenditure incurred                | (577)        | 162          |              |              |
| <b>Balance at end of year</b>       | 5 869        | 577          |              |              |
|                                     |              |              |              |              |
| Trade creditors                     | 1 685 825    | 1 619 331    | 697 541      | 694 051      |
| Payments received in advance        | 79 168       | 100 231      | 74 015       | 98 820       |
| Retentions                          | 77 613       | 23 774       | 23 712       | 23 216       |
| Credit balances in consumer debtors | 782 107      | 744 111      | 452 160      | 510 205      |
| Accruals                            | 326 082      | 75 052       |              |              |
| Staff leave                         | 261 718      | 341 145      | 202 374      | 270 003      |
| Other creditors                     | 328 665      | 697 440      | 8 587        | 37 883       |
| MEs current loans                   |              |              | 2 343 994    | 2 342 169    |
|                                     | 3 541 178    | 3 601 084    | 3 802 383    | 3 976 347    |



## 9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

### Conditional grants from National and Provincial Government

Equitable share

Provincial health subsidies

Provincial grants: capital projects

Municipal infrastructure grant

Financial management grant

Restructuring grant

Provincial grants: operating projects

Municipal System improvement grant

Other (Detail breakdown on an attachment)

### Other conditional receipts

Public contributions

Other

|  | GROUP        |              | CJMM         |              |
|--|--------------|--------------|--------------|--------------|
|  | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
|  |              |              |              |              |
|  | 131 282      | 77 745       | 131 282      | 77 745       |
|  | 33 602       | 866          | 32 865       |              |
|  | 6 014        | 5 817        | 6 014        | 5 817        |
|  | 14 056       | 73 623       | 14 056       | 73 623       |
|  | 3 071        |              | 3 071        |              |
|  | 3 040        |              | 3 040        |              |
|  |              | 22 300       |              |              |
|  | 75 786       | 105 956      | 23 683       | 9 472        |
|  | 95 671       | 37           |              |              |
|  | 362 522      | 286 344      | 214 011      | 166 657      |
|  |              |              |              |              |
|  | 12 107       | (7 056)      | 22 835       | (11 033)     |

See note 22 for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

## 10. VAT

VAT payable/(receivable)

VAT is payable on the receipt basis. Only once payment is received from Debtors is VAT remitted to SARS.

## 11. PROPERTY, PLANT AND EQUIPMENT

Beginning in January 2001, CJMM and the various MEs entered into sale-of-business agreements in terms of which CJMM sold, as going concerns, its Municipal Service Divisions to the newly formed companies. The effect of the corporatisations and the sale of businesses is that the Municipal Service operations are now housed in separate companies (MEs), whilst the ultimate constitutional responsibility for the provision of municipal services remains with CJMM. In this regard, CJMM has entered into service delivery agreements with the MEs. CJMM is in the process of finalising the outstanding issues and seeking clarity regarding Taxation before transfer of certain fixed assets can take effect.

The fixed asset records held by the City in one or the other form had as a whole, been incomplete. Global amounts and vague asset descriptions were included in the fixed asset register. During the year, the City followed the guideline for the implementation of accounting standards issued by National Treasury. Chapter 3 of this guide outlines two methods for determining values of property, plant and equipment at the date of implementation of the standards, and three options to be considered when dealing with incomplete data and global amounts in the asset registers. The City adopted method 2 by valuing land, furniture and office equipment at fair value and option 3 taking the adjustments arising out of the fair valuing of land, furniture and equipment against the opening balance of the accumulated surplus in the Statement of Changes in Net Assets. The re-valued assets were captured with new acquisition date of 29 March 2005. This approach was documented, discussed with the Office of the Auditor General, and was approved by the Council of the City. This option was selected by the City as appropriate to the circumstances, cost-effective and pragmatic. Consequent to the above decisions, the City re-valued its land and movable assets at their fair values, and wrote off assets containing insufficient data and global amounts with a cost of R4 612 billion and a net book value of R1 290 billion and replaced them with assets with a fair value of R6 355 billion. The net adjustment was made against accumulated surplus in the Statement of Changes in Net Assets as per GAMAP 17.



# Notes to the financial statements

for the year ended 30 June 2006

## 11. PROPERTY PLANT AND EQUIPMENT (continued)

For the purpose of this exercise, land assets held by the City were established with reference to old records, title deeds held by the City and with reference to the information per the deeds office. The valuation of land was performed utilising the "Desk Top" method. The method utilises the SA Property Transfer Guide and market assessment assumptions as comparisons for market related values, and does not include site inspection. All properties were valued as vacant land, with no irregularities or defaults such as servitudes, marsh land, or other factors which could not be accounted for without viewing the sites. The valuation was performed by a registered appraiser/valuer, registered in terms of Act 66 of 1965.

Moveable assets were assigned a fair value after physical verification. The fair valuation was based on the price that an informed buyer would be willing to pay, in a normal arms-length transaction to a willing seller.

The land register is available for inspection at the registered office of CJMM.

In terms of the conditions of the bonds issued during the year and as detailed in note 3 to these financial statements, the municipality and it's MEs are required to maintain unencumbered assets with a book value of R3,75 billion for CJMM and R8 billion for the Group.

Refer to Appendices B and C for detailed analysis of fixed assets.

| Group  | Total<br>R000 | Land and<br>buildings<br>R000 | Infra-<br>structure<br>R000 | Community<br>assets<br>R000 | Heritage<br>assets<br>R000 | Specialised<br>vehicles<br>R000 | Investment<br>properties<br>R000 | Other<br>assets<br>R000 |
|--|---------------|-------------------------------|-----------------------------|-----------------------------|----------------------------|---------------------------------|----------------------------------|-------------------------|
| <b>Carrying value</b>                        |               |                               |                             |                             |                            |                                 |                                  |                         |
| <b>1 July 2005</b>                           | 13 274 501    | 6 843 147                     | 3 653 315                   | 221 451                     | 81 882                     | 219 147                         | 1 000 603                        | 1 254 956               |
| Cost   | 16 706 455    | 7 773 529                     | 4 976 168                   | 294 044                     | 114 845                    | 413 804                         | 1 000 603                        | 2 133 462               |
| Accumulated depreciation                     | (3 431 954)   | (930 382)                     | (1 322 853)                 | (72 593)                    | (32 963)                   | (194 657)                       |                                  | (878 506)               |
| <b>Acquisitions</b>                          | 2 621 607     | 342 998                       | 786 448                     | 142 960                     | 35 692                     | 498                             |                                  | 1 313 011               |
| <b>Capital under construction</b>            | 121 050       | 3 758                         |                             |                             |                            |                                 |                                  | 117 292                 |
| <b>Increase/decreases in fair land value</b> | 1 838 253     | 1 575 454                     | 41 233                      | 216 372                     |                            |                                 | 4 899                            | 295                     |
| <b>Capitalisation adjustment</b>             | 17 324        | 14 917                        | 2 363                       | 823                         |                            |                                 |                                  | (779)                   |
| – based on cost                              | 39 962        | 19 961                        | 18 027                      | 935                         |                            |                                 |                                  | 1 039                   |
| – based on cost accelerated                  | (22 638)      | (5 044)                       | (15 664)                    | (112)                       |                            |                                 |                                  | (1 818)                 |
| <b>Depreciation</b>                          | (909 050)     | (147 530)                     | (327 717)                   | (39 312)                    | (2 928)                    | (30 978)                        |                                  | (360 585)               |
| – based on cost                              | (909 050)     | (147 530)                     | (327 717)                   | (39 312)                    | (2 928)                    | (30 978)                        |                                  | (360 585)               |
| <b>Carrying value of disposals</b>           | (49 865)      | (38 288)                      | (10 034)                    | 2 287                       | (6 746)                    | (284)                           | 4 621                            | (1 421)                 |
| Cost/revaluation                             | (136 687)     | (41 222)                      | (15 767)                    | (220)                       | (13 155)                   | (13 765)                        | 4 621                            | (57 179)                |
| Accumulated depreciation                     | 86 822        | 2 934                         | 5 733                       | 2 507                       | 6 409                      | 13 481                          |                                  | 55 758                  |
| <b>Other movements</b>                       | (685)         | 52 132                        | 628 992                     | 20 254                      |                            |                                 |                                  | (702 063)               |
| Cost/revaluation                             | (321)         | 52 046                        | 628 992                     | 20 254                      |                            |                                 |                                  | (701 613)               |
| Accumulated depreciation                     | (364)         | 86                            |                             |                             |                            |                                 |                                  | (450)                   |
| <b>Carrying values at 30 June 2006</b>       | 16 913 135    | 8 646 588                     | 4 774 600                   | 564 835                     | 107 900                    | 188 383                         | 1 010 123                        | 1 620 706               |
| Cost   | 21 190 319    | 9 726 524                     | 6 435 101                   | 674 345                     | 137 382                    | 400 537                         | 1 010 123                        | 2 806 307               |
| Accumulated depreciation                     | (4 277 184)   | (1 079 936)                   | (1 660 501)                 | (109 510)                   | (29 482)                   | (212 154)                       |                                  | (1 185 601)             |

## 11. PROPERTY PLANT AND EQUIPMENT (continued)

| Group  | Total<br>R000 | Land and<br>buildings<br>R000 | Infra-<br>structure<br>R000 | Community<br>assets<br>R000 | Heritage<br>assets<br>R000 | Specialised<br>vehicles<br>R000 | Investment<br>properties<br>R000 | Other<br>assets<br>R000 |
|--|---------------|-------------------------------|-----------------------------|-----------------------------|----------------------------|---------------------------------|----------------------------------|-------------------------|
| <b>Carrying value<br/>1 July 2004</b>            | 7 232 440     | 2 158 362                     | 3 751 369                   | 178 236                     | 57 399                     | 250 782                         |                                  | 836 292                 |
| Cost   | 13 118 000    | 3 195 966                     | 7 280 075                   | 416 374                     | 89 898                     | 413 770                         |                                  | 1 721 917               |
| Accumulated<br>depreciation                      | (5 885 560)   | (1 037 604)                   | (3 528 706)                 | (238 138)                   | (32 499)                   | (162 988)                       |                                  | (885 625)               |
| <b>Acquisitions</b>                              | 1 181 078     | 191 320                       | 476 891                     | 83 758                      | 19 597                     | 62                              |                                  | 409 450                 |
| <b>Capital under<br/>construction</b>            | 679 192       |                               |                             |                             |                            |                                 |                                  | 679 192                 |
| <b>Increase/decreases in<br/>fair land value</b> | 6 354 647     | 6 162 679                     | 2                           | 795                         | 78                         |                                 |                                  | 191 093                 |
| <b>Capitalisation<br/>adjustment</b>             | (6 720)       | (1 020 471)                   | 12 228                      | 920                         |                            |                                 | 1 000 603                        |                         |
| <b>Depreciation</b>                              | (2 162 278)   | (685 228)                     | (1 143 785)                 | (44 838)                    | (3 905)                    | (31 696)                        |                                  | (252 826)               |
| – based on cost                                  | (872 163)     | (106 196)                     | (486 812)                   | (18 337)                    | (3 395)                    | (31 696)                        |                                  | (225 727)               |
| – based on cost<br>accelerated                   | (1 290 115)   | (579 032)                     | (656 973)                   | (26 501)                    | (510)                      |                                 |                                  | (27 099)                |
| <b>Carrying value of<br/>disposals</b>           | (3 858)       | (2 931)                       | 19 411                      | (19 865)                    |                            | (1)                             |                                  | (472)                   |
| Cost/revaluation                                 | (4 619 742)   | (795 381)                     | (3 328 170)                 | (230 248)                   | (3 441)                    | (28)                            |                                  | (262 474)               |
| Accumulated<br>depreciation                      | 4 615 884     | 792 450                       | 3 347 581                   | 210 383                     | 3 441                      | 27                              |                                  | 262 002                 |
| <b>Other movements</b>                           |               | 39 416                        | 537 199                     | 22 445                      | 8 713                      |                                 |                                  | (607 773)               |
| Cost/revaluation                                 |               | 39 416                        | 535 142                     | 22 445                      | 8 713                      |                                 |                                  | (605 716)               |
| Accumulated<br>depreciation                      |               |                               | 2 057                       |                             |                            |                                 |                                  | (2 057)                 |
| <b>Carrying value<br/>30 June 2005</b>           | 13 274 501    | 6 843 147                     | 3 653 315                   | 221 451                     | 81 882                     | 219 147                         | 1 000 603                        | 1 254 956               |
| Cost   | 16 706 455    | 7 773 529                     | 4 976 168                   | 294 044                     | 114 845                    | 413 804                         | 1 000 603                        | 2 133 462               |
| Accumulated<br>depreciation                      | (3 431 954)   | (930 382)                     | (1 322 853)                 | (72 593)                    | (32 963)                   | (194 657)                       |                                  | (878 506)               |



# Notes to the financial statements

for the year ended 30 June 2006

## 11. PROPERTY PLANT AND EQUIPMENT (continued)

| CJMM   | Total<br>R000 | Land and<br>buildings<br>R000 | Infra-<br>structure<br>R000 | Community<br>assets<br>R000 | Heritage<br>assets<br>R000 | Investment<br>properties<br>R000 | Other<br>assets<br>R000 |
|--|---------------|-------------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------------|-------------------------|
| <b>Carrying values at<br/>at 1 July 2005</b> | 9 114 049     | 6 376 399                     | 1 149 286                   | 221 451                     | 81 882                     | 1 000 603                        | 284 428                 |
| Cost   | 10 705 208    | 7 134 951                     | 1 550 985                   | 294 044                     | 114 845                    | 1 000 603                        | 609 780                 |
| Accumulated depreciation                     | (1 591 159)   | (758 552)                     | (401 699)                   | (72 593)                    | (32 963)                   |                                  | (325 352)               |
| <b>Acquisitions</b>                          | 1 246 536     | 286 377                       | 556 593                     | 142 960                     | 35 692                     |                                  | 224 914                 |
| <b>Capital under construction</b>            | 114 749       |                               |                             |                             |                            |                                  | 114 749                 |
| <b>Increase/decreases in fair value</b>      | 1 838 253     | 1 575 454                     | 41 233                      | 216 372                     |                            | 4 899                            | 295                     |
| <b>Capitalisation adjustment</b>             | 17 324        | 14 917                        | 2 363                       | 823                         |                            |                                  | (779)                   |
| Cost   | 39 752        | 19 961                        | 18 027                      | 935                         |                            |                                  | 829                     |
| Accumulated depreciation                     | (22 428)      | (5 044)                       | (15 664)                    | (112)                       |                            |                                  | (1 608)                 |
| <b>Depreciation</b>                          | (463 736)     | (104 902)                     | (86 652)                    | (39 312)                    | (2 928)                    |                                  | (229 942)               |
| – based on cost                              | (463 736)     | (104 902)                     | (86 652)                    | (39 312)                    | (2 928)                    |                                  | (229 942)               |
| <b>Carrying value of disposals</b>           | (43 948)      | (38 288)                      | (4 728)                     | 2 287                       | (6 746)                    | 4 621                            | (1 094)                 |
| Cost/revaluation                             | (113 107)     | (41 222)                      | (9 131)                     | (220)                       | (13 155)                   | 4 621                            | (54 000)                |
| Accumulated depreciation                     | 69 159        | 2 934                         | 4 403                       | 2 507                       | 6 409                      |                                  | 52 906                  |
| <b>Other movements</b>                       |               | 15 615                        | 25 554                      | 20 254                      |                            |                                  | (61 423)                |
| <b>Carrying values at<br/>30 June 2006</b>   | 11 823 227    | 8 125 572                     | 1 683 649                   | 564 835                     | 107 900                    | 1 010 123                        | 331 148                 |
| Cost   | 13 831 391    | 8 991 136                     | 2 183 261                   | 674 345                     | 137 382                    | 1 010 123                        | 835 144                 |
| Accumulated depreciation                     | (2 008 164)   | (865 564)                     | (499 612)                   | (109 510)                   | (29 482)                   |                                  | (503 996)               |

## 11. PROPERTY PLANT AND EQUIPMENT (continued)

| CJMM                                       | Total<br>R000 | Land and<br>buildings<br>R000 | Infra-<br>structure<br>R000 | Community<br>assets<br>R000 | Heritage<br>assets<br>R000 | Investment<br>properties<br>R000 | Other<br>assets<br>R000 |
|--|---------------|-------------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------------|-------------------------|
| <b>Carrying values at<br/>1 July 2004</b>  | 3 627 950     | 1 716 410                     | 1 524 586                   | 178 236                     | 57 399                     |                                  | 151 319                 |
| Cost                                       | 8 117 063     | 2 618 533                     | 4 360 974                   | 416 374                     | 89 898                     |                                  | 631 284                 |
| Accumulated depreciation                   | (4 489 113)   | (902 123)                     | (2 836 388)                 | (238 138)                   | (32 499)                   |                                  | (479 965)               |
| <b>Acquisitions</b>                        | 606 167       | 142 495                       | 313 134                     | 83 758                      | 19 597                     |                                  | 47 183                  |
| <b>Capital under construction</b>          | 246 049       |                               |                             |                             |                            |                                  | 246 049                 |
| <b>Increase/decreases in fair value</b>    | 6 354 647     | 6 162 679                     | 2                           | 795                         | 78                         |                                  | 191 093                 |
| <b>Capitalisation adjustment</b>           | (6 720)       | (1 020 471)                   | 12 228                      | 920                         |                            | 1 000 603                        |                         |
| <b>Depreciation</b>                        | (1 713 956)   | (647 058)                     | (912 856)                   | (44 838)                    | (3 905)                    |                                  | (105 299)               |
| – based on cost                            | (423 841)     | (68 026)                      | (255 883)                   | (18 337)                    | (3 395)                    |                                  | (78 200)                |
| – based on cost accelerated                | (1 290 115)   | (579 032)                     | (656 973)                   | (26 501)                    | (510)                      |                                  | (27 099)                |
| <b>Carrying value of disposals</b>         | (88)          | 2                             | 19 775                      | (19 865)                    |                            |                                  |                         |
| Cost/revaluation                           | (4 611 998)   | (790 627)                     | (3 327 770)                 | (230 248)                   | (3 441)                    |                                  | (259 912)               |
| Accumulated depreciation                   | 4 611 910     | 790 629                       | 3 347 545                   | 210 383                     | 3 441                      |                                  | 259 912                 |
| <b>Other movements</b>                     |               | 22 342                        | 192 417                     | 22 445                      | 8 713                      |                                  | (245 917)               |
| <b>Carrying values at<br/>30 June 2005</b> | 9 114 049     | 6 376 399                     | 1 149 286                   | 221 451                     | 81 882                     | 1 000 603                        | 284 428                 |
| Cost                                       | 10 705 208    | 7 134 951                     | 1 550 985                   | 294 044                     | 114 845                    | 1 000 603                        | 609 780                 |
| Accumulated depreciation                   | (1 591 159)   | (758 552)                     | (401 699)                   | (72 593)                    | (32 963)                   |                                  | (325 352)               |



# Notes to the financial statements

for the year ended 30 June 2006

|  | Total<br>R000 | Software<br>and other<br>R000 | Goodwill<br>R000 | Other<br>R000 |
|--|---------------|-------------------------------|------------------|---------------|
| <b>12. INTANGIBLE ASSETS</b>   |               |                               |                  |               |
| <b>Group 2006</b>  |               |                               |                  |               |
| Opening balance  | 82 314        | 61 268                        |                  | 21 046        |
| Additions  | 48 596        | 8 809                         |                  | 39 787        |
| Amortisation charge  | (35 106)      | (33 005)                      |                  | (2 101)       |
| <b>Closing balance</b>   | <b>95 804</b> | <b>37 072</b>                 |                  | <b>58 732</b> |
| <b>Group 2005</b>  |               |                               |                  |               |
| Opening balance  | 363 351       | 53 747                        | 286 418          | 23 186        |
| Correcting acquisition/impairment of goodwill in the accounts of MEs | (287 678)     |                               | (287 678)        |               |
| Additions  | 30 811        | 29 797                        |                  | 1 014         |
| Amortisation charge  | (24 170)      | (22 276)                      | 1 260            | (3 154)       |
| <b>Closing balance</b>   | <b>82 314</b> | <b>61 268</b>                 |                  | <b>21 046</b> |

## 13. INVESTMENTS

### Unlisted

|   | GROUP<br>2006<br>R000 | 2005<br>R000 | CJMM<br>2006<br>R000 | 2005<br>R000 |
|---|-----------------------|--------------|----------------------|--------------|
| Rand Water Board                                    |                       | 100          |                      | 100          |
| Eskom   | 86                    | 86           | 86                   | 86           |
| Investment in MEs                                   |                       |              | 183 117              | 183 117      |
| Greater Newtown Development Company (Pty) Limited   |                       | 20 409       |                      |              |
| Constitution Hill Development Company (Pty) Limited |                       | 30 000       |                      |              |
|   | 86                    | 50 595       | 183 203              | 183 303      |

### Financial instruments

|  |                |                |                  |                |
|--|----------------|----------------|------------------|----------------|
| Held-to-maturity investments*                            | 955 293        | 725 754        | 955 293          | 725 754        |
| Held-for-sale investments                                | 579 275        | 614 326        | 579 275          | 614 326        |
|  | 1 534 568      | 1 340 080      | 1 534 568        | 1 340 080      |
| Less: Current portion transferred to current investments | 579 275        | 827 847        | 579 275          | 827 847        |
| <b>Non-current portion of investments</b>                | <b>955 379</b> | <b>562 828</b> | <b>1 138 496</b> | <b>695 536</b> |

\*The held-to-maturity investments are ring-fenced for the repayment of non-current liabilities.

### 13. INVESTMENTS (continued)

#### Investment in MEs

|  | 2006<br>Share capital<br>and premium<br>R000 | 2005<br>Share capital<br>and premium<br>R000 | 2006<br>Percentage<br>owned<br>R000 | 2005<br>Percentage<br>owned<br>R000 |
|--|--|--|-------------------------------------|-------------------------------------|
| The Johannesburg Fresh Produce Market (Pty) Ltd  | 20 000                                       | 20 000                                       | 100%                                | 100%                                |
| The Johannesburg Civic Theatre (Pty) Ltd         | *  | *  | 100%                                | 100%                                |
| The Johannesburg Zoo                             | *  | *  | 100%                                | 100%                                |
| City of Johannesburg Property Company (Pty) Ltd  | 1  | 1  | 100%                                | 100%                                |
| Johannesburg Development Agency (Pty) Ltd        | 6 623  | 6 623  | 100%                                | 100%                                |
| Metropolitan Trading Company (Pty) Ltd           | 2 977  | 2 977  | 100%                                | 100%                                |
| City Power Johannesburg (Pty) Ltd                | 112 466                                      | 112 466                                      | 100%                                | 100%                                |
| Johannesburg Water (Pty) Ltd                     | 1  | 1  | 100%                                | 100%                                |
| Pikitup Johannesburg (Pty) Ltd                   | *  | *  | 100%                                | 100%                                |
| Johannesburg Roads Agency (Pty) Ltd              | 1  | 1  | 100%                                | 100%                                |
| Johannesburg City Parks                          | *  | *  | 100%                                | 100%                                |
| Johannesburg Social Housing Company              | *  | *  | 100%                                | 100%                                |
| Johannesburg Tourism Company                     | *  | *  | 100%                                | 100%                                |
| Johannesburg Metropolitan Bus Services (Pty) Ltd | 41 048                                       | 41 048                                       | 100%                                | 100%                                |
| Roodepoort City Theatre                          | *  | *  | 100%                                | 100%                                |
| Johannesburg City Housing Company                | *  | *  | 100%                                | 100%                                |
|  | <b>183 117</b>                               | <b>183 117</b>                               |                                     |                                     |

\* Nominal value

Note 32 details the investments which have been impaired.



# Notes to the financial statements

for the year ended 30 June 2006

## 14. NON-CURRENT LOANS

Loans to controlled Municipal Entities (MEs)  
Fleet Africa  
Housing Selling Scheme loans  
Other

Less: Current portion transferred to current receivables

### Total non-current loans

### LOANS TO MEs COMPRISE

#### Shareholder loans

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

#### Conduit and additional loans

The Johannesburg Fresh Produce Market (Pty) Ltd\*\*  
City Power Johannesburg (Pty) Ltd\*\*  
Johannesburg Water (Pty) Ltd\*\*  
Pikitup Johannesburg (Pty) Ltd\*\*

### Total loans to controlled Municipal Entities (MEs)

\*These loans are interest-free and have no fixed terms of repayment.

\*\*These loans bear interest at a fixed rate of between 10,2% and 17,5% NACM and are repayable quarterly, or in full on maturity. Note 32 details the loans which have been impaired.

#### Fleet Africa

CJMM has entered into an agreement with Super Group Ltd in which management of the vehicle fleet is outsourced. The balance represents the agreed value of the vehicles transferred to Super Group Ltd, adjusted by any profits or losses on disposals, and interest earned. The amount is invested in a ring-fenced banking account.

#### Housing Selling Scheme loans

This represents the outstanding balance owing on rental stock sold.

|  | GROUP                        |                              | CJMM         |              |
|--|------------------------------|------------------------------|--------------|--------------|
|  | 2006<br>R000                 | 2005<br>R000                 | 2006<br>R000 | 2005<br>R000 |
|  |                              |                              | 4 301 424    | 4 266 906    |
|  | 99 371                       | 108 141                      | 99 371       | 108 141      |
|  | 35 847                       | 40 163                       | 35 847       | 40 163       |
|  | 3 219                        | 4 693                        | 3 219        | 4 693        |
|  | 138 437                      | 152 997                      | 4 439 861    | 4 419 903    |
|  |                              |                              | 312 275      | 276 854      |
|  | 138 437                      | 152 997                      | 4 127 586    | 4 143 049    |
|  |                              |                              | CJMM         |              |
|  | 2006<br>Subordinated<br>R000 | 2005<br>Subordinated<br>R000 | 2006<br>R000 | 2005<br>R000 |
|  |                              | 14 082                       | 30 000       | 36 000       |
|  | 988                          | 988                          | 988          | 988          |
|  |                              |                              | 3 912        | 1 752        |
|  | 9 800                        | 9 700                        |              |              |
|  | 22 000                       | 22 000                       |              |              |
|  |                              |                              | 624 793      | 624 793      |
|  | 649 922                      | 649 922                      | 649 922      | 649 922      |
|  |                              |                              | 10 000       | 10 000       |
|  |                              |                              | 40 243       | 37 033       |
|  |                              |                              | 5 690        |              |
|  | 1 473                        | 1 473                        | 400          |              |
|  |                              |                              | 5 775        |              |
|  |                              |                              | 799          |              |
|  | 684 183                      | 698 165                      | 1 372 522    | 1 360 488    |
|  |                              |                              | 103 863      | 65 157       |
|  |                              |                              | 1 574 008    | 1 304 715    |
|  |                              | 27 600                       | 1 218 238    | 1 445 180    |
|  | 91 600                       | 60 000                       | 32 793       | 91 366       |
|  | 91 600                       | 87 600                       | 2 928 902    | 2 906 418    |
|  | 775 783                      | 785 765                      | 4 301 424    | 4 266 906    |



a world class African city



## 15. INVENTORY

Consumable stores  
Spare parts  
Other goods held for resale  
Other  
Less: Provision for obsolescence

|  | GROUP        |              | CJMM         |              |
|--|--------------|--------------|--------------|--------------|
|  | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
|  | 83 614       | 86 449       | 19 715       | 20 220       |
|  | 13 194       | 7 654        |              |              |
|  | 3 292        | 1 948        |              |              |
|  | 1 690        | 1 203        |              |              |
|  | (17 648)     | (11 635)     |              |              |
|  | 84 142       | 85 619       | 19 715       | 20 220       |

## 16. ACCOUNTS RECEIVABLE

Rates  
Electricity  
Water  
Refuse  
Regional Service Levies  
Housing rentals

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
|  | 2 568 203 | 2 577 285 | 2 568 203 | 2 577 285 |
|  | 1 719 553 | 1 561 648 |           |           |
|  | 3 796 592 | 3 605 759 |           |           |
|  | 593 460   | 677 877   | 554 583   | 571 767   |
|  | 385 033   | 211 653   | 385 033   | 211 653   |
|  | 383 175   | 388 136   | 369 980   | 388 136   |
|  | 9 446 016 | 9 022 358 | 3 877 799 | 3 748 841 |

### Less: Provision for bad debts

Rates  
Electricity  
Water  
Refuse  
Regional Service Levies  
Housing rentals

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
|  | 2 170 621 | 2 266 360 | 2 170 621 | 2 266 360 |
|  | 975 132   | 935 811   |           |           |
|  | 3 104 027 | 2 969 503 |           |           |
|  | 489 121   | 569 179   | 468 563   | 506 018   |
|  | 177 654   | 57 043    | 177 654   | 57 043    |
|  | 356 415   | 356 856   | 344 500   | 356 856   |
|  | 7 272 970 | 7 154 752 | 3 161 338 | 3 186 277 |

### Accounts receivable

#### Rates – ageing

Current (0-30 days)  
31-60 days  
61-90 days  
91-120 days  
121-365 days  
>365 days

|              |                  |                  |                  |                  |
|--------------|------------------|------------------|------------------|------------------|
|              | 2 173 046        | 1 867 606        | 716 461          | 562 564          |
|              | 340 188          | 317 281          | 340 188          | 317 281          |
|              | 97 559           | 99 288           | 97 559           | 99 288           |
|              | 82 266           | 80 035           | 82 266           | 80 035           |
|              | 66 743           | 69 960           | 66 743           | 69 960           |
|              | 334 957          | 314 892          | 334 957          | 314 892          |
|              | 1 646 490        | 1 695 829        | 1 646 490        | 1 695 829        |
| <b>Total</b> | <b>2 568 203</b> | <b>2 577 285</b> | <b>2 568 203</b> | <b>2 577 285</b> |



# Notes to the financial statements

for the year ended 30 June 2006

## 16. ACCOUNTS RECEIVABLE (continued)

### Electricity, water – ageing

Current (0-30 days)  
31-60 days  
61-90 days  
91-120 days  
121-365 days  
>365 days

|                     | GROUP            |                  | CJMM         |              |
|---------------------|------------------|------------------|--------------|--------------|
|                     | 2006<br>R000     | 2005<br>R000     | 2006<br>R000 | 2005<br>R000 |
| Current (0-30 days) | 877 850          | 721 047          |              |              |
| 31-60 days          | 191 253          | 185 558          |              |              |
| 61-90 days          | 162 377          | 154 622          |              |              |
| 91-120 days         | 148 097          | 148 283          |              |              |
| 121-365 days        | 580 985          | 798 084          |              |              |
| >365 days           | 3 555 583        | 3 159 813        |              |              |
| <b>Total</b>        | <b>5 516 145</b> | <b>5 167 407</b> |              |              |

### Total

### Refuse – ageing

Current (0-30 days)  
31-60 days  
61-90 days  
91-120 days  
121-365 days  
>365 days

|                     |                |                |                |                |
|---------------------|----------------|----------------|----------------|----------------|
| Current (0-30 days) | 30 495         | 42 824         | 21 036         | 27 971         |
| 31-60 days          | 15 305         | 20 837         | 11 034         | 11 454         |
| 61-90 days          | 10 421         | 16 198         | 8 964          | 9 939          |
| 91-120 days         | 10 161         | 13 775         | 8 958          | 9 495          |
| 121-365 days        | 72 356         | 62 782         | 52 844         | 57 854         |
| >365 days           | 454 722        | 521 461        | 451 747        | 455 054        |
| <b>Total</b>        | <b>593 460</b> | <b>677 877</b> | <b>554 583</b> | <b>571 767</b> |

### Total

### Regional Service Council levies – ageing

Current (0-30 days)  
121-365 days  
>365 days

|                     |                |                |                |                |
|---------------------|----------------|----------------|----------------|----------------|
| Current (0-30 days) | 207 379        | 154 610        | 207 379        | 154 610        |
| 121-365 days        | 120 611        | 57 043         | 120 611        | 57 043         |
| >365 days           | 57 043         |                | 57 043         |                |
| <b>Total</b>        | <b>385 033</b> | <b>211 653</b> | <b>385 033</b> | <b>211 653</b> |

### Total

### Housing rentals – ageing

Current (0-30 days)  
31-60 days  
61-90 days  
91-120 days  
121-365 days  
>365 days

|                     |                |                |                |                |
|---------------------|----------------|----------------|----------------|----------------|
| Current (0-30 days) | 3 986          | 3 241          | 3 826          | 3 241          |
| 31-60 days          | 19 881         | 13 214         | 19 633         | 13 214         |
| 61-90 days          | 16 269         | 4 834          | 7 021          | 4 834          |
| 91-120 days         | 51 325         | 4 969          | 50 943         | 4 969          |
| 121-365 days        | 92 883         | 4 991          | 89 726         | 4 991          |
| >365 days           | 198 831        | 356 887        | 198 831        | 356 887        |
| <b>Total</b>        | <b>383 175</b> | <b>388 136</b> | <b>369 980</b> | <b>388 136</b> |

### Total

### Summary of debtors by customer classification

#### Group 2006

Current (0-30 days)  
31-60 days  
61-90 days  
91-120 days  
121-365 days  
>365 days  
Less: Provision for bad debts

| Total        | Consumer         | Industrial/<br>commercial | National and             |
|--------------|------------------|---------------------------|--------------------------|
|              |                  |                           | Provincial<br>Government |
| 1 408 812    | 621 495          | 756 268                   | 31 049                   |
| 340 404      | 197 719          | 123 849                   | 18 836                   |
| 275 135      | 150 855          | 107 939                   | 16 341                   |
| 279 140      | 172 543          | 91 423                    | 15 174                   |
| 1 404 695    | 741 899          | 581 325                   | 81 471                   |
| 5 737 830    | 3 950 278        | 1 447 837                 | 339 715                  |
| (7 272 970)  | (4 718 510)      | (2 139 329)               | (415 131)                |
| <b>Total</b> | <b>1 116 279</b> | <b>969 312</b>            | <b>87 455</b>            |

### Total



a world class African city

## 16. ACCOUNTS RECEIVABLE (continued)

### Group 2005

|                               | Total            | Consumer         | Industrial/<br>commercial | National and<br>Provincial<br>Government |
|-------------------------------|------------------|------------------|---------------------------|--|
| Current (0-30 days)           | 1 239 002        | 648 533          | 564 477                   | 25 992                                   |
| 31-60 days                    | 318 897          | 185 737          | 113 350                   | 19 810                                   |
| 61-90 days                    | 255 689          | 144 031          | 95 152                    | 16 506                                   |
| 91-120 days                   | 236 987          | 130 222          | 91 203                    | 15 562                                   |
| 121-365 days                  | 1 237 793        | 656 998          | 491 893                   | 88 902                                   |
| >365 days                     | 5 733 990        | 4 054 293        | 1 331 076                 | 348 621                                  |
| Less: Provision for bad debts | (7 154 752)      | (4 686 884)      | (2 101 257)               | (366 611)                                |
| <b>Total</b>                  | <b>1 867 606</b> | <b>1 132 930</b> | <b>585 894</b>            | <b>148 782</b>                           |

### CJMM 2006

|                               | Total          | Consumer       | Industrial/<br>commercial | National and<br>Provincial<br>Government |
|-------------------------------|----------------|----------------|---------------------------|--|
| Current (0-30 days)           | 572 428        | 179 282        | 373 407                   | 19 739                                   |
| 31-60 days                    | 128 226        | 63 274         | 58 708                    | 6 244                                    |
| 61-90 days                    | 98 253         | 42 263         | 50 588                    | 5 402                                    |
| 91-120 days                   | 126 643        | 79 421         | 41 736                    | 5 486                                    |
| 121-365 days                  | 598 138        | 243 105        | 327 530                   | 27 503                                   |
| >365 days                     | 2 354 111      | 1 374 692      | 830 570                   | 148 849                                  |
| Less: Provision for bad debts | (3 161 338)    | (1 671 750)    | (1 304 500)               | (185 088)                                |
| <b>Total</b>                  | <b>716 461</b> | <b>310 287</b> | <b>378 039</b>            | <b>28 135</b>                            |

### CJMM 2005

|                               | Total          | Consumer       | Industrial/<br>commercial | National and<br>Provincial<br>Government |
|-------------------------------|----------------|----------------|---------------------------|--|
| Current (0-30 days)           | 503 103        | 200 157        | 284 795                   | 18 151                                   |
| 31-60 days                    | 123 956        | 64 658         | 50 198                    | 9 100                                    |
| 61-90 days                    | 94 808         | 44 062         | 42 508                    | 8 238                                    |
| 91-120 days                   | 84 424         | 41 462         | 35 733                    | 7 229                                    |
| 121-365 days                  | 434 780        | 182 446        | 211 534                   | 40 800                                   |
| >365 days                     | 2 507 770      | 1 649 683      | 651 455                   | 206 632                                  |
| Less: Provision for bad debts | (3 186 277)    | (1 846 248)    | (1 089 690)               | (250 339)                                |
| <b>Total</b>                  | <b>562 564</b> | <b>336 220</b> | <b>186 533</b>            | <b>39 811</b>                            |

An adjustment to consumer debtors was made, transferring credit balances in the debtors' book to sundry creditors. This amounted to an increase of R782 million (2005: R744 million) in the Group balance which includes CJMM: R452 million (2004: R510 million) and MEs: R330 million (2005: R234 million). Refer note 8.



# Notes to the financial statements

for the year ended 30 June 2006

|   | GROUP            |                  | CJMM             |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2006<br>R000     | 2005<br>R000     | 2006<br>R000     | 2005<br>R000     |
| <b>16. ACCOUNTS RECEIVABLE (continued)</b>  |                  |                  |                  |                  |
| <b>Reconciliation of bad debt provision</b>   |                  |                  |                  |                  |
| Balance beginning of the year   | 7 154 752        | 7 012 789        | 3 186 277        | 2 955 445        |
| Contributions to provision  | 858 515          | 869 435          | 284 334          | 346 854          |
| Bad debts written off against provision   | (739 466)        | (727 151)        | (309 273)        | (116 022)        |
| VAT adjustment  | (831)            | (321)            |                  |                  |
| <b>Balance end of the year</b>  | <b>7 272 970</b> | <b>7 154 752</b> | <b>3 161 338</b> | <b>3 186 277</b> |
| <b>17. OTHER DEBTORS</b>  |                  |                  |                  |                  |
| Payments made in advance  | 19 642           | 9 160            | 15 798           | 2 176            |
| Insurance debtors   | 125 354          | 72 795           | 125 354          | 72 795           |
| Trade debtors   | 50 276           | 268 465          |                  |                  |
| Housing debtors   | 148 575          | 157 934          | 148 575          | 157 934          |
| Government subsidies  | 800              |                  |                  |                  |
| Prepaid expenses  | 553              | 375              |                  |                  |
| Fruitless and wasteful expenditure to be investigated (refer note 49)   | 2 755            |                  | 2 755            |                  |
| Recoverable fruitless and wasteful expenditure (refer note 49)  | 19               |                  |                  |                  |
| Other debtors   | 212 502          | 356 933          | 169 563          | 291 765          |
| ME loans  |                  |                  | 154 800          | 152 023          |
| Less: Provision for bad debts   | (17 531)         | (17 146)         |                  |                  |
|   | <b>542 945</b>   | <b>848 516</b>   | <b>616 845</b>   | <b>676 693</b>   |
| <b>18. CALL INVESTMENT DEPOSITS</b>   |                  |                  |                  |                  |
| Deposits  | 1 714 203        | 1 595 188        | 1 700 671        | 1 584 344        |
| <b>Deposits have been ring-fenced in anticipation of the following future expenditure:</b>  |                  |                  |                  |                  |
| Post-retirement liabilities   | 508 900          | 388 000          | 508 900          | 388 000          |
| Underwriting of the COID Reserve  | 25 359           | 20 000           | 25 359           | 20 000           |
| Capital Replacement Reserve   | 98 783           | 94 358           | 98 783           | 94 358           |
| Repayment of long-term liabilities  | 300 000          | 167 000          | 300 000          | 167 000          |
|   | <b>933 042</b>   | <b>669 358</b>   | <b>933 042</b>   | <b>669 358</b>   |
| Prior year comparatives have been restated to ensure compliance with the Specimen Financial Statements issued by National Treasury. |                  |                  |                  |                  |
| <b>19. BANK, CASH AND OVERDRAFT BALANCES</b>  |                  |                  |                  |                  |
| The Municipality has the following primary bank account:  |                  |                  |                  |                  |
| <b>Current account</b>  |                  |                  |                  |                  |
| ABSA Bank: Sandton branch   |                  |                  |                  |                  |
| Account number: 4054394859  |                  |                  |                  |                  |
| Cash book and bank statement balance at end of the year was R101 million (2005: R81 million).                                       |                  |                  |                  |                  |
| <b>Bank and cash on hand at year end</b>  | <b>60 781</b>    | <b>57 787</b>    | <b>87 035</b>    | <b>85 724</b>    |
| See Appendix I for additional bank accounts.  |                  |                  |                  |                  |
| Prior year comparatives have been restated to ensure compliance with the Specimen Financial Statements issued by National Treasury. |                  |                  |                  |                  |

## 20. PROPERTY RATES

### Rates received

|             | GROUP        |              | CJMM         |              |
|-------------|--------------|--------------|--------------|--------------|
|             | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
| Residential | 1 299 244    | 1 298 414    | 1 299 272    | 1 298 469    |
| Commercial  | 1 478 704    | 1 272 891    | 1 491 502    | 1 272 945    |
| State       | 140 699      | 113 004      | 140 702      | 135 182      |

### Valuations

Prior year comparatives have been restated as a result of re-classification of Property Rates categories

|  |            |            |            |            |
|--|------------|------------|------------|------------|
|  | 2 918 647  | 2 684 309  | 2 931 476  | 2 706 596  |
|  | 47 413 295 | 45 972 000 | 47 413 295 | 45 972 000 |

## 21. SERVICE CHARGES

|                                 |           |           |         |         |
|---------------------------------|-----------|-----------|---------|---------|
| Sale of electricity             | 3 381 998 | 3 255 876 |         |         |
| Sale of water                   | 1 826 910 | 1 717 316 |         |         |
| Refuse removal                  | 336 047   | 321 339   | 219 951 | 184 944 |
| Sewerage and sanitation charges | 1 015 407 | 897 699   |         |         |
| Other services                  | 106 076   | 82 825    | 82 603  | 63 115  |
|                                 | 6 666 438 | 6 275 055 | 302 554 | 248 059 |

## 22. GOVERNMENT GRANTS AND SUBSIDIES

|  |           |           |           |         |
|--|-----------|-----------|-----------|---------|
| Equitable share                            | 524 761   | 380 545   | 524 761   | 380 545 |
| Provincial health subsidies                | 43 787    | 40 893    | 43 787    | 40 893  |
| Provincial grants: capital projects        | 92 615    | 164 085   | 21 256    | 164 085 |
| Municipal infrastructure grant             | 312 613   | 104 961   | 314 548   | 96 776  |
| Financial management grant                 | 2 803     | 1 589     | 2 803     | 1 589   |
| Restructuring grant                        | 84 567    | 34 944    | 84 567    | 34 944  |
| Ambulance subsidy                          | 58 746    | 44 615    | 58 746    | 44 615  |
| Provincial grants: top structure of houses | 91 540    | 69 314    | 91 540    | 69 314  |
| Provincial grants: operating projects      | 719       |           | 719       |         |
| Municipal System improvement grant         | 960       |           | 960       |         |
| Other                                      | 157 754   | 209 043   | 12 573    | 46 354  |
|  | 1 370 865 | 1 049 989 | 1 156 260 | 879 115 |



# Notes to the financial statements

for the year ended 30 June 2006

## 22. GOVERNMENT GRANTS AND SUBSIDIES (continued)

### Equitable share

Balance unspent at beginning of year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

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

### Provincial health subsidies

Balance unspent at beginning of year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

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.

### Provincial grants: capital projects

Balance unspent at beginning of the year

Repaid to Province

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

|   | GROUP        |              | CJMM         |              |
|---|--------------|--------------|--------------|--------------|
|   | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
| Balance unspent at beginning of year  |              |              |              |              |
| Current-year receipts   | 524 761      | 380 545      | 524 761      | 380 545      |
| Conditions met – transferred to revenue   | (524 761)    | (380 545)    | (524 761)    | (380 545)    |
| Conditions still to be met – transferred to conditional grants and subsidies (note 9)   |              |              |              |              |
| This grant is used to subsidise the provision of basic services to indigent community members.  |              |              |              |              |
| Balance unspent at beginning of year  |              |              |              |              |
| Current-year receipts   | 43 787       | 40 893       | 43 787       | 40 893       |
| Conditions met – transferred to revenue   | (43 787)     | (40 893)     | (43 787)     | (40 893)     |
| Conditions still to be met – transferred to conditional grants and subsidies (note 9)   |              |              |              |              |
| 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. |              |              |              |              |
| Balance unspent at beginning of the year  | 77 745       |              | 77 745       |              |
| Repaid to Province  | (702)        |              | (702)        |              |
| Current-year receipts   | 146 854      | 241 830      | 75 495       | 241 830      |
| Conditions met – transferred to revenue   | (92 615)     | (164 085)    | (21 256)     | (164 085)    |
| Conditions still to be met – transferred to conditional grants and subsidies (note 9)   | 131 282      | 77 745       | 131 282      | 77 745       |

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

## 22. GOVERNMENT GRANTS AND SUBSIDIES (continued)

### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

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

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

This grant is provided to promote and support reforms to municipal financial management and the implementation of the MFMA.

### Restructuring grant

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

This grant is made available to support municipal restructuring initiatives.

### Ambulance subsidy

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

|   | GROUP        |              | CJMM         |              |
|---|--------------|--------------|--------------|--------------|
|   | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
| Balance unspent at beginning of the year  | 866          | 1 042        |              |              |
| Current-year receipts   | 345 349      | 104 785      | 347 413      | 96 776       |
| Conditions met – transferred to revenue   | (312 613)    | (104 961)    | (314 548)    | (96 776)     |
| Conditions still to be met – transferred to conditional grants and subsidies (note 9) | 33 602       | 866          | 32 865       |              |
| Balance unspent at beginning of the year  | 5 817        | 4 406        | 5 817        | 4 406        |
| Current-year receipts   | 3 000        | 3 000        | 3 000        | 3 000        |
| Conditions met – transferred to revenue   | (2 803)      | (1 589)      | (2 803)      | (1 589)      |
| Conditions still to be met – transferred to conditional grants and subsidies (note 9) | 6 014        | 5 817        | 6 014        | 5 817        |
| Balance unspent at beginning of the year  | 73 623       | 68 567       | 73 623       | 68 567       |
| Current-year receipts   | 25 000       | 40 000       | 25 000       | 40 000       |
| Conditions met – transferred to revenue   | (84 567)     | (34 944)     | (84 567)     | (34 944)     |
| Conditions still to be met – transferred to conditional grants and subsidies (note 9) | 14 056       | 73 623       | 14 056       | 73 623       |
| Balance unspent at beginning of the year  | 58 746       | 44 615       | 58 746       | 44 615       |
| Current-year receipts   | (58 746)     | (44 615)     | (58 746)     | (44 615)     |
| Conditions met – transferred to revenue   |              |              |              |              |
| Conditions still to be met – transferred to conditional grants and subsidies (note 9) |              |              |              |              |



# Notes to the financial statements

for the year ended 30 June 2006

## 22. GOVERNMENT GRANTS AND SUBSIDIES (continued)

### Provincial grants: top structure of houses

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

### Provincial grants: operating projects

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

These grants are provided to finance community projects.

### Municipal System improvement grant

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

This grant is provided to finance the implementation of projects as stated in the activity plan.

### Other

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

### Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act (Act 1 of 2005), no significant changes in the level of government grant funding is anticipated over the forthcoming three financial years, except for the increase in the Equitable Share due to the abolishment of the RSC Levies with effect from 1 July 2006.

|   | GROUP        |              | CJMM         |              |
|---|--------------|--------------|--------------|--------------|
|   | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
| Balance unspent at beginning of the year  |              |              |              |              |
| Current-year receipts   | 91 540       | 69 314       | 91 540       | 69 314       |
| Conditions met – transferred to revenue   | (91 540)     | (69 314)     | (91 540)     | (69 314)     |
| Conditions still to be met – transferred to conditional grants and subsidies (note 9) |              |              |              |              |
| Balance unspent at beginning of the year  |              |              |              |              |
| Current-year receipts   | 3 790        |              | 3 790        |              |
| Conditions met – transferred to revenue   | (719)        |              | (719)        |              |
| Conditions still to be met – transferred to conditional grants and subsidies (note 9) |              |              |              |              |
|   | 3 071        |              | 3 071        |              |
| Balance unspent at beginning of the year  |              |              |              |              |
| Current-year receipts   | 4 000        |              | 4 000        |              |
| Conditions met – transferred to revenue   | (960)        |              | (960)        |              |
| Conditions still to be met – transferred to conditional grants and subsidies (note 9) |              |              |              |              |
|   | 3 040        |              | 3 040        |              |
| Balance unspent at beginning of the year  | 22 300       |              |              |              |
| Current-year receipts   | 135 454      | 231 343      | 12 573       | 46 354       |
| Conditions met – transferred to revenue   | (157 754)    | (209 043)    | (12 573)     | (46 354)     |
| Conditions still to be met – transferred to conditional grants and subsidies (note 9) |              | 22 300       |              |              |



### 23. OTHER INCOME

Internal recoveries – MEs  
 Commission on fresh produce sales  
 Bus fares  
 New connections for electricity and water  
 Market-to-market gain on investments held-for-sale  
 Sundry revenue

|  | GROUP        |              | CJMM         |              |
|--|--------------|--------------|--------------|--------------|
|  | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
|  |              |              | 177 601      | 125 769      |
|  | 105 756      | 89 961       |              |              |
|  | 76 052       | 72 958       |              |              |
|  | 31 960       | 28 565       |              |              |
|  |              | 294 471      |              | 294 471      |
|  | 310 669      | 518 856      | 157 116      | 356 918      |
|  | 524 437      | 1 004 811    | 334 717      | 777 158      |

Prior year comparatives have been restated to ensure compliance with Circular 18 issued by National Treasury.

### 24. EMPLOYEE-RELATED COSTS

Employee-related costs – salaries and wages  
 Employee-related costs – social contributions  
 Travel, motor car, accommodation, subsistence, and other allowances  
 Housing benefits and allowances  
 Overtime payments  
 Performance bonus  
 Long service awards  
 Less employee costs capitalised to PPE  
 Less employee costs included in general expenses

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
|  | 2 379 708 | 2 221 612 | 1 260 428 | 1 181 806 |
|  | 534 538   | 371 570   | 258 683   | 110 303   |
|  | 245 308   | 255 669   | 138 766   | 125 374   |
|  | 42 206    | 50 244    | 17 073    | 19 399    |
|  | 167 672   | 145 228   | 66 030    | 60 911    |
|  | 81 227    | 85 481    | 19 423    | 15 516    |
|  | 1 017     | 503       |           |           |
|  | (25 542)  | (22 212)  |           | (67)      |
|  | 41 256    | (50 368)  | 41 256    | (50 368)  |
|  | 3 467 390 | 3 057 727 | 1 801 659 | 1 462 874 |

#### Remuneration of the City Manager

Annual remuneration  
 Performance bonus  
 Car allowance  
 Contributions to UIF, medical and pension funds

|  |       |       |
|--|-------|-------|
|  | 834   | 790   |
|  | 63    | 61    |
|  | 125   | 125   |
|  | 49    | 24    |
|  | 1 071 | 1 000 |

#### Remuneration of the Chief Operations Officer

Annual remuneration  
 Performance bonus  
 Car allowance  
 Contributions to UIF, medical and pension funds

|  |       |       |
|--|-------|-------|
|  | 683   | 598   |
|  | 176   | 159   |
|  | 282   | 282   |
|  |       | 1     |
|  | 1 141 | 1 040 |

#### Remuneration of Executive Director: Finance

Annual remuneration  
 Performance bonus  
 Car allowance  
 Contributions to UIF, medical and pension funds

|  |       |     |
|--|-------|-----|
|  | 777   | 701 |
|  | 154   | 97  |
|  | 72    | 72  |
|  |       | 1   |
|  | 1 003 | 871 |



# Notes to the financial statements

for the year ended 30 June 2006

## 24. EMPLOYEE-RELATED COSTS (continued)

### Remuneration of the Executive Director:

#### Planning, Transport and Environmental Affairs

|   |     |     |
|---|-----|-----|
| Annual remuneration                             | 390 | 669 |
| Performance bonus                               |     | 91  |
| Car allowance                                   | 63  | 108 |
| Contributions to UIF, medical and pension funds |     | 1   |

#### Remuneration of the Executive Director: Corporate Services

|   |     |     |
|---|-----|-----|
| Annual remuneration                             | 689 | 602 |
| Performance bonus                               | 155 | 141 |
| Car allowance                                   | 144 | 144 |
| Contributions to UIF, medical and pension funds | 19  | 31  |

#### Remuneration of the Chief of Police

|   |     |     |
|---|-----|-----|
| Annual remuneration                             | 698 | 602 |
| Performance bonus                               | 156 | 53  |
| Car allowance                                   | 102 | 102 |
| Contributions to UIF, medical and pension funds | 138 | 120 |

#### Remuneration of the Director: Office of City Manager

|   |     |     |
|---|-----|-----|
| Annual remuneration                             | 739 |     |
| Performance bonus                               | 116 | 140 |
| Car allowance                                   | 108 |     |
| Contributions to UIF, medical and pension funds |     |     |

#### Remuneration of the Executive Head: Emergency Management Services

|   |     |     |
|---|-----|-----|
| Annual remuneration                             | 658 | 600 |
| Performance bonus                               |     |     |
| Car allowance                                   |     |     |
| Contributions to UIF, medical and pension funds |     |     |

#### Remuneration of the Director: Joburg Risk Assurance Services

|   |     |     |
|---|-----|-----|
| Annual remuneration                             | 430 | 519 |
| Performance bonus                               |     | 128 |
| Car allowance                                   | 220 | 120 |
| Contributions to UIF, medical and pension funds |     | 1   |

#### Remuneration of the Executive Director: Contract Management Unit

|   |     |     |
|---|-----|-----|
| Annual remuneration                             | 649 | 697 |
| Performance bonus                               | 124 | 113 |
| Car allowance                                   | 132 | 131 |
| Contributions to UIF, medical and pension funds | 128 | 1   |

#### Remuneration of the Director: Shareholders Unit

|   |     |     |
|---|-----|-----|
| Annual remuneration                             | 569 | 508 |
| Performance bonus                               | 110 | 57  |
| Car allowance                                   | 110 | 116 |
| Contributions to UIF, medical and pension funds | 125 | 1   |

| CJMM         |              |
|--------------|--------------|
| 2006<br>R000 | 2005<br>R000 |
|              |              |
| 390          | 669          |
|              | 91           |
| 63           | 108          |
|              | 1            |
| 453          | 869          |
| 689          | 602          |
| 155          | 141          |
| 144          | 144          |
| 19           | 31           |
| 1 007        | 918          |
| 698          | 602          |
| 156          | 53           |
| 102          | 102          |
| 138          | 120          |
| 1 094        | 877          |
| 739          |              |
| 116          | 140          |
| 108          |              |
| 963          | 140          |
| 658          | 600          |
| 658          | 600          |
| 430          | 519          |
|              | 128          |
| 220          | 120          |
|              | 1            |
| 650          | 768          |
| 649          | 697          |
| 124          | 113          |
| 132          | 131          |
| 128          | 1            |
| 1 033        | 942          |
| 569          | 508          |
| 110          | 57           |
| 110          | 116          |
| 125          | 1            |
| 914          | 682          |



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## 25. REMUNERATION OF COUNCILLORS

Executive Mayor  
Speaker  
Mayoral Committee members  
Councillors  
Councillors' pension contribution

|                                   | GROUP         |               | CJMM          |               |
|-----------------------------------|---------------|---------------|---------------|---------------|
|                                   | 2006<br>R000  | 2005<br>R000  | 2006<br>R000  | 2005<br>R000  |
| Executive Mayor                   | 645           | 621           | 645           | 621           |
| Speaker                           | 561           | 533           | 561           | 533           |
| Mayoral Committee members         | 5 319         | 4 801         | 5 319         | 4 801         |
| Councillors                       | 39 103        | 34 856        | 39 103        | 34 856        |
| Councillors' pension contribution | 4 428         | 4 369         | 4 428         | 4 369         |
|                                   | <b>50 056</b> | <b>45 180</b> | <b>50 056</b> | <b>45 180</b> |

The Executive Mayor, Speaker and Mayoral Committee members are employed full time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to reside at the mayoral residence of the Council, at no cost.

The Executive Mayor has use of a Council-owned vehicle for official duties.

The Executive Mayor has two full-time bodyguards.

## 26. BAD DEBTS

Contributions to bad-debt provision  
Bad debts written off

|                                     |                |                |                |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
| Contributions to bad-debt provision | (2 382)        | 403 270        | 7 352          | 347 690        |
| Bad debts written off               | 847 027        | 577 150        | 309 272        | 116 022        |
|                                     | <b>844 645</b> | <b>980 420</b> | <b>316 624</b> | <b>463 712</b> |

## 27. INTEREST ON EXTERNAL BORROWINGS

Loans  
Finance leases  
Bank overdraft  
Other

|                |                |                |                |                |
|----------------|----------------|----------------|----------------|----------------|
| Loans          | 726 281        | 629 275        | 695 054        | 594 487        |
| Finance leases | 7 084          | 6 211          |                |                |
| Bank overdraft | 22             | 108            |                |                |
| Other          | 41 957         | 35 674         | 12 301         | 11 347         |
|                | <b>775 344</b> | <b>671 268</b> | <b>707 355</b> | <b>605 834</b> |

## 28. BULK PURCHASES

Electricity  
Water

|             |                  |                  |  |  |
|-------------|------------------|------------------|--|--|
| Electricity | 2 168 233        | 1 986 783        |  |  |
| Water       | 1 322 070        | 1 255 747        |  |  |
|             | <b>3 490 303</b> | <b>3 242 530</b> |  |  |

## 29. CONTRACTED SERVICES

Information technology services  
Fleet services  
Operating leases  
Specialist services  
Other contractors

|                                 |                  |                  |                |                |
|---------------------------------|------------------|------------------|----------------|----------------|
| Information technology services | 196 159          | 198 604          | 169 101        | 175 413        |
| Fleet services                  | 336 239          | 340 241          | 38 676         | 46 769         |
| Operating leases                | 153 968          | 180 183          | 147 667        | 168 920        |
| Specialist services             | 272 635          | 242 511          | 272 564        | 242 094        |
| Other contractors               | 409 251          | 491 832          | 108 866        | 157 308        |
|                                 | <b>1 368 252</b> | <b>1 453 371</b> | <b>736 874</b> | <b>790 504</b> |



# Notes to the financial statements

for the year ended 30 June 2006

|  | GROUP            |                  | CJMM             |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2006<br>R000     | 2005<br>R000     | 2006<br>R000     | 2005<br>R000     |
| <b>30. GRANTS AND SUBSIDIES PAID</b>   |                  |                  |                  |                  |
| The Johannesburg Civic Theatre (Pty) Ltd                                     |                  |                  | 13 923           | 13 300           |
| The Johannesburg Zoo   |                  |                  | 27 752           | 22 150           |
| City of Joburg Property Company (Pty) Ltd                                    |                  |                  | 5 567            | 9 465            |
| Johannesburg Development Agency (Pty) Ltd                                    |                  |                  | 11 433           | 7 100            |
| Metropolitan Trading Company (Pty) Ltd                                       |                  |                  | 21 133           | 16 243           |
| Johannesburg Water (Pty) Ltd   |                  |                  | 240 000          | 240 000          |
| Pikitup Johannesburg (Pty) Ltd   |                  |                  | 461 581          | 459 800          |
| Johannesburg Roads Agency (Pty) Ltd  |                  |                  | 327 904          | 309 200          |
| Johannesburg City Parks  |                  |                  | 308 785          | 293 055          |
| Johannesburg Social Housing Company  |                  |                  | 9 050            | 8 800            |
| Johannesburg Tourism Company   |                  |                  | 11 277           | 7 000            |
| Johannesburg Metropolitan Bus Services (Pty) Ltd                             |                  |                  | 222 778          | 202 300          |
| Roodepoort City Theatre  |                  |                  | 3 700            | 3 300            |
| <b>Grants paid to MEs</b>  |                  |                  | <b>1 664 883</b> | <b>1 591 713</b> |
| Grants paid to MEs are utilised to fund capital and operational expenditure. |                  |                  |                  |                  |
| Free electricity   | 18 085           | 46 253           | 18 085           | 46 253           |
| Marks Park Sports Club   | 859              | 818              | 859              | 818              |
| Housing top structures   | 109 759          | 122 436          | 109 759          | 122 436          |
| Other  | 13 577           | 13 597           | 13 577           | 13 597           |
| <b>Other subsidies</b>   | <b>142 280</b>   | <b>183 104</b>   | <b>142 280</b>   | <b>183 104</b>   |
|  | <b>142 280</b>   | <b>183 104</b>   | <b>1 807 163</b> | <b>1 774 817</b> |
| <b>31. GENERAL EXPENSES</b>  |                  |                  |                  |                  |
| Settlement costs   | 417 508          | 11 141           | 417 508          | 11 141           |
| Guarding of municipality property  | 158 444          | 137 764          | 84 320           | 76 871           |
| Hiring and maintenance of equipment  | 32 581           | 29 564           | 26 013           | 24 585           |
| Insurance  | 124 253          | 107 130          | 70 513           | 51 091           |
| Post-retirement expenses   | 90 820           | 206 272          | 94 126           | 185 322          |
| Bin rentals  |                  |                  |                  |                  |
| Telephone  | 68 211           | 64 184           | 39 949           | 38 900           |
| Bus diesel   | 36 429           | 31 102           |                  |                  |
| ME – Charges   |                  |                  | 315 222          | 190 626          |
| Amortisation of intangible assets  | 35 106           | 24 170           |                  |                  |
| Market-to-market loss on investments held-for-sale                           | 81 403           |                  | 81 403           |                  |
| Sundry expenses  | 929 184          | 720 819          | 579 569          | 430 496          |
|  | <b>1 973 939</b> | <b>1 332 146</b> | <b>1 708 623</b> | <b>1 009 032</b> |

### 32. IMPAIRMENT OF LOANS AND INVESTMENTS

#### Loans to MEs impaired

Johannesburg City Parks  
 Roodepoort City Theatre  
 Johannesburg Development Agency (Pty) Ltd  
 Metropolitan Trading Company (Pty) Ltd  
 Johannesburg Metropolitan Bus Services (Pty) Ltd  
 Pikitup Johannesburg (Pty) Ltd  
 Johannesburg Social Housing Company (Pty) Ltd  
 Johannesburg Tourism Company  
 Blue IQ Investments (Pty) Ltd

#### Investment in MEs impaired

Pikitup Johannesburg (Pty) Ltd  
 Johannesburg Development Agency (Pty) Ltd  
 Metropolitan Trading Company (Pty) Ltd  
 Greater Newtown Development (Pty) Ltd  
 Constitutional Hill Development (Pty) Ltd

On formation, each of the MEs entered into a Service Level Agreement between themselves and the City. In order to enable certain of the MEs to continue to operate and thus fulfil their obligations in terms of these agreements, the City has agreed to subordinate, in favour of other creditors, certain debts owed by the relevant MEs to the City.

The City has impaired such debts to the extent of their subordination, and will reverse each impairment only when the affairs of the relevant ME indicate the probable recoverability of its affected debt.

In addition, the carrying value of investment in the MEs listed above was impaired.

| GROUP        |              | CJMM         |              |
|--------------|--------------|--------------|--------------|
| 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
|              |              |              | 22 858       |
|              |              |              | 500          |
|              |              |              | 81 250       |
|              |              | (723)        | 95 857       |
|              |              |              | 13 726       |
|              |              | 91 600       |              |
|              |              | (140)        | 1 140        |
|              |              | (114)        | 1 473        |
| 36 599       |              |              |              |
| 36 599       |              | 90 623       | 216 804      |
|              |              |              | 1            |
|              |              |              | 9 700        |
|              |              |              | 22 000       |
| 21 650       |              |              |              |
| 35 600       |              |              |              |
| 57 250       |              |              | 31 701       |



# Notes to the financial statements

for the year ended 30 June 2006

|  | GROUP            |                  | CJMM           |                  |
|--|------------------|------------------|----------------|------------------|
|  | 2006<br>R000     | 2005<br>R000     | 2006<br>R000   | 2005<br>R000     |
| <b>33. TAXATION</b>  |                  |                  |                |                  |
| <b>South African normal taxation</b>   |                  |                  |                |                  |
| Current taxation   | 84 013           | 21 143           |                |                  |
| Deferred taxation  | 75 715           | 77 882           |                |                  |
|  | <b>159 728</b>   | <b>99 025</b>    |                |                  |
| Prior-year adjustment  | (1 244)          | (23 750)         |                |                  |
| Current taxation   | <b>2 922</b>     |                  |                |                  |
| Deferred taxation  | (4 166)          | (23 750)         |                |                  |
|  | <b>158 484</b>   | <b>75 275</b>    |                |                  |
| <b>Reconciliation of statutory to effective rate:</b>                            |                  |                  |                |                  |
| Surplus before taxation  | 1 034 797        | 1 411 922        |                |                  |
| Taxation calculated at the rate of 29%   | 300 091          | 409 457          |                |                  |
| Impact of CJMM not being a taxable entity  | (91 970)         | (191 856)        |                |                  |
| Adjustment due to change in tax rate   | (8 914)          | (5 930)          |                |                  |
| Impact of Section 21 companies not being taxable entities                        | (1 244)          | (2 154)          |                |                  |
| Prior-year adjustment  | (1 244)          | (23 750)         |                |                  |
| Expenses not deductible and exempt income  | (39 479)         | (110 492)        |                |                  |
|  | <b>(141 607)</b> | <b>(334 182)</b> |                |                  |
| <b>Taxation charge</b>   | <b>158 484</b>   | <b>75 275</b>    |                |                  |
| <b>34. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS</b> |                  |                  |                |                  |
| Surplus before taxation per statement of financial performance                   | 1 034 797        | 1 411 922        | 317 138        | 661 572          |
| Prior-year adjustment  | (16 639)         | (291 396)        | (17 324)       | (309 891)        |
| Capitalisation adjustment  |                  | 6 720            |                | 13 869           |
|  | <b>1 018 158</b> | <b>1 127 246</b> | <b>299 814</b> | <b>365 550</b>   |
| <b>Adjustments</b>   |                  |                  |                |                  |
| Provisions   | 844 645          | 980 420          | 316 624        | 463 712          |
| Impairments of investments   | 57 250           |                  |                | 31 701           |
| Impairments of receivables   | 36 599           |                  | 90 623         | 216 804          |
| Depreciation   | 909 050          | 872 163          | 463 736        | 423 841          |
| Gains on disposal of fixed assets  | (39 008)         | (53 731)         | (37 757)       | (53 025)         |
| Non-cash derivative financial assets   |                  | 46 430           |                |                  |
| Correction made to reserves  | (9 221)          | 14 085           | 17 358         | 216              |
| Amortisation of intangible assets  | 35 106           | 24 170           |                |                  |
| Loss on sale of fixed assets   | 34 703           | 3 435            | 34 552         |                  |
| Investment income  | (465 175)        | (409 719)        | (1 016 477)    | (921 643)        |
| Interest paid  | 775 344          | 671 268          | 707 355        | 605 834          |
| <b>Operating surplus before working capital changes:</b>                         | <b>2 179 293</b> | <b>2 148 521</b> | <b>576 014</b> | <b>767 440</b>   |
| (Decrease)/increase in conditional grants  | 76 178           | 212 329          | 47 354         | (137 143)        |
| Increase/(decrease) in provisions  | 379 815          | 14 912           | 395 278        | (6 003)          |
| (Decrease)/increase in creditors   | (59 906)         | 132 921          | (173 964)      | 94 132           |
| (Decrease)/increase in VAT   | 19 163           | (22 151)         | 33 868         | (14 345)         |
| Decrease/(increase) in inventory   | 1 477            | (12 000)         | 505            | 4 572            |
| Increase in consumer debtors   | (1 186 684)      | (991 943)        | (470 521)      | (290 670)        |
| Decrease in other debtors  | 305 571          | 190 245          | 59 848         | 981 373          |
|  | <b>1 714 907</b> | <b>1 672 834</b> | <b>468 382</b> | <b>1 399 356</b> |
| <b>Net cash flow from operating activities</b>                                   | <b>2 733 065</b> | <b>2 800 080</b> | <b>768 196</b> | <b>1 764 906</b> |

### 35. TAXATION PAID

Opening balance – SA normal taxation  
 Opening balance – deferred taxation  
 Charge for the year – SA normal taxation  
 Charge for the year – deferred taxation  
 Closing balance – SA normal taxation  
 Closing balance – deferred taxation

|  | GROUP        |              | CJMM         |              |
|--|--------------|--------------|--------------|--------------|
|  | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
|  | (14 574)     | (7 821)      |              |              |
|  | 82 252       | (138 821)    |              |              |
|  | (84 013)     | (21 143)     |              |              |
|  | (74 471)     | (54 132)     |              |              |
|  | 8 284        | 14 574       |              |              |
|  | 71 548       | (82 252)     |              |              |
|  | (10 974)     | (289 595)    |              |              |

### 36. UTILISATION OF NON-CURRENT LIABILITIES

Non-current liabilities  
 Used to finance property, plant and equipment – at cost

Cash set aside for repayment of non-current liabilities

Cash invested for repayment of non-current liabilities

Non current liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that the non-current liabilities can be repaid on redemption date.

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
|  | 5 884 064 | 5 266 862 | 5 628 417 | 4 967 034 |
|  | 5 562 063 | 5 086 614 | 5 306 416 | 4 786 786 |
|  | 322 001   | 180 248   | 322 001   | 180 248   |
|  | 1 359 395 | 1 026 180 | 1 359 395 | 1 026 180 |
|  | 1 681 396 | 1 206 428 | 1 681 396 | 1 206 428 |

### 37. MOVEMENT IN NON-CURRENT LIABILITIES

Raised during the period  
 Redeemed during the period

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
|  | 1 314 791 | 848 582   | 1 311 964 | 795 491   |
|  | (697 589) | (561 187) | (650 581) | (451 155) |
|  | 617 202   | 287 395   | 661 383   | 344 336   |

Current portion  
 Non-current portion

|  |           |           |           |          |
|--|-----------|-----------|-----------|----------|
|  | 1 176 356 | (140 631) | 1 201 629 | (66 640) |
|  | (559 154) | 428 026   | (540 246) | 410 976  |
|  | 617 202   | 287 395   | 661 383   | 344 336  |

### 38. MOVEMENT IN FUNDS AND RESERVES

Opening balance

Transfer to revaluation reserve

Correction of errors

Funds set aside during the year

Funds released during the year

Non-cash movements during the year

Closing balance

|  |           |             |           |           |
|--|-----------|-------------|-----------|-----------|
|  | 1 885 567 | 2 329 426   | 1 231 734 | 1 854 762 |
|  | 3 758     | (972)       |           |           |
|  | (94 273)  | (23 398)    | (102 419) |           |
|  | 620 326   | 619 711     | 284 260   | 371 127   |
|  | (185 145) | (1 039 200) | (125 892) | (994 155) |
|  | 344 666   | (443 859)   | 55 949    | (623 028) |
|  | 2 230 233 | 1 885 567   | 1 287 683 | 1 231 734 |



# Notes to the financial statements

for the year ended 30 June 2006

## 39. MOVEMENT IN UNAPPROPRIATED RESERVES

### Opening balance

|  | GROUP            |                  | CJMM             |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2006<br>R000     | 2005<br>R000     | 2006<br>R000     | 2005<br>R000     |
| Opening balance  | 5 700 441        | (371 759)        | 5 664 038        | (151 800)        |
| Revaluation  | 1 838 253        | 6 354 647        | 1 838 253        | 6 354 647        |
| Assets at fair value depreciation                              |                  | (1 290 115)      |                  | (1 290 115)      |
| Capitalisation adjustment                                      |                  | 13 869           |                  | 13 869           |
| Funds set aside during the year                                | (602 968)        | (618 523)        | (266 902)        | (370 911)        |
| Funds released during the year                                 | 154 808          | 1 039 200        | 125 892          | 994 155          |
|  | <b>7 090 534</b> | <b>5 127 319</b> | <b>7 361 281</b> | <b>5 549 845</b> |
| Surplus before taxation per statement of financial performance | 1 034 797        | 1 199 202        | 317 138          | 424 084          |
| Taxation as per statement of financial performance             | (158 484)        | (75 275)         |                  |                  |
| Correction of errors (note 41)                                 | 589 800          | (550 805)        | 263 623          | (309 891)        |
|  | <b>8 556 647</b> | <b>5 700 441</b> | <b>7 942 042</b> | <b>5 664 038</b> |

## 40. OPERATING LEASE COMMITMENTS

### Accrued operating lease commitments

#### Due in the next 12 months

|                  |                  |                |                |                |
|------------------|------------------|----------------|----------------|----------------|
| Computers        | 784              |                |                |                |
| Copiers          | 187 350          | 36 427         | 32 049         |                |
| Equipment rental | 61 911           | 14 216         |                |                |
| Fleet            | 565 858          | 366 252        | 332 055        | 179 850        |
| Buildings        | 56 395           | 33 786         | 54 002         | 31 797         |
| Office rental    | 359              | 834            |                |                |
| PABX             | 131 645          | 82 152         |                |                |
| Other            | 214              | 628            |                |                |
|                  | <b>1 004 516</b> | <b>534 295</b> | <b>418 106</b> | <b>211 647</b> |

#### Due in the following four years

|                  |                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|------------------|
| Computers        | 3 313            |                  |                  |                  |
| Copiers          | 817 869          | 184 938          | 122 565          |                  |
| Equipment rental | 40 236           | 52 284           |                  |                  |
| Fleet            | 2 480 909        | 1 539 200        | 1 391 606        | 813 935          |
| Buildings        | 254 422          | 162 863          | 251 754          | 161 868          |
| Office rental    |                  | 3 059            |                  |                  |
| PABX             | 521 355          | 524 132          |                  |                  |
| Other            | 669              | 1 124            |                  |                  |
|                  | <b>4 118 773</b> | <b>2 467 600</b> | <b>1 765 925</b> | <b>975 803</b>   |
|                  | <b>5 123 289</b> | <b>3 001 895</b> | <b>2 184 031</b> | <b>1 187 450</b> |



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#### 40. OPERATING LEASE COMMITMENTS (continued)

##### Smoothed operating lease commitments

##### Due in the next 12 months

Copiers

Buildings

Office rental

##### Due in the following four years

Copiers

Buildings

Office rental

##### Due after five years

Buildings

|  | GROUP        |              |
|--|--------------|--------------|
|  | 2006<br>R000 | 2005<br>R000 |
|  |              |              |
|  | 239          |              |
|  | 3 737        | 2 950        |
|  | 5 021        | 3 892        |
|  | 8 997        | 6 842        |
|  | 308          |              |
|  | 15 697       | 14 702       |
|  | 11 568       | 15 672       |
|  | 27 573       | 30 374       |
|  | 1 353        | 5 288        |
|  | 1 353        | 5 288        |
|  | 37 923       | 42 504       |



# Notes to the financial statements

for the year ended 30 June 2006

## 41. CORRECTION OF ERRORS

|  |           |          |           |          |
|--|-----------|----------|-----------|----------|
| Adjustment of Housing Development Fund                           | (106 178) |          | (106 178) |          |
| Correction of portfolio accounts                                 | (2 186)   |          | (2 186)   |          |
| Correction of debtors  | 45 087    |          | 45 087    |          |
| Regional Services Levies – VAT adjustment                        | (10 423)  |          | (10 423)  |          |
| Adjustment of post-employment benefit funds                      | 15 895    |          | 15 895    |          |
| Depreciation – works in progress                                 | 69 000    |          | 69 000    |          |
| Correction of creditors  | (15 638)  |          | (15 638)  |          |
| Correction of operating expenditure included in Work in Progress | 15 849    |          | 15 849    |          |
| Correction of assets written off                                 | 19 868    |          | 19 868    |          |
| Market-to-market of held-for-sale investments                    | (294 471) |          | (294 471) |          |
| Section 24 C Income tax allowance                                | 3 487     |          |           |          |
| Deferred tax adjustment – City Power Johannesburg (Pty) Ltd      | (308 870) |          |           |          |
| Correction of Government Grant Reserve                           | 7 438     |          |           |          |
| Straight lining of operating leases                              | 4 777     |          |           |          |
| Correction of provision for rehabilitation of landfill sites     | 50 398    |          |           |          |
| Deferred tax adjustment – Johannesburg Roads Agency              | (3 234)   |          |           |          |
| Disputed departmental settlement charges                         | (13 579)  |          |           |          |
| Re-allocation of grant funding from creditors to income          | (24 511)  |          |           |          |
| Correction of share premium                                      | (43 880)  |          |           |          |
| Correction of acquisition/impairment of goodwill in the MEs      |           | 287 678  |           |          |
| Depreciations on assets not accounted for previously             |           | 44 409   |           | 44 409   |
| Regional services levies VAT adjustment                          |           | (18 673) |           | (18 673) |
| Billing error corrections  |           | (58 094) |           |          |
| Correction of share premium: Metrobus                            |           | (41 048) |           | (41 048) |
| Post-employment benefit funds liabilities                        |           | 176 000  |           | 176 000  |
| Disputed departmental settlement charges                         |           | 51 619   |           | 51 619   |
| Departmental assessment rates adjustment                         |           | 14 670   |           | 14 670   |
| Adjustment gratuity to payments                                  |           | 6 700    |           | 6 700    |
| JDA investment incorrectly raised                                |           | (3 497)  |           | (3 497)  |
| Leave accruals for MEs   |           | 7 247    |           | 7 247    |
| Correction of portfolio accounts                                 |           | 67 346   |           | 67 346   |
| Correction of bin rental debtors                                 |           | 9 553    |           |          |
| Other  | 1 371     | 6 895    | (426)     | 5 118    |
|  | (589 800) | 550 805  | (263 623) | 309 891  |

### Group 2006

#### a) Correction of share premium (R43,9 million)

Share premium was raised in Metropolitan Trading Company for the lease of their building. On consolidation the unrealised portion was reversed. Share issue cost in Johannesburg Development Agency (Pty) Ltd netted off against the share premium, corrected on consolidation.

### CJMM 2006

#### a) Housing Development fund (R106,2 million)

The deficits incurred with effect from 1 July 1998 on the Housing Operating Account exceeded the balance available in the fund as at 30 June 2005 and the necessary adjustment has now been effected to write down the reserve.

#### b) Correction of portfolio account (R2,2 million)

The closing balances as at 30 June 2005 of the abovementioned account were adjusted to ensure that the portfolio reflected is in agreement with the Johannesburg Property Company records. The adjustments relate to Capital Creditors, Work in Progress, Vat raised and Debtors take on balances.



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## 41. CORRECTION OF ERRORS (continued)

### c) Correction of debtors R45,1 million

Debtors in respect of Ekurhuleni (R11,5 million), the Department of Transport (Licensing – R30,3 million) and the Provincial Health Subsidy (R 3,3 million) have been incorrectly raised and are now written back.

### d) Regional Service Levies (Vat) (R10,4 million)

Vat in relation to interest charged on arrear Regional Service levies in respect of 2004/05 has been incorrectly paid to the Receiver of Revenue. This matter has now been rectified and the relevant monies recovered.

### e) Adjustment of post-employment benefit funds (R15,9 million)

Adjustments have been made to the Diepmeadow Pension Fund (R11,9 million) where the actuarial loss in terms of AC116 has now been recognised for the first time as well as the provision relating to Gratuities for Pikitup totalling (R2,4 million). Other minor adjustments were also effected to the Sala Pension Fund, Soweto Pension Fund and various other provisions for Gratuities amounting to R1,6 million.

### f) Depreciation Works in Progress (R69 million)

Immovable assets from various Agencies have been reflected as works in progress during 2004/05. The relevant depreciation charges in respect of these assets have now been accounted for.

### g) Correction of creditors (R15,6 million)

A creditor in respect of Alexandra Renewal Project has been adjusted – R15,6 million.

### h) Correction of operating expenditure included in Work in Progress (R15,8 million)

Operating expenses included in works in progress for Agencies during prior years have been adjusted.

### l) Capitalisation adjustments (R19,9 million)

Land to the value of R26,6 million relating to the MEs incorrectly written off, now corrected. Correction of assets found during 2004/05 amounting to R12,8 million and adjustment to the opening carrying value of assets disposed during the 2005/06 financial year of R33,7 million.

### j) Marked-to-market of held-for-sale investments (R294,5 million)

Investments held-for-sale was previously incorrectly shown at amortised cost and now restated to fair value in order to enhance the disclosure in the financial statement.

#### The Johannesburg Civic Theatre (Pty) Ltd 2006

##### a) Section 24 Income Taxation Allowance (R3,5 million)

Restatement of accumulated surplus in respect of section 24 C Income taxation allowance for future expenditure.

#### City Power Johannesburg (Pty) Ltd 2006

##### a) Deferred tax adjustment (R308,9 million)

The correction relates to errors on the deferred taxation calculations performed in prior years.

##### b) Correction of Government Grant Reserve (R3,4 million)

Correction of depreciation incorrectly set off against the Government Grant Reserve during prior years.

#### Pikitup Johannesburg (Pty) Ltd

##### a) Straight lining of operating leases (R4,8 million)

Operating leases were previously not straight lined, thus resulting in the prior year adjustments

##### b) Correction of provision for rehabilitation of landfill sites (R50,4 million)

Recognition of depreciation on the initial cost of landfill sites over their estimated useful lives and the capitalisation and depreciation of the provision for rehabilitation costs of landfill sites relating to prior years now corrected.

#### Johannesburg Roads Agency (Pty) Ltd

##### a) Deferred tax adjustment (R3,2 million)

The correction relates to errors on the deferred taxation calculations performed in prior years.

#### Johannesburg City Parks 2006

##### a) Correction of accruals (R13,6 million)

During the previous financial years, estimate accruals were made for electricity and water. During the course of the current financial year, accurate billings were received which gave rise to the adjustments.

#### Johannesburg City Parks 2006

##### a) Re-allocation of grant funding from creditors to income (R24,1 million)

Grant funding relating to prior years were incorrectly recognised as creditors and thus transferred to the accumulated surplus account.



# Notes to the financial statements

for the year ended 30 June 2006

## 41. CORRECTION OF ERRORS (continued)

### Group 2005

#### a) Correction acquisition/impairment of goodwill in the accounts of the MEs

Goodwill relating to the formation of City Power Johannesburg (R252,4 million) and the Johannesburg Fresh Produce Market (R35,3 million) resulted in unrealised gains and are eliminated in full on consolidation.

### CJMM 2005

#### a) Depreciations on assets not done previously

Immovable assets from various Agencies have been reflected incorrectly as works in progress during the prior financial year. The relevant depreciation charges in respect of these assets which relate to the prior financial year are now accounted for.

#### b) Regional services levies VAT adjustment

VAT in relation to interest charged on arrear Regional Service levies in respect of the prior financial year has been incorrectly paid to the Receiver of Revenue. This matter has now been rectified and the relevant monies recovered from the Receiver of Revenue.

#### c) Correction of share premium: Metrobus

The share premium was incorrectly treated as a subsidy payment and was corrected during the current financial year.

#### d) Post-employment benefit funds liabilities

Recognising the net liabilities as at 30 June 2004 for the City of Johannesburg Pension Fund (R102 million), Soweto Pension Fund (R65,1 million) and, South African Local Authorities Pension Fund (R9,5 million) in terms of IAS 19 (AC 116).

#### e) Disputed departmental settlement charges

Revenue departmental charges disputed by City Power for prior years adjusted.

#### f) Departmental assessment rates adjustment

Inter departmental assessment rates for prior years brought into account.

#### g) Adjustment gratuity to payments

The adjustment relates to gratuity payments raised in respect of Johannesburg Roads Agency employees who left the service during the period 1 January 2001 to 30 June 2003.

#### h) JDA investment incorrectly raised

The share premium was incorrectly treated as a subsidy payment and was corrected during the current financial year.

#### i) Leave accruals for MEs

Leave accruals for MEs not raised in prior years brought into account.

#### j) Correction of portfolio accounts

Johannesburg Property Company portfolio accounts closing balances as at 30 June 2004 were adjusted in respect of Land Sales (R46 854 million), Retained income (R10 368 million) and Rental Debtors (R10 124 million) to ensure proper accounting treatment.

### Johannesburg Water 2005

#### a) Billing error corrections

During the prior financial year debtors administrated by CJMM on behalf of Johannesburg Water was not processed. During the financial year under review CJMM paid Johannesburg Water R58 million (excluding VAT) in this regard.

### Pikitup Johannesburg 2005

#### a) Correction of bin rental debtors

During the prior financial year an error occurred in accounting for the bin rental revenue, amounting to R9,553 million.

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## 42. OUTSIDE SHAREHOLDER'S INTEREST

Gauteng Province share of 36% shares in Metropolitan Trading Company (Pty) Ltd was acquired during the previous financial year for a nominal amount by CJMM in the current year. No outside shareholder was recognised in the past as the company was reflecting negative equity.

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### 43. POST-EMPLOYMENT BENEFIT FUNDS

CJMM and its MEs provide post-employment benefits to all their permanent employees through eight defined contribution funds and seven defined benefit funds. The following funds provide pension benefits for the group employees.

#### Defined contribution funds

- e-Joburg Retirement Fund
- City Power – Retirement Fund
- Municipal Employees Gratuity Fund
- Municipal Gratuity Fund
- National Fund for Municipal Workers
- Meshawu National Local Authorities Retirement Fund
- Municipal Councillors Pension Fund
- South African Municipal Workers Union National Provident Fund

In the case of these defined contribution funds the contributions paid by the Group have been expensed as required in terms of AC 116.

#### Defined benefit funds

- City of Johannesburg Pension Fund
- Johannesburg Municipal Pension Fund
- Joint Municipal Pension Fund
- Municipal Employees Pension Fund
- South African Local Authorities Pension Fund
- Soweto City Council Pension Fund
- Diepmeadow Pension Fund

During the past year the City entered into an agreement with the Johannesburg Municipal Pension Fund and the City of Johannesburg Pension Fund to the effect that, in return for payment of an amount of R400 million plus interest from 1 January 2006:

- \* Except as set out below, the assets and liabilities of the City of Johannesburg Pension Fund will be merged into the Johannesburg Pension Fund and the City will sever all financial ties with the latter Fund.
- \* The City of Johannesburg Pension Fund will be converted into a defined contribution fund. Members will be given the option of remaining as members of the Fund and accruing future benefits on a defined basis or of joining the eJoburg Retirement Fund in respect of the accrual of future service benefits. Pensioners will be given the opportunity to transfer to an insurer instead of remaining pensioners of the Johannesburg Municipal Pension Fund.

An amount of R400 million plus interest to 30 June 2006 has been provided for in these financial statements.

Contributions to the Diepmeadow pension fund were ceased by the Group with effect from 31 July 2003. Benefits have been made paid-up and will accumulate for members on a defined contribution basis.

Details of the City of Johannesburg Pension Fund, Johannesburg Municipal Pension Fund, Joint Municipal Pension Fund, Municipal Employee Pension Fund, South African Local Authorities Pension Fund and Soweto City Council Pension Fund are provided below. It is not practicable at present to determine the present value of each individual MEs obligation, related share of scheme assets and current service costs for any of the defined benefit funds. Accordingly, all funds have been accounted for using a defined-contribution basis at the ME level.

However, full defined benefit accounting has been applied at the group level in the accounts of the Group for the City of Johannesburg Pension Fund, the Johannesburg Municipal Pension Fund, Joint Municipal Pension Fund, Municipal Employee Pension Fund, South African Local Authorities Pension Fund, and Soweto City Council Pension Fund.



# Notes to the financial statements

for the year ended 30 June 2006

## 43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

### City of Johannesburg Pension Fund

The City of Johannesburg Pension Fund is a hybrid defined benefit fund registered in 1968 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of IAS 19 (AC116) (Employee Benefits) has been performed as at 30 June 2005, the results of which are shown below:

|  | GROUP      |            | CJMM       |            |
|--|------------|------------|------------|------------|
|  | 2006<br>Rm | 2005<br>Rm | 2006<br>Rm | 2005<br>Rm |
| <b>Amounts recognised in the statement of financial position</b>                   |            |            |            |            |
| Present value of funded obligation   |            | 2 200      |            | 2 200      |
| Fair value of plan assets  |            | (2 232)    |            | (2 232)    |
| Net obligation recognised in the statement of financial position                   |            | (32)       |            | (32)       |
| <b>Amounts recognised in the statement of financial performance</b>                |            |            |            |            |
| Current service cost   |            | 87         |            | 87         |
| Interest cost  |            | 183        |            | 183        |
| Expected return on plan assets   |            | (170)      |            | (170)      |
| Actuarial gain   |            | (116)      |            | (116)      |
| Change in unrecognised asset in terms of s59 of AC116                              |            | 31         |            | 31         |
| Members' contributions   |            | (32)       |            | (32)       |
| Total included in employee remuneration costs                                      |            | (17)       |            | (17)       |
| Actual return on plan assets   |            | 585        |            | 585        |
| <b>Movement in net liability recognised in the statement of financial position</b> |            |            |            |            |
| Net liability at the beginning of the year   |            | 102        |            | 102        |
| Net expense recognised in the statement of financial performance                   |            | (17)       |            | (17)       |
| Employee contributions   |            | (85)       |            | (85)       |
| Net liability at the end of the year   |            |            |            |            |
|  |            |            |            |            |
|  | GROUP      |            | CJMM       |            |
|  | 2006       | 2005       | 2006       | 2005       |
| <b>Principal actuarial assumptions</b>   |            |            |            |            |
| Discount rate  |            | 8,5%       |            | 8,5%       |
| Expected return on plan assets   |            | 8,5%       |            | 8,5%       |
| Future salary inflation  |            | 5,5%       |            | 5,5%       |
| Future pension contribution increases  |            | 4,0%       |            | 4,0%       |

### 43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

#### Johannesburg Municipal Pension Fund

The Johannesburg Municipal Pension Fund is a hybrid defined benefit fund registered in 1962 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of IAS 19 (AC116) (Employee Benefits) has been performed as at 30 June 2004, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116).

|  | GROUP      |            | CJMM       |            |
|--|------------|------------|------------|------------|
|  | 2006<br>Rm | 2005<br>Rm | 2006<br>Rm | 2005<br>Rm |
| <b>Amounts recognised in the statement of financial position</b>                   |            |            |            |            |
| Present value of funded obligation   |            | 3 449      |            | 3 449      |
| Fair value of plan assets  |            | (4 286)    |            | (4 286)    |
| Net asset  |            | (837)      |            | (837)      |
| AC116 limit  |            | 837        |            | 837        |
| Amount recognised in statement of financial position                               |            |            |            |            |
| <b>Amounts recognised in the statement of financial performance</b>                |            |            |            |            |
| Current service cost   |            | 55         |            | 55         |
| Interest cost  |            | 299        |            | 299        |
| Expected return on plan assets   |            | (350)      |            | (350)      |
| Actuarial gain   |            | (235)      |            | (235)      |
| AC116 limit  |            | 308        |            | 308        |
| Members' contributions   |            | (21)       |            | (21)       |
| Total included in employee remuneration costs                                      |            | 56         |            | 56         |
| Actual return on plan assets   |            | 926        |            | 926        |
| <b>Movement in net liability recognised in the statement of financial position</b> |            |            |            |            |
| Net liability at the beginning of the year   |            |            |            |            |
| Net expense recognised in the statement of financial performance                   |            | 56         |            | 56         |
| Members' contributions   |            | (56)       |            | (56)       |
| Net liability at the end of the year   |            |            |            |            |
|  |            |            |            |            |
|  | GROUP      |            | CJMM       |            |
|  | 2006       | 2005       | 2006       | 2005       |
| Principal actuarial assumptions  |            |            |            |            |
| Discount rate  |            | 8,5%       |            | 8,5%       |
| Expected return on plan assets   |            | 8,5%       |            | 8,5%       |
| Future salary inflation  |            | 5,5%       |            | 5,5%       |
| Future pension contribution increases  |            | 4,0%       |            | 4,0%       |



# Notes to the financial statements

for the year ended 30 June 2006

## 43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

### Joint Municipal Pension Fund

The Joint Municipal Pension Fund is a hybrid defined benefit fund registered in 1986 to provide pension benefits for employees of the Group. It has been closed to new entrants with effect from 1 January 2002. A valuation in terms of IAS 19 (AC116) (Employee Benefits) has been performed as at 30 June 2005, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116). The actuarial valuations were not available for the current financial year.

|  | GROUP      |            | CJMM       |            |
|--|------------|------------|------------|------------|
|  | 2006<br>Rm | 2005<br>Rm | 2006<br>Rm | 2005<br>Rm |
| <b>Amounts recognised in the statement of financial position</b>                   |            |            |            |            |
| Present value of funded obligation   |            | 290        |            | 290        |
| Fair value of plan assets  |            | (297)      |            | (297)      |
| Net asset  |            | (7)        |            | (7)        |
| AC116 limit  |            | 7          |            | 7          |
| Amount recognised in statement of financial position                               |            |            |            |            |
| <b>Amounts recognised in the statement of financial performance</b>                |            |            |            |            |
| Current service cost   |            | 5          |            | 5          |
| Interest cost  |            | 26         |            | 26         |
| Expected return on plan assets   |            | (23)       |            | (23)       |
| Actuarial gain   |            | (32)       |            | (32)       |
| AC116 limit  |            | 7          |            | 7          |
| Members' contributions   |            | (2)        |            | (2)        |
| Total included in employee remuneration costs                                      |            | (19)       |            | (19)       |
| Actual return on plan assets   |            | 77         |            | 77         |
| <b>Movement in net liability recognised in the statement of financial position</b> |            |            |            |            |
| Net liability at the beginning of the year   |            | 23         |            | 23         |
| Net expense recognised in the statement of financial performance                   |            | (19)       |            | (19)       |
| Members' contributions   |            | (4)        |            | (4)        |
| Net liability at the end of the year   |            | (23)       |            | (23)       |
|  | GROUP      |            | CJMM       |            |
|  | 2006       | 2005       | 2006       | 2005       |
| <b>Principal actuarial assumptions</b>   |            |            |            |            |
| Discount rate  |            | 8,5%       |            | 8,5%       |
| Expected return on plan assets   |            | 8,5%       |            | 8,5%       |
| Future salary inflation  |            | 5,5%       |            | 5,5%       |
| Future pension contribution increases  |            | 4,0%       |            | 4,0%       |



### 43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

#### Municipal Employee Pension Fund

The Municipal Employee Pension Fund is a hybrid defined benefit fund registered in 1988 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of IAS 19 (AC116) (Employee Benefits) has been performed as at 30 June 2005, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116). The actuarial valuations were not available for the current financial year.

|  | GROUP      |            | CJMM       |            |
|--|------------|------------|------------|------------|
|  | 2006<br>Rm | 2005<br>Rm | 2006<br>Rm | 2005<br>Rm |
| <b>Amounts recognised in the statement of financial position</b>                   |            |            |            |            |
| Present value of funded obligation   |            | 250        |            | 250        |
| Fair value of plan assets  |            | (289)      |            | (289)      |
| Net asset  |            | (39)       |            | (39)       |
| IAS 19/AC 116 limit  |            | 39         |            | 39         |
| Amount recognised in statement of financial position                               |            |            |            |            |
| <b>Amounts recognised in the statement of financial performance</b>                |            |            |            |            |
| Current service cost   |            | 20         |            | 20         |
| Interest cost  |            | 22         |            | 22         |
| Expected return on plan assets   |            | (22)       |            | (22)       |
| Actuarial gain   |            | (35)       |            | (35)       |
| IAS 19/AC 116 limit  |            | 32         |            | 32         |
| Members' contributions   |            | (4)        |            | (4)        |
| Total included in employee remuneration costs                                      |            | 13         |            | 13         |
| Actual return on plan assets   |            | 71         |            | 71         |
| <b>Movement in net liability recognised in the statement of financial position</b> |            |            |            |            |
| Net liability at the beginning of the year   |            |            |            |            |
| Net expense recognised in the statement of financial performance                   |            | 13         |            | 13         |
| Members' contributions   |            | (13)       |            | (13)       |
| Net liability at the end of the year   |            |            |            |            |
|  |            |            |            |            |
|  | GROUP      |            | CJMM       |            |
|  | 2006       | 2005       | 2006       | 2005       |
| <b>Principal actuarial assumptions</b>   |            |            |            |            |
| Discount rate  |            | 8,5%       |            | 8,5%       |
| Expected return on plan assets   |            | 8,5%       |            | 8,5%       |
| Future salary inflation  |            | 5,5%       |            | 5,5%       |
| Future pension contribution increases  |            | 4,0%       |            | 4,0%       |



# Notes to the financial statements

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## 43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

### South African Local Authorities Pension Fund

The South African Local Authorities Pension Fund is a hybrid defined benefit fund registered in 1985 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of IAS 19 (AC116) (Employee Benefits) has been performed as at 30 June 2006, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116).

|  | GROUP      |            | CJMM       |            |
|--|------------|------------|------------|------------|
|  | 2006<br>Rm | 2005<br>Rm | 2006<br>Rm | 2005<br>Rm |
| <b>Amounts recognised in the statement of financial position</b>                   |            |            |            |            |
| Present value of funded obligation   | 69         | 51         | 69         | 51         |
| Fair value of plan assets  | (54)       | (42)       | (54)       | (42)       |
| Net asset  | 15         | 9          | 15         | 9          |
| IAS 19/AC 116 limit  |            |            |            |            |
| Amount recognised in statement of financial position                               | 15         | 9          | 15         | 9          |
| <b>Amounts recognised in the statement of financial performance</b>                |            |            |            |            |
| Current service cost   |            | 1          |            | 1          |
| Interest cost  | 5          | 4          | 5          | 4          |
| Expected return on plan assets   | (3)        | (3)        | (3)        | (3)        |
| Actuarial loss   | 4          | 1          | 4          | 1          |
| IAS 19/AC116 limit   |            |            |            |            |
| Members' contributions   |            | (1)        |            | (1)        |
| Total included in employee remuneration costs                                      | 6          | 2          | 6          | 2          |
| Actual return on plan assets   | 15         | 9          | 15         | 9          |
| <b>Movement in net liability recognised in the statement of financial position</b> |            |            |            |            |
| Net liability at the beginning of the year   | 9          | 11         | 9          | 11         |
| Net expense recognised in the statement of financial performance                   | 6          |            | 6          |            |
| Members' contributions   |            | (2)        |            | (2)        |
| Net liability at the end of the year   | 15         | 9          | 15         | 9          |
|  | GROUP      |            | CJMM       |            |
|  | 2006       | 2005       | 2006       | 2005       |
| <b>Principal actuarial assumptions</b>   |            |            |            |            |
| Discount rate  | 9,0%       | 8,5%       | 9,0%       | 8,5%       |
| Expected return on plan assets   | 9,0%       | 8,5%       | 9,0%       | 8,5%       |
| Future salary inflation  | 6,0%       | 5,5%       | 6,0%       | 5,5%       |
| Future pension contribution increases  | 1,9%       | 4,0%       | 1,9%       | 4,0%       |

### 43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

#### Soweto City Council Pension Fund

The Soweto City Council Pension Fund is a hybrid defined benefit fund registered in 1987 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of AC116 has been performed as at 30 June 2006, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116).

|  | GROUP      |            | CJMM       |            |
|--|------------|------------|------------|------------|
|  | 2006<br>Rm | 2005<br>Rm | 2006<br>Rm | 2005<br>Rm |
| <b>Amounts recognised in the statement of financial position</b>                   |            |            |            |            |
| Present value of funded obligation   | 795        | 612        | 795        | 612        |
| Fair value of plan assets  | (772)      | (595)      | (772)      | (595)      |
| Net asset  | 23         | 17         | 23         | 17         |
| AS 19/AC 116 limit   |            |            |            |            |
| Amount recognised in statement of financial position                               | 23         | 17         | 23         | 17         |
| <b>Amounts recognised in the statement of financial performance</b>                |            |            |            |            |
| Current service cost   |            | 24         |            | 24         |
| Interest cost  | 52         | 52         | 52         | 52         |
| Expected return on plan assets   | (51)       | (45)       | (51)       | (45)       |
| Actuarial gain   | 5          | (46)       | 5          | (46)       |
| IAS 19/AC 116 limit  |            |            |            |            |
| Members' contributions   |            | (8)        |            | (8)        |
| Total included in employee-remuneration costs                                      | 6          | (23)       | 6          | (23)       |
| Actual return on plan assets   | 126        | 126        | 126        | 126        |
| <b>Movement in net liability recognised in the statement of financial position</b> |            |            |            |            |
| Net liability at the beginning of the year   | 17         | 57         | 17         | 57         |
| Net expense recognised in the statement of financial performance                   | 6          | (23)       | 6          | (23)       |
| Members' contributions   |            | (17)       |            | (17)       |
| Net liability at the end of the year   | 23         | 17         | 23         | 17         |
|  | GROUP      |            | CJMM       |            |
|  | 2006       | 2005       | 2006       | 2005       |
| <b>Principal actuarial assumptions</b>   |            |            |            |            |
| Discount rate  | 9,0%       | 8,5%       | 9,0%       | 8,5%       |
| Expected return on plan assets   | 9,0%       | 8,5%       | 9,0%       | 8,5%       |
| Future salary inflation  | 6,0%       | 5,5%       | 6,0%       | 5,5%       |
| Future pension contribution increases  | 1,9%       | 4,0%       | 1,9%       | 4,0%       |



# Notes to the financial statements

for the year ended 30 June 2006

## 43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

### PAID-UP DEFINED BENEFIT FUND

#### Diepmeadow Pension Fund

Contributions to the Diepmeadow Pension Fund were ceased for City employees with effect from 31 July 2003. Benefits have been made paid up and will accumulate for members on a defined contribution basis. The rule amendment giving effect to the revised benefit structure was registered on 3 November 2004. A valuation in terms of AC 116 has been performed as at 30 June 2006, the results of which are shown below.

|  | GROUP      |            | CJMM       |            |
|--|------------|------------|------------|------------|
|  | 2006<br>Rm | 2005<br>Rm | 2006<br>Rm | 2005<br>Rm |
| <b>Amounts recognised in the statement of financial position</b>                   |            |            |            |            |
| Present value of funded obligation   | 239        |            | 239        |            |
| Fair value of plan assets  | (223)      |            | (223)      |            |
| Net asset  | 16         |            | 16         |            |
| AC 116 limit   |            |            |            |            |
| Amount recognised in statement of financial position                               | 16         |            | 16         |            |
| <b>Amounts recognised in the statement of financial performance</b>                |            |            |            |            |
| Current service cost   |            |            |            |            |
| Interest cost  | 16         |            | 16         |            |
| Expected return on plan assets   | (15)       |            | (15)       |            |
| Actuarial (gain)/loss  | 3          |            | 3          |            |
| Total included in employee-remuneration costs                                      | 4          |            | 4          |            |
| Actual return on plan assets   | 37         |            | 37         |            |
| <b>Movement in net liability recognised in the statement of financial position</b> |            |            |            |            |
| Net liability at the beginning of the year   | 12         |            | 12         |            |
| Net expense recognised in the statement of financial performance                   | 4          |            | 4          |            |
| Members' contributions   |            |            |            |            |
| Net liability at the end of the year   | 16         |            | 16         |            |
|  | GROUP      |            | CJMM       |            |
|  | 2006       | 2005       | 2006       | 2005       |
| <b>Principal actuarial assumptions</b>   |            |            |            |            |
| Discount rate  | 9,0%       |            | 9,0%       |            |
| Expected return on plan assets   | 9,0%       |            | 9,0%       |            |
| Future salary increase   | 6,0%       |            | 6,0%       |            |
| Future pension increases   | 3,3%       |            | 3,3%       |            |





### 43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

#### Post-retirement gratuities

The Group provides gratuities on retirement or prior death (i.e. for those members that die prior to retirement date) in respect of staff who were employed by CJMM while they were not members of one of the retirement funds and who meet certain service requirements in terms of CJMM's conditions of employment. The gratuity amount is based on one month's salary per year of non-retirement-funding service.

In addition to the gratuity benefits provided to current staff of CJMM, CJMM has also undertaken to cover such portion of the gratuity liability for staff of the MEs who are entitled to benefits on the same basis as above that relates to their service with CJMM before the MEs were established. This amount was determined as at 1 July 2003 and has been crystallised in the form of notional accounts which earn interest and against which the MEs may claim benefit payments made.

These liabilities are unfunded and the relevant details are shown below.

|  | GROUP          |                 | CJMM           |                 |
|--|----------------|-----------------|----------------|-----------------|
|  | 2006<br>Rm     | 2005<br>Rm      | 2006<br>Rm     | 2005<br>Rm      |
| <b>Amounts recognised in the statement of financial position</b>             |                |                 |                |                 |
| Present value of unfunded obligation in respect of CJMM employees            | 431 531        | 419 483         | 126 459        | 123 981         |
| In respect of notional accounts for employees of MEs                         |                |                 | 289 881        | 281 432         |
|  | <b>431 531</b> | <b>419 483</b>  | <b>416 340</b> | <b>405 413</b>  |
| <b>Amounts recognised in the statement of financial performance</b>          |                |                 |                |                 |
| In respect of employees of CJMM  |                |                 |                |                 |
| Interest cost  | 33 254         | 45 745          | 9 934          | 21 924          |
| Current service cost   | 2 872          | (1 987)         |                |                 |
| Actuarial (loss)/gain  | 13 019         | (67 058)        | 4 924          | (113 266)       |
| Correction of error  | 578            |                 | 578            |                 |
| Total included in employee-remuneration costs                                | <b>49 723</b>  | <b>(23 300)</b> | <b>15 436</b>  | <b>(91 342)</b> |
| In respect of employees of MEs   |                |                 |                |                 |
| Interest cost  |                |                 |                |                 |
| New notional accounts created  |                |                 |                |                 |
| Total included in employee-remuneration costs                                |                |                 |                |                 |
| <b>Movements in amount recognised in the statement of financial position</b> |                |                 |                |                 |
| In respect of CJMM employees   |                |                 |                |                 |
| Liability at start of the year   | 419 483        | 473 902         | 123 981        | 225 000         |
| Additional liability created   |                |                 |                |                 |
| Net expense recognised in the statement of financial performance             | 49 723         | (23 300)        | 15 436         | (91 342)        |
| Benefit payments   | (37 675)       | (31 119)        | (12 958)       | (9 677)         |
|  | <b>431 531</b> | <b>419 483</b>  | <b>126 459</b> | <b>123 981</b>  |
| In respect of employees of MEs   |                |                 |                |                 |
| Liability at start of the year   |                |                 | 281 432        | 237 591         |
| Interest charge included in the statement of financial performance           |                |                 | 34 094         | 63 432          |
| Additional liability created   |                |                 |                |                 |
| Benefits payments  |                |                 | (25 645)       | (19 591)        |
| Liability at end of the year   |                |                 | <b>289 881</b> | <b>281 432</b>  |
|  | GROUP          |                 | CJMM           |                 |
|  | 2006           | 2005            | 2006           | 2005            |
| <b>Key assumptions</b>   |                |                 |                |                 |
| Discount rate  | 9,0%           | 8,5%            | 9,0%           | 8,5%            |
| Expected return on notional account  | 6,5%           | 5,5%            | 6,5%           | 8,5%            |
| Benefit increase rate  | 9,0%           | 8,5%            | 9,0%           | 5,5%            |



# Notes to the financial statements

for the year ended 30 June 2006

## 44. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

### Contributions to South African Local Government Association

Opening balance

Council contributions

Amount paid-current year

### Audit fees

Opening balance

Current year audit fee

Amount paid – current year

Amount paid – previous year

Balance unpaid (included in sundry creditors)

The balance unpaid represents the audit fee for an interim audit conducted during May and June 2006 and is payable by 31 July 2006.

### Value Added Tax (VAT)

VAT receivables and VAT payable is shown in note 10.

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

### PAYE and UIF

Opening balance

Current-year payroll deductions

Amount paid – current year

Amount paid – previous year

Balance unpaid (included in sundry creditors)

The balance represents PAYE and UIF deducted from the June 2006 payroll. These amounts were paid during July 2006.

### Pension and medical aid deductions

Opening balance

Current-year payroll deductions and Council contributions

Amount paid – current year

Amount paid – previous year

Balance unpaid (included in sundry creditors)

The balance represents pension and medical aid contributions deducted from employees in the June 2006 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2006.

|   | GROUP        |              | CJMM         |              |
|---|--------------|--------------|--------------|--------------|
|   | 2006<br>R000 | 2005<br>R000 | 2006<br>R000 | 2005<br>R000 |
| Opening balance   |              |              |              |              |
| Council contributions                                     | 34 319       | 5 944        | 34 319       | 5 944        |
| Amount paid-current year                                  | (34 319)     | (5 944)      | (34 319)     | (5 944)      |
|   |              |              |              |              |
| Opening balance   | 3 673        | 2 799        | 2 161        | 320          |
| Current year audit fee                                    | 18 247       | 13 604       | 11 246       | 7 628        |
| Amount paid – current year                                | (13 687)     | (9 630)      | (9 455)      | (5 467)      |
| Amount paid – previous year                               | (4 829)      | (3 100)      | (2 044)      | (320)        |
| Balance unpaid (included in sundry creditors)             | 3 404        | 3 673        | 1 908        | 2 161        |
|   |              |              |              |              |
| Opening balance   | 18 882       | 22 516       | 18 558       | 18 900       |
| Current-year payroll deductions                           | 512 307      | 464 504      | 288 459      | 282 759      |
| Amount paid – current year                                | (492 862)    | (445 667)    | (269 029)    | (264 201)    |
| Amount paid – previous year                               | (18 754)     | (22 471)     | (18 558)     | (18 900)     |
| Balance unpaid (included in sundry creditors)             | 19 573       | 18 882       | 19 430       | 18 558       |
|   |              |              |              |              |
| Opening balance   | 27 390       | 58 407       | 27 237       | 52 760       |
| Current-year payroll deductions and Council contributions | 773 857      | 727 225      | 469 827      | 459 611      |
| Amount paid – current year                                | (735 353)    | (699 826)    | (431 994)    | (432 374)    |
| Amount paid – previous year                               | (27 390)     | (58 416)     | (27 237)     | (52 760)     |
| Balance unpaid (included in sundry creditors)             | 38 504       | 27 390       | 37 833       | 27 237       |



#### 44. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT (continued)

##### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2006

|             |     | Total Outstanding | Outstanding < 90 days | Amount in arrears >90 days | Comments         |
|-------------|-----|-------------------|-----------------------|----------------------------|------------------|
|             |     | R                 | R                     | R                          |                  |
| Botes       | C   | 12 658            | 159                   | 12 499                     | Arrears >90 days |
| Clarke      | SNM | 45 897            | 3 575                 | 41 322                     | Arrears >90 days |
| Dladla      | MJ  | 1 046             | 691                   | 355                        | Arrears >90 days |
| Gomati      | M   | 745               | 510                   | 235                        | Arrears >90 days |
| Griffin     | S   | 8 835             | (1 466)               | 10 301                     | Arrears >90 days |
| Hlomendlini | IN  | 955               | 309                   | 646                        | Arrears >90 days |
| Lekgetho    | JK  | 1 586             | 539                   | 1 047                      | Arrears >90 days |
| Lekgetho    | MJ  | 8 013             | 541                   | 7 472                      | Arrears >90 days |
| Machaba     | TEL | 1 821             | 110                   | 1 711                      | Arrears >90 days |
| Maela       | SI  | 7 320             | 567                   | 6 753                      | Arrears >90 days |
| Makhubo     | MM  | 157               | 104                   | 53                         | Arrears >90 days |
| Mambo       | NM  | 1 496             | 472                   | 1 024                      | Arrears >90 days |
| Maseko      | OM  | 195 195           | 3 506                 | 191 689                    | Arrears >90 days |
| Masina      | P   | 1 771             | 541                   | 1 230                      | Arrears >90 days |
| Matladi     | JM  | 498               | 20                    | 478                        | Arrears >90 days |
| Mfabo       | WB  | 585               | 253                   | 332                        | Arrears >90 days |
| Mfenyana    | NJ  | 16 516            | 520                   | 15 996                     | Arrears >90 days |
| Moche       | MM  | 6 597             | 153                   | 6 444                      | Arrears >90 days |
| Moepi       | NR  | 836               | 505                   | 331                        | Arrears >90 days |
| Molutsi     | MP  | 4 308             | 3 227                 | 1 081                      | Arrears >90 days |
| Mpolobosho  | MM  | 2 746             | 90                    | 2 656                      | Arrears >90 days |
| Mtembu      | NG  | 7 451             | 555                   | 6 896                      | Arrears >90 days |
| Ngwedzeni   | N   | 10 594            | 520                   | 10 074                     | Arrears >90 days |
| Nkoane      | KL  | 15 185            | 742                   | 14 443                     | Arrears >90 days |
| Nthite      | NT  | 3 470             | 151                   | 3 319                      | Arrears >90 days |
| Ntombela    | P   | 627               | 149                   | 478                        | Arrears >90 days |
| Ntuli       | MP  | 6 832             |                       | 6 832                      | Arrears >90 days |
| Putsoa      | A   | 223               | 71                    | 152                        | Arrears >90 days |
| Ramafola    | SM  | 950               | 312                   | 638                        | Arrears >90 days |
| Riba        | Q   | 1 067             | 294                   | 773                        | Arrears >90 days |
| Turk        | BD  | 3 338             | 2 154                 | 1 184                      | Arrears >90 days |
| Zitha       | P   | 930               | 640                   | 290                        | Arrears >90 days |
|             |     | <b>370 248</b>    | <b>20 514</b>         | <b>349 734</b>             |                  |



# Notes to the financial statements

for the year ended 30 June 2006

## 44. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT (continued)

During the year the following Councillors' had arrear accounts outstanding for more than 90 days

|           |     | Highest amount<br>outstanding<br>> 90 days<br>R | Total<br>R     | Comments                             |
|-----------|-----|---|----------------|--------------------------------------|
| Barnes    | AE  | 1 816   | 19 217         | Arrears >90 days – Arrange on salary |
| De Vos    | MD  | 127   | 132            | Arrears >90 days – Arrange on salary |
| Dela      | SE  | 45  | 65             | Arrears >90 days                     |
| Dhlamini  | MT  | 11 436  | 12 294         | Arrears >90 days – Arrange on salary |
| Essop     | AK  | 2   | 2 154          | Arrears >90 days                     |
| Fortuin   | CM  | 1 810   | 2 209          | Arrears >90 days – Arrange on salary |
| Greeff    | RJ  | 4 556   | 11 346         | Arrears >90 days                     |
| Ishmail   | GJ  | 1 105   | 1 967          | Arrears >90 days                     |
| Kgomo     | MC  | 242   | 2 171          | Arrears >90 days                     |
| Khonoti   | DJ  | 735   | 837            | Arrears >90 days                     |
| Kraqa     | AT  | 6   | 1 249          | Arrears >90 days – Arrange on salary |
| Kunene    | NP  | 462   | 564            | Arrears >90 days – Arrange on salary |
| Lichaba   | DL  | 1   | 1 809          | Arrears >90 days – Arrange on salary |
| Lugli     | KSA | 70 207  | 72 107         | Arrears >90 days                     |
| Mahlobo   | SE  | 1 976   | 2 753          | Arrears >90 days                     |
| Manack    | AA  | 1 422   | 4 672          | Arrears >90 days                     |
| Maphatsoe | ER  | 1 204   | 1 734          | Arrears >90 days – Arrange on salary |
| Mbasela   | JV  | 14 129  | 15 239         | Arrears >90 days – Arrange on salary |
| Miller    | B   | 58  | 217            | Arrears >90 days                     |
| Mkhize    | DS  | 2 882   | 2 901          | Arrears >90 days                     |
| Mkhohza   | NJ  | 12 038  | 12 557         | Arrears >90 days                     |
| Mlambo    | E   | 9 058   | 9 555          | Arrears >90 days – Arrange on salary |
| Mofokeng  | L   | 22 291  | 23 805         | Arrears >90 days – Arrange on salary |
| Mohlala   | NP  | 1 232   | 4 704          | Arrears >90 days                     |
| Motaung   | DT  | 22 551  | 23 079         | Arrears >90 days                     |
| Mthembu   | D   | 102   | 590            | Arrears >90 days                     |
| Mtshali   | E   | 42  | 110            | Arrears >90 days                     |
| Nanise    | MS  | 869   | 1 406          | Arrears >90 days                     |
| Ndlovu    | C   | 13 738  | 14 254         | Arrears >90 days – Arrange on salary |
| Nkosi     | BG  | 25 118  | 25 638         | Arrears >90 days                     |
| Padi      | SD  | 262   | 785            | Arrears >90 days                     |
| Sefolo    | ME  | 10 275  | 10 803         | Arrears >90 days - Arrange on salary |
| Sithole   | B   | 2 992   | 8 109          | Arrears >90 days                     |
| Sithole   | V   | 1 051   | 2 335          | Arrears >90 days - Arrange on salary |
| Stuurman  | L   | 6 688   | 9 314          | Arrears >90 days - Arrange on salary |
| Volker    | VT  | 3 991   | 6 899          | Arrears >90 days - Arrange on salary |
| Zondi     | BD  | 334   | 858            | Arrears >90 days                     |
|           |     | <b>246 853</b>                                  | <b>310 438</b> |                                      |

Thirty two Councillors were in arrears as at 30 June 2006, none of them have made signed arrangements to pay the amounts outstanding on their accounts.

Fifty-five Councillors failed to submit the necessary documentation to indicate whether or not they are liable for any municipal accounts.

One hundred and thirty Councillors are not liable for their accounts.



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#### 44. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT (continued)

30 June 2005

Nine Councillors were in arrears as at 30 June 2005 and have made signed arrangements to pay amounts outstanding.

|           |     | Total<br>outstanding<br>R | Outstanding<br>< 90 days<br>R | Amount in<br>arrears<br>>90 days<br>R |
|-----------|-----|---------------------------|-------------------------------|---------------------------------------|
| Maphatsoe | E R | 22 944                    | 669                           | 22 275                                |
| Ndlovu    | C   | 14 774                    | 505                           | 14 269                                |
| Dhlamini  | MT  | 12 000                    | 845                           | 11 155                                |
| Lichaba   | DL  | 8 397                     | 558                           | 7 839                                 |
| Radebe    | TS  | 6 188                     | 485                           | 5 703                                 |
| Volker    | VT  | 5 412                     | 2 749                         | 2 663                                 |
| Sibiya    | KG  | 1 215                     | 177                           | 1 038                                 |
| Fortuin   | CM  | 1 879                     | 910                           | 969                                   |
| Kunene    | NP  | 529                       | 101                           | 428                                   |
|           |     | <b>73 338</b>             | <b>6 999</b>                  | <b>66 339</b>                         |

In addition:

Two accounts in the name of Councillors have acknowledged queries, and the queries have yet to be resolved.

Fifty-two Councillors failed to submit the necessary documentation to indicate whether or not they are liable for any municipal accounts, or submitted incomplete documentation.

The remaining 155 Councillors were either fully up to date with their municipal accounts as at 30 June 2005, or were not liable for any municipal accounts.



# Notes to the financial statements

for the year ended 30 June 2006

## 45. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

**Authorised and contracted for:**

Infrastructure  
Community  
Heritage  
Housing Development Fund  
Other

**Authorised and not yet contracted for:**

Infrastructure  
Community  
Heritage  
Housing Development Fund  
Other

**Total**

**This expenditure will be financed from**

External loans  
Capital Replacement Reserve  
Government grants  
Internal cash  
District Council grants

|  | GROUP            |              | CJMM             |              |
|--|------------------|--------------|------------------|--------------|
|  | 2006<br>R000     | 2005<br>R000 | 2006<br>R000     | 2005<br>R000 |
|  |                  |              |                  |              |
|  | <b>620 378</b>   | 535 987      | <b>430 691</b>   | 388 261      |
|  | <b>13 000</b>    | 49 018       | <b>13 000</b>    | 49 018       |
|  | <b>18 000</b>    |              | <b>18 000</b>    |              |
|  | <b>270 870</b>   | 273 593      | <b>237 091</b>   | 223 478      |
|  | <b>922 248</b>   | 858 598      | <b>698 782</b>   | 660 757      |
|  |                  |              |                  |              |
|  | <b>1 480 038</b> | 1 399 325    | <b>95 614</b>    | 108 802      |
|  | <b>191 977</b>   | 102 681      | <b>191 977</b>   | 102 681      |
|  |                  | 3 433        |                  | 3 433        |
|  | <b>598 955</b>   | 430 570      | <b>59 548</b>    | 42 391       |
|  | <b>2 270 970</b> | 1 936 009    | <b>347 139</b>   | 257 307      |
|  | <b>3 193 218</b> | 2 794 607    | <b>1 045 921</b> | 918 064      |
|  |                  |              |                  |              |
|  | <b>2 173 037</b> | 1 922 776    | <b>660 066</b>   | 631 400      |
|  | <b>36 664</b>    | 25 490       | <b>30 664</b>    | 19 490       |
|  | <b>781 017</b>   | 646 341      | <b>355 191</b>   | 267 174      |
|  | <b>202 500</b>   | 200 000      |                  |              |
|  | <b>3 193 218</b> | 2 794 607    | <b>1 045 921</b> | 918 064      |

## 46. CONTINGENT LIABILITIES

### LITIGATION

#### CJMM

- a) Five Plaintiffs brought action against the Council in the 1990s, 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 temporarily in terms of Section 76 of the Local Government Ordinance 1939 (TVL) instead of permanent closure in terms of Section 67. The claims total R8,6 million plus interest at 15,5%. The Plaintiffs have not yet provided security for costs for the matter to proceed but have through its new attorney indicated that it will be proceeding with the case. It has not yet done so, but it remains a possibility.
- b) The Court actions against the City with total value of R4 million in respect of services alleged to have been rendered to the City.
- c) The Court action emanating from the termination of an insurance agreement against the City for an amount of R23 million.
- d) The Court action emanating from the alleged breach of contract of lease by the City for an amount of R15 million.
- e) The Court action emanating from the road widening by the City. The amount claimed for compensation is R11 million.
- f) The Court action for compensation in respect of expropriation in terms of the Better Building Programme. The claim amounts to R1 million.
- g) The Court action for damage against the City with total value of R7 million for allegedly failing to execute its duties. The matter is ongoing.
- h) A claim for R28 million by ESKOM in respect of RSC levies. A part of the claim has prescribed, and the claim should be settled for far less. The matter is ongoing.
- i) A claim for damages was instituted by Engen Petroleum as a result of the Grayston fly-over for loss of income. The total claim is in excess of R10 million and is not insured. This matter proceeded slowly since 1995, but it now appears that the Plaintiff may set the matter down for trial.
- j) Claim for damages and compensation resulting from a road constructed. Total claim R11,9 million. Although settlement negotiations are ongoing, chances to settle the matter amicably appear slim.
- j) The claim for an amount of R57,5 million from an external service provider for the 'alleged' services that could otherwise have been rendered if the contract was 'properly' executed. The City is defending the matter and has filed a counter claim.
- k) A claim by certain employees in respect of bonus gratuity in terms of their conditions of services, amounting to R67,3 million.

#### City Power Johannesburg (Pty) Ltd

- a) Litigation is in process against City Power Johannesburg (Pty) Ltd relating to a contract with Sidas Security. The contract was withdrawn by City Power due to falsification of information by the security company during the tender process. Sidas Security subsequently sued City Power Johannesburg (Pty) Ltd and the matter is currently in the High Court. The attorneys of Sidas Security have made an offer to City Power Johannesburg (Pty) Ltd to withdraw all legal action which is under consideration. An estimate of the financial impact amounts to R12 million. The company's lawyers and management consider the likelihood of the action against the company being successful as unlikely.
- b) Litigation is in the process against City Power Johannesburg (Pty) Ltd relating to a claim for the fulltime employment of contracted employees originally sourced from Thlalefang Placements. An estimate of the financial impact amounts to R724 223.32. The company's lawyers and management consider the likelihood of the action against the company being successful as high.

#### The Johannesburg Zoo

- a) The Johannesburg Zoo has a contingent liability of an estimated R500 000, resulting from SARS payment and RSC Levies not being paid during the period 2000 to 2003.



# Notes to the financial statements

for the year ended 30 June 2006

## 46. CONTINGENT LIABILITIES (continued)

### INSURED CLAIMS

#### CJMM

- a) There are a number of possible public liability claims totalling approximately R9,1 million which are ongoing and which are covered by insurance.
- b) Guardrisk Contingency Fund. Provision of this liability includes all known liabilities against CJMM and MEs, legally required provision for claims incurred but not yet reported as well as business required provision to support the operational support and operational activities.

### GUARANTEES

#### CJMM

Guarantees were issued to the following companies:

- a) CDC Globelec – R150 million in terms of a power purchasing agreement.
- b) Kelvin Power (Pty) Ltd – R155,6 million to ensure that City Power Johannesburg (Pty) Ltd meets all its commitments.
- c) The Johannesburg Zoo – R6 million in respect of the purchasing of property.
- d) COID Commissioner – R15 million in terms of the Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993).
- e) South African Post Office – R2,2 million in respect of bulk mailings.

#### Johannesburg Water (Pty) Ltd

- a) Bank guarantee to the South African Post Office for an amount of R200 000. The guarantee is in the ordinary course of business and it is anticipated that no material liability will arise.

### RE-INSTATEMENT OF CONTRACTS

#### CJMM

- a) Claim by Johnnic Property Developments – R473 000 in respect of external engineering services at the Dainfern development.
- b) Claim by Gerda van Tonder and others on behalf of Primaworks – R442 000 in respect of services allegedly rendered.

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## 47. IN-KIND DONATIONS AND ASSISTANCE

The following in-kind donations and assistance were received.

### Description

Computer equipment was donated to Riverlea recreation centre.

The Libraries received books from various sources.

Sponsorships towards the cost of the following events was received:

- World Urban Forum – Vancouver
- Annual European local and regional government financing conference
- Educational tour to Germany
- Imfo/Jhb municipal bond conference
- Study tour to France
- Attending the International debt management conference
- Bond study tour to Canada, Columbia via USA
- The Emergency management service's gala function
- FBI Training for Metro police department

Two Nissan bakkies were donated to Metro police department.

As part of the Municipal Management Technical Assistance Programme, National Treasury has provided the City with one full-time international financial advisor.

Medical supplies were donated to various clinics by the Gauteng Provincial Government.

Various gifts were donated to the Executive Mayor. Full details are contained in a register at the Executive Mayor's Office.

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# Notes to the financial statements

for the year ended 30 June 2006

## 49. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)

### The Johannesburg Fresh Produce Market (Pty) Ltd

| Incident  | Disciplinary steps/criminal proceedings  | R000         |
|---|--|--------------|
| Interest on late payment of PAYE and provisional taxation |  | 790          |
| Insurance claim due to fraud                              | Two employees were dismissed and criminal charges have been laid against them. | 7 931        |
| Write-off of amounts without supporting documentation     | None   | 1 779        |
|   |  | <hr/> 10 500 |

### Metropolitan Trading Company (Pty) Ltd

| Incident            | Disciplinary steps/criminal proceedings | R000 |
|---------------------|---|------|
| Late payment of VAT | None                                    | 17   |

### Pikitup Johannesburg (Pty) Ltd

| Incident  | Disciplinary steps/criminal proceedings | R000      |
|---|---|-----------|
| Interest paid – ESKOM – Invoices received late                  | None                                    | 1         |
| Interest paid – FNB – Credit cards paid late                    | None                                    | 1         |
| Interest paid – TELKOM – July 05 paid late (during August 2005) | None                                    | 1         |
| Traffic fines – As a result of overloading                      | None                                    | 2         |
| Interest and penalties paid to SARS                             | None                                    | 329       |
|   |   | <hr/> 334 |

### Johannesburg Metropolitan Bus Services (Pty) Ltd

| Incident                                  | Disciplinary steps/criminal proceedings | R000      |
|---|---|-----------|
| Incorrect report format for revenue claim | Amount awaiting condonement             | 49        |
| Traffic fines                             | Amount awaiting condonement             | 10        |
| Traffic fines Prior year                  | Amount awaiting condonement             | 65        |
| Interest on VAT payments                  | Amount awaiting condonement             | 22        |
|   |   | <hr/> 146 |

### Roodepoort City Theatre

| Incident              | Disciplinary steps/criminal proceedings | R000     |
|-----------------------|---|----------|
| Electronic bank fraud | Amount recoverable from ABSA            | 19       |
|                       | Amount awaiting condonement             | 15       |
|                       |   | <hr/> 34 |



## 50. FAIR VALUE AND CARRYING VALUE OF FINANCIAL INSTRUMENTS

### Group

#### Held-for-sale investments

#### Consumer debtors:

Rates

Electricity

Water

Refuse

Regional Service Levies

Housing rentals

Other debtors

#### Total of financial instruments (assets)

Trade creditors

Other creditors – SWAPS

#### Total of financial instruments (assets)

### CJMM

#### Held-for-sale investments

#### Consumer debtors:

Rates

Refuse

Regional Service Levies

Housing rentals

Other debtors

#### Total of financial instruments (assets)

Trade creditors

Other creditors – SWAPS

#### Total of financial instruments (assets)

|  | TOTAL FAIR VALUE  |              | TOTAL CARRYING VALUE |              |
|--|-------------------|--------------|----------------------|--------------|
|  | 2006<br>R000      | 2005<br>R000 | 2006<br>R000         | 2005<br>R000 |
| <b>Held-for-sale investments</b>               | <b>579 275</b>    | 614 326      | <b>366 207</b>       | 319 855      |
| <b>Consumer debtors:</b>                       |                   |              |                      |              |
| Rates  | 2 568 203         | 2 577 285    | 2 569 549            | 2 578 538    |
| Electricity                                    | 1 719 553         | 1 561 648    | 1 721 624            | 1 563 375    |
| Water  | 3 796 592         | 3 605 759    | 3 797 840            | 3 606 927    |
| Refuse   | 593 460           | 677 877      | 593 599              | 678 060      |
| Regional Service Levies                        | 385 033           | 211 653      | 386 010              | 212 451      |
| Housing rentals                                | 383 175           | 388 136      | 383 191              | 388 152      |
| Other debtors                                  | 212 502           | 356 933      | 212 786              | 357 356      |
| <b>Total of financial instruments (assets)</b> | <b>10 237 793</b> | 9 993 617    | <b>10 030 806</b>    | 9 704 714    |
| Trade creditors                                | 1 685 825         | 1 619 331    | 1 688 626            | 1 621 910    |
| Other creditors – SWAPS                        | 328 665           | 697 440      | 322 267              | 697 440      |
| <b>Total of financial instruments (assets)</b> | <b>2 014 490</b>  | 2 316 771    | <b>2 010 893</b>     | 2 319 350    |
| <b>CJMM</b>                                    |                   |              |                      |              |
| <b>Held-for-sale investments</b>               | <b>579 275</b>    | 614 326      | <b>366 207</b>       | 319 855      |
| <b>Consumer debtors:</b>                       |                   |              |                      |              |
| Rates  | 2 568 203         | 2 577 285    | 2 569 549            | 2 578 538    |
| Refuse   | 554 583           | 571 767      | 554 678              | 571 877      |
| Regional Service Levies                        | 385 033           | 211 653      | 386 010              | 212 451      |
| Housing rentals                                | 369 980           | 388 136      | 369 996              | 388 152      |
| Other debtors                                  | 169 563           | 291 765      | 169 847              | 292 188      |
| <b>Total of financial instruments (assets)</b> | <b>4 626 637</b>  | 4 654 932    | <b>4 416 287</b>     | 4 363 061    |
| Trade creditors                                | 697 541           | 694 051      | 698 565              | 695 083      |
| Other creditors – SWAPS                        | 8 587             | 37 883       |                      | 37 883       |
| <b>Total of financial instruments (assets)</b> | <b>706 128</b>    | 731 934      | <b>698 565</b>       | 732 966      |

## 51 RELATED PARTY DISCLOSURE

The Supply Chain Management Regulation, GNR868 of 30 May 2005, paragraph 45 requires that all particulars of any award of more than R2 000 to a person who is a spouse, child or parent in the service of the state in the previous twelve months must be disclosed on the financial statements. Due to system constraints the required disclosure was not possible. Management is currently investigating mechanisms to address this issue.



# Appendix A – External loans

at 30 June 2006

| EXTERNAL LOANS                | Loan number     | Redeemable       | Balance at 30/06/05 R000 |
|-------------------------------|-----------------|------------------|--------------------------|
| <b>LONG-TERM LOANS</b>        |                 |                  |                          |
| Loan stock @ 9,70%            | 743             | 31-Dec-05        | 400                      |
| Loan stock @ 14,70%           | 121             | 31-Aug-13        | 30 000                   |
| Loan stock @ 15,55%           | 007             | 1-Nov-05         | 50 000                   |
| Loan stock @ 15,55%           | 008             | 1-Nov-05         | 50 000                   |
| Loan stock @ 16,07%           | 009             | 30-Jun-06        | 200 000                  |
| <b>Total loan stock</b>       |                 |                  | <b>330 400</b>           |
| <b>STRUCTURED LOANS</b>       |                 |                  |                          |
| ABSA @ 15,00%                 | MLS6            | 15-Dec-05        | 219 503                  |
| ABSA @ 15,00%                 | MLS7            | 15-Dec-05        | 2 606                    |
| ABSA @ 15,00%                 | MLS8            | 15-Dec-05        | 20 900                   |
| ABSA @ 16,22%                 | ABSA Midrand    | 30-Nov-11        | 53 665                   |
| ABSA @ 12,27%                 | ABSA R150m      | 20-Dec-12        | 150 000                  |
| Investec @ 11,77%             | Investec R100m  | 24-Dec-13        | 91 335                   |
| RMB @ 14,53%                  | RMB R95m        | 30-Nov-14        | 106 794                  |
| RMB @ 15,56%                  | RMB R210m       | 31-Dec-12        | 464 492                  |
| RMB @ 16,50%                  | RMB R100m       | 30-Nov-14        | 112 422                  |
| SCMB @ 12,16%                 | SCMB R200m      | 30-Sep-18        | 176 666                  |
| Ekurhuleni @ 16,21%           | Ekurhuleni      | 30-Jun-11        | 41 125                   |
| <b>Total structured loans</b> |                 |                  | <b>1 439 508</b>         |
| <b>FUNDING FACILITY</b>       |                 |                  |                          |
| <b>RMB @ 11,65%</b>           | <b>RMB L123</b> | <b>30-Apr-09</b> | <b>60 155</b>            |
| <b>TOTAL CARRIED FORWARD</b>  |                 |                  | <b>1 830 063</b>         |

| Received during the period<br>R000 | Redeemed and written off<br>R000 | Balance at 30/06/06<br>R000 | Carrying value of property, plant and equipment<br>R000 | Other costs in accordance with MFMA<br>R000 |
|------------------------------------|----------------------------------|-----------------------------|---|---|
|                                    | (400)                            | 30 000                      | 29 985  | 2 537                                       |
|                                    | (50 000)                         |                             |   |   |
|                                    | (50 000)                         |                             |   |   |
|                                    | (200 000)                        |                             |   |   |
|                                    | <b>(300 400)</b>                 | <b>30 000</b>               | <b>29 985</b>   | <b>2 537</b>                                |
| 15 374                             | (234 877)                        |                             |   |   |
|                                    | (2 606)                          |                             |   |   |
|                                    | (20 900)                         |                             |   |   |
|                                    | (278)                            | <b>53 387</b>               | 54 573  | 4 712                                       |
|                                    |                                  | <b>150 000</b>              | 149 989   | 52 789                                      |
|                                    | (6 716)                          | <b>84 619</b>               | 99 998  | 36  |
| 1 881                              |                                  | <b>108 675</b>              | 94 999  | 8 232                                       |
| 69 092                             |                                  | <b>533 584</b>              | 247 986   | 38 409                                      |
| 2 014                              |                                  | <b>114 436</b>              | 99 458  | 46 052                                      |
|                                    | (13 333)                         | <b>163 333</b>              | 199 999   |   |
|                                    |                                  | <b>41 125</b>               | 189   | 18 823                                      |
| <b>88 361</b>                      | <b>(278 710)</b>                 | <b>1 249 159</b>            | <b>947 191</b>  | <b>169 053</b>                              |
| 3 273                              | (15 995)                         | 47 433                      | 88 108  |   |
| 91 634                             | (595 105)                        | 1 326 592                   | 1 065 284   | 171 590                                     |



# Appendix A – External loans

at 30 June 2006

| EXTERNAL LOANS                                | Loan number   | Redeemable | Balance at 30/06/05 R000 |
|---|---------------|------------|--------------------------|
| <b>TOTAL BROUGHT FORWARD</b>                  |               |            | <b>1 830 063</b>         |
| <b>DEVELOPMENT BANK OF SOUTH AFRICA</b>       |               |            |                          |
| DBSA @ 13,22%                                 | 11984 - 11993 | 30-Jun-14  | 66 671                   |
| DBSA @ 10,00%                                 | 2513/103      | 31-Mar-09  | 24 078                   |
| DBSA @ 10,00%                                 | 8056/103      | 30-Sep-11  | 41 528                   |
| DBSA @ 10,00%                                 | 8250/102      | 31-Mar-14  | 6 414                    |
| DBSA @ 10,00%                                 | 9005/103      | 31-Mar-13  | 240 224                  |
| DBSA @ 10,00%                                 | 9337/101      | 30-Sep-14  | 25 535                   |
| DBSA @ 10,00%                                 | 9637/102      | 31-Mar-14  | 3 135                    |
| DBSA @ 10,00%                                 | 10 295        | 30-Jun-16  | 1 533                    |
| DBSA @ 9,39%                                  | 13541/1       | 30-Sep-20  | 154 186                  |
| DBSA @ 9,39%                                  | 13541/2       | 30-Sep-05  | 483                      |
| DBSA @ 16,55%                                 | 12 716        | 31-Dec-12  | 252                      |
| DBSA @ 16,55%                                 | 12 717        | 31-Dec-12  | 467                      |
| DBSA @ 16,15%                                 | 12 032        | 31-Dec-10  | 492                      |
| DBSA @ 16,67%                                 | 12 033        | 31-Dec-11  | 836                      |
| DBSA @ 16,67%                                 | 12 034        | 31-Dec-11  | 448                      |
| DBSA @ 15,26%                                 | 12 035        | 31-Dec-11  | 136                      |
| DBSA @ 15,26%                                 | 12 036        | 31-Dec-11  | 635                      |
| DBSA @ 15,26%                                 | 12 037        | 31-Dec-12  | 1 495                    |
| DBSA @ 15,26%                                 | 12 038        | 31-Dec-12  | 350                      |
| DBSA @ 15,26%                                 | 12 388        | 31-Dec-12  | 1 779                    |
| DBSA @ 15,74%                                 | 12 208        | 31-Dec-09  | 4 129                    |
| DBSA @ 12,00%                                 | 9726/104      | 30-Sep-14  | 2 507                    |
| DBSA @ 16,50%                                 | 11064/102     | 31-Mar-20  | 2 234                    |
| DBSA @ 10,63%                                 | 11073/101     | 30-Sep-13  | 11 578                   |
| DBSA @ 10,63%                                 | 11073/2       | 30-Sep-13  | 34 416                   |
| <b>Total Development Bank of South Africa</b> |               |            | <b>625 541</b>           |
| <b>TOTAL CARRIED FORWARD</b>                  |               |            | <b>2 455 604</b>         |

| Received during the period<br>R000 | Redeemed<br>R000 | Balance at 30/06/06<br>R000 | Carrying value of property, plant and equipment<br>R000 | Other costs in accordance with MFMA<br>R000 |
|------------------------------------|------------------|-----------------------------|---|---|
| 91 634                             | (595 105)        | 1 326 592                   | 1 065 284   | 171 590                                     |
|                                    | (4 206)          | 62 465                      | 77 829  |   |
|                                    | (5 171)          | 18 907                      | 24 078  |   |
|                                    | (4 808)          | 36 720                      | 53 419  |   |
|                                    | (468)            | 5 946                       | 19  |   |
|                                    | (20 832)         | 219 392                     | 291 731   |   |
|                                    | (1 731)          | 23 804                      | 48  |   |
|                                    | (229)            | 2 906                       | 1 990   |   |
|                                    | (85)             | 1 448                       |   |   |
|                                    | (10 111)         | 144 075                     | 166 810   |   |
|                                    | (483)            |                             | 31  |   |
|                                    | (19)             | 233                         | 298   |   |
|                                    | (35)             | 432                         | 553   |   |
|                                    | (61)             | 431                         |   |   |
|                                    | (79)             | 757                         |   |   |
|                                    | (43)             | 405                         | 554   |   |
|                                    | (13)             | 123                         | 170   |   |
| 330                                | (393)            | 572                         | 794   |   |
|                                    | (118)            | 1 377                       |   |   |
|                                    | (28)             | 322                         | 419   |   |
|                                    | (140)            | 1 639                       | 791   |   |
|                                    | (691)            | 3 438                       |   |   |
|                                    | (153)            | 2 354                       | 134   |   |
|                                    | (39)             | 2 195                       |   |   |
|                                    | (1 362)          | 10 216                      | 17 234  |   |
|                                    | (4 048)          | 30 368                      | 46 562  | 8 825                                       |
| 330                                | (55 346)         | 570 525                     | 683 464   | 8 825                                       |
| 91 964                             | (650 451)        | 1 897 117                   | 1 748 748   | 180 415                                     |



# Appendix A – External loans

at 30 June 2006

| EXTERNAL LOANS               | Loan number             | Redeemable       | Balance at 30/06/05 R000 |
|------------------------------|-------------------------|------------------|--------------------------|
| <b>TOTAL BROUGHT FORWARD</b> |                         |                  | <b>2 455 604</b>         |
| <b>BONDS</b>                 |                         |                  |                          |
| Bond @ 11,95%                | COJ01                   | 13-Apr-10        | 830 000                  |
| Bond @ 11,90%                | COJ02                   | 30-Jun-16        | 980 000                  |
| Bond @ 9,70%                 | COJ03                   | 26-Apr-13        | 700 000                  |
| Bond @ 9,%                   | COJ04                   | 5-Jun-18         |                          |
| <b>Total bonds</b>           |                         |                  | <b>2 510 000</b>         |
| <b>OTHER LOANS</b>           |                         |                  |                          |
| <b>ABSA @ 8,90%</b>          | <b>ABSA Springfield</b> | <b>29-Aug-15</b> | <b>1 430</b>             |
| <b>TOTAL CARRIED FORWARD</b> |                         |                  | <b>4 967 034</b>         |

| Received during the period<br>R000 | Redeemed<br>R000 | Balance at 30/06/06<br>R000 | Carrying value of property, plant and equipment<br>R000 | Other costs in accordance with MFMA<br>R000 |
|------------------------------------|------------------|-----------------------------|---|---|
| 91 964                             | (650 451)        | 1 897 117                   | 1 748 748   | 180 415                                     |
| 20 000                             |                  | 850 000                     | 992 282   | 7 268                                       |
|                                    |                  | 980 000                     | 978 998   | 9 007                                       |
|                                    |                  | 700 000                     | 699 594   | 3 586                                       |
| 1 200 000                          |                  | 1 200 000                   | 1 199 945   | 1 956                                       |
| <b>1 220 000</b>                   |                  | <b>3 730 000</b>            | <b>3 870 819</b>  | <b>21 817</b>                               |
|                                    | (130)            | 1 300                       | 2 031   |   |
| <b>1 311 964</b>                   | <b>(650 581)</b> | <b>5 628 417</b>            | <b>5 621 598</b>  | <b>202 232</b>                              |



# Appendix A – External loans

at 30 June 2006

| EXTERNAL LOANS                    | Loan number  | Redeemable | Balance at 30/06/05 R000 |
|-----------------------------------|--------------|------------|--------------------------|
| <b>TOTAL BROUGHT FORWARD</b>      |              |            | <b>4 967 034</b>         |
| <b>LOANS HELD BY SUBSIDIARIES</b> |              |            |                          |
| Canon lease @ 15%                 |              | 31-May-07  | 171                      |
| Spartan Rental Technologies       |              | 31-Oct-08  |                          |
| Union Finance                     | 35431-01     | 30-Apr-09  | 216                      |
| Union Finance                     | 35431-02     | 28-May-09  | 64                       |
| National Panasonic                | DO 28431 -01 | 31-Mar-09  | 22                       |
| National Panasonic                | DO 23402 -01 | 30-Oct-07  | 21                       |
| National Panasonic                | DO 31607 -01 | 8-Dec-09   | 564                      |
| National Panasonic                | DO 37967 -01 | 31-May-11  |                          |
| National Panasonic                | DO 34683 -01 | 31-Aug-10  |                          |
| National Panasonic                | DO 36033 -01 | 31-Dec-10  |                          |
| Mzansi Telecoms                   | JPC33/05     | 31-Aug-07  |                          |
| Mzansi Telecoms                   | JPC33/05     | 31-Aug-07  |                          |
| National Panasonic                | DO 34927 -01 | 30-Sep-10  |                          |
| Safika Financial Services         |              | 31-May-09  |                          |
| Stannic Computers                 |              | 31-Aug-05  | 251                      |
| Stannic PABX                      |              | 31-Aug-07  | 1 990                    |
| ABSA Copiers and Faxes            |              | 31-Jan-06  | 45                       |
| ABSA Copiers                      |              | 31-Aug-06  | 26                       |
| RMB 240 litre refuse bins         |              | 30-Jun-09  | 44 069                   |
| RMB 240 litre refuse bins         |              | 31-Dec-09  | 8 400                    |
| Sharp                             |              |            | 16                       |
| Panasonic lease                   |              |            | 198                      |
| Nashua                            |              |            | 1 437                    |
| Minolta                           |              |            | 89                       |
| Minolco                           |              |            | 47                       |
| Gestetner lease                   |              |            | 326                      |
| Nashua North                      | Nashua       | 30-Sep-09  | 216                      |
| Technologies Acceptance           | Xerox        | 30-Jun-09  | 143                      |
| INCA                              | JMBS-00-001  | 31-Dec-11  | 217 369                  |
| Commute Link                      |              | 30-Jun-06  | 24 148                   |
|                                   |              |            | <b>299 828</b>           |
| <b>TOTAL EXTERNAL LOANS</b>       |              |            | <b>5 266 862</b>         |



| Received during the period R000 | Redeemed R000 | Balance at 30/06/06 R000 | Carrying value of property, plant and equipment R000 | Other costs in accordance with MFMA R000 |
|---------------------------------|---------------|--------------------------|--|--|
| 1 311 964                       | (650 581)     | 5 628 417                | 5 621 598  | 202 232                                  |
| 365                             | (171)         | 365                      | 365  |  |
| 841                             | (186)         | 655                      | 655  |  |
|                                 | (35)          | 181                      | 121  |  |
|                                 | (14)          | 50                       | 39   |  |
|                                 | (5)           | 17                       | 13   |  |
|                                 | (7)           | 14                       | 8  |  |
|                                 | (71)          | 493                      | 360  |  |
| 225                             |               | 225                      | 197  |  |
| 204                             |               | 204                      | 200  |  |
| 237                             |               | 237                      | 174  |  |
| 33                              |               | 33                       | 28   |  |
| 17                              |               | 17                       | 14   |  |
| 129                             |               | 129                      | 105  |  |
| 381                             | (33)          | 348                      | 371  |  |
|                                 | (251)         |                          |  |  |
|                                 | (915)         | 1 075                    | 892  |  |
|                                 | (45)          |                          |  |  |
|                                 | (22)          | 4                        | 4  |  |
|                                 | (4 330)       | 39 739                   | 30 380   |  |
|                                 | (660)         | 7 740                    | 6 406  |  |
| 3                               |               | 19                       | 19   |  |
| 37                              |               | 235                      | 235  |  |
| 268                             |               | 1 705                    | 1 705  |  |
| 17                              |               | 106                      | 106  |  |
| 9                               |               | 56                       | 56   |  |
| 61                              |               | 387                      | 387  |  |
|                                 | (40)          | 176                      | 176  |  |
|                                 | (29)          | 114                      | 114  |  |
|                                 | (16 046)      | 201 323                  | 176 884  |  |
|                                 | (24 148)      |                          |  |  |
| 2 827                           | (47 008)      | 255 647                  | 220 014  |  |
| 1 314 791                       | (697 589)     | 5 884 064                | 5 841 612  | 202 232                                  |



## Appendix B – Analysis of property, plant and equipment

|   | COST                       |                   |                  |                                       |                     |                   |
|---|----------------------------|-------------------|------------------|---------------------------------------|---------------------|-------------------|
|   | Opening<br>balance<br>R000 | Additions<br>R000 | Founds<br>R000   | Capitalisation<br>adjustments<br>R000 | Revaluation<br>R000 | Disposals<br>R000 |
| <b>Land and buildings</b>                         |                            |                   |                  |                                       |                     |                   |
| Land  | 5 291 733                  | 49 961            | 80 007           | 19 868                                |                     | (16 769)          |
| Buildings   | 2 481 796                  | 293 037           | 1 495 447        | 93                                    | 3 758               | (24 453)          |
|   | <b>7 773 529</b>           | <b>342 998</b>    | <b>1 575 454</b> | <b>19 961</b>                         | <b>3 758</b>        | <b>(41 222)</b>   |
| <b>Infrastructure</b>                             |                            |                   |                  |                                       |                     |                   |
| Roads, pavements,<br>bridges and storm<br>water   | 1 273 290                  | 487 981           | 14 539           | 1 483                                 |                     | 9 254             |
| Improvements                                      |                            |                   |                  |                                       |                     |                   |
| Reservoirs – water                                | 106 741                    |                   |                  |                                       |                     |                   |
| Water meters                                      | 55 873                     | 42 425            |                  |                                       |                     |                   |
| Water mains                                       | 456 333                    | 42 104            |                  |                                       |                     |                   |
| Car parks, bus<br>terminals and<br>taxi ranks     |                            |                   |                  |                                       |                     |                   |
| Electricity mains                                 | 884 114                    | 65 889            | 14 230           | 3 481                                 |                     | (10 009)          |
| Electricity peak-load<br>equipment                | 675 319                    | 95 413            |                  |                                       |                     | (40)              |
| Sewerage<br>purification<br>and reticulation      | 1 524 498                  | 52 638            | 12 464           | 13 063                                |                     | (14 972)          |
| Housing   |                            |                   |                  |                                       |                     |                   |
| Street lighting                                   |                            |                   |                  |                                       |                     |                   |
| Refuse sites                                      |                            |                   |                  |                                       |                     |                   |
| Gas   |                            |                   |                  |                                       |                     |                   |
| Other   |                            |                   |                  |                                       |                     |                   |
|   | <b>4 976 168</b>           | <b>786 450</b>    | <b>41 233</b>    | <b>18 027</b>                         |                     | <b>(15 767)</b>   |
| <b>Community assets</b>                           |                            |                   |                  |                                       |                     |                   |
| Parks, gardens, sport<br>fields and recreation    | 205 804                    | 86 821            | 63 585           | 679                                   |                     | 1 933             |
| Halls, libraries,<br>museums and art<br>galleries |                            |                   |                  |                                       |                     |                   |
| Clinics   |                            |                   |                  |                                       |                     |                   |
| Other   | 88 240                     | 56 139            | 152 787          | 256                                   |                     | (2 153)           |
|   | <b>294 044</b>             | <b>142 960</b>    | <b>216 372</b>   | <b>935</b>                            |                     | <b>(220)</b>      |
| <b>Heritage assets</b>                            |                            |                   |                  |                                       |                     |                   |
| Historic buildings                                | 10 867                     | 35 589            |                  |                                       |                     |                   |
| Artwork   | 103 978                    | 103               |                  |                                       |                     | (13 155)          |
| Other   |                            |                   |                  |                                       |                     |                   |
|   | <b>114 845</b>             | <b>35 692</b>     |                  |                                       |                     | <b>(13 155)</b>   |

|                   |                            | ACCUMULATED DEPRECIATION   |                                |                                       |                   |                   |                            |                           |
|-------------------|----------------------------|----------------------------|--------------------------------|---------------------------------------|-------------------|-------------------|----------------------------|---------------------------|
| Transfers<br>R000 | Closing<br>balance<br>R000 | Opening<br>balance<br>R000 | Depreciation<br>charge<br>R000 | Capitalisation<br>adjustments<br>R000 | Disposals<br>R000 | Transfers<br>R000 | Closing<br>balance<br>R000 | Carrying<br>value<br>R000 |
| 20 007            | 5 444 807                  | 4 193                      | 4 673                          |                                       | (972)             |                   | 7 894                      | 5 436 913                 |
| 32 039            | 4 281 717                  | 926 189                    | 142 857                        | 5 044                                 | (1 962)           | (86)              | 1 072 042                  | 3 209 675                 |
| <b>52 046</b>     | <b>9 726 524</b>           | <b>930 382</b>             | <b>147 530</b>                 | <b>5 044</b>                          | <b>(2 934)</b>    | <b>(86)</b>       | <b>1 079 936</b>           | <b>8 646 588</b>          |
| 25 302            | 1 811 849                  | 362 982                    | 72 773                         | 12 182                                | (2 823)           |                   | 445 114                    | 1 366 735                 |
|                   | 106 741                    | 17 269                     |                                |                                       |                   |                   | 17 269                     | 89 472                    |
| 1 960             | 100 258                    | 7 493                      |                                |                                       |                   |                   | 7 493                      | 92 765                    |
| 87 395            | 585 832                    | 77 188                     | 29 349                         |                                       |                   |                   | 106 537                    | 479 295                   |
| 413 563           | 1 371 268                  | 253 934                    | 80 530                         | 3 482                                 | (4 826)           |                   | 333 120                    | 1 038 148                 |
| 47 223            | 817 915                    | 105 228                    | 24 657                         |                                       | (41)              |                   | 129 844                    | 688 071                   |
| 53 547            | 1 641 238                  | 498 759                    | 120 408                        |                                       | 1 957             |                   | 621 124                    | 1 020 114                 |
| <b>628 990</b>    | <b>6 435 101</b>           | <b>1 322 853</b>           | <b>327 717</b>                 | <b>15 664</b>                         | <b>(5 733)</b>    |                   | <b>1 660 501</b>           | <b>4 774 600</b>          |
| 13 714            | 372 536                    | 37 749                     | 13 390                         | 4                                     | (59)              |                   | 51 084                     | 321 452                   |
| 6 540             | 301 809                    | 34 844                     | 25 922                         | 108                                   | (2 448)           |                   | 58 426                     | 243 383                   |
| <b>20 254</b>     | <b>674 345</b>             | <b>72 593</b>              | <b>39 312</b>                  | <b>112</b>                            | <b>(2 507)</b>    |                   | <b>109 510</b>             | <b>564 835</b>            |
|                   | 46 456                     | 64                         | 77                             |                                       |                   |                   | 141                        | 46 315                    |
|                   | 90 926                     | 32 899                     | 2 851                          |                                       | (6 409)           |                   | 29 341                     | 61 585                    |
|                   | <b>137 382</b>             | <b>32 963</b>              | <b>2 928</b>                   |                                       | <b>(6 409)</b>    |                   | <b>29 482</b>              | <b>107 900</b>            |



## Appendix B – Analysis of property, plant and equipment

|   | COST                       |                   |                  |                                       |                     |                   |
|---|----------------------------|-------------------|------------------|---------------------------------------|---------------------|-------------------|
|   | Opening<br>balance<br>R000 | Additions<br>R000 | Founds<br>R000   | Capitalisation<br>adjustments<br>R000 | Revaluation<br>R000 | Disposals<br>R000 |
| <b>Leased assets</b>  |                            |                   |                  |                                       |                     |                   |
| Sewerage mains<br>and purification                              |                            |                   |                  |                                       |                     |                   |
| Motor vehicles  |                            |                   |                  |                                       |                     |                   |
| Other   |                            |                   |                  |                                       |                     |                   |
| <b>Investment properties</b>                                    |                            |                   |                  |                                       |                     |                   |
| Investment<br>properties  | 1 000 603                  |                   | 4 899            |                                       |                     | 4 621             |
|   | <b>1 000 603</b>           |                   | <b>4 899</b>     |                                       |                     | <b>4 621</b>      |
| <b>Specialised vehicles</b>                                     |                            |                   |                  |                                       |                     |                   |
| Refuse<br>Fire<br>Conservancy<br>Ambulances                     |                            |                   |                  |                                       |                     |                   |
| Buses   | 413 804                    | 498               |                  |                                       |                     | (13 765)          |
|   | <b>413 804</b>             | <b>498</b>        |                  |                                       |                     | <b>(13 765)</b>   |
| <b>Other assets</b>   |                            |                   |                  |                                       |                     |                   |
| Other motor vehicles  | 27 925                     | 10 009            |                  |                                       |                     | (133)             |
| Furniture and fittings  | 310 760                    | 32 322            | 35               | 599                                   |                     | (29 157)          |
| Bins and containers   | 138 978                    | 15 831            | 10               |                                       |                     | (329)             |
| Emergency equipment   | 13 125                     | 2 683             | 10               |                                       |                     | (2 382)           |
| Other plant<br>and equipment                                    | 247 002                    | 14 419            | 214              | 424                                   |                     | (5 635)           |
| Computer equipment  | 209 125                    | 21 934            |                  |                                       |                     | (600)             |
| Other office<br>equipment                                       | 265 660                    | 197 483           | 26               | 16                                    |                     | (19 269)          |
| Abattoirs<br>Markets<br>Airports<br>Other land<br>and buildings |                            |                   |                  |                                       |                     |                   |
| Landfill sites  | 173 296                    | 2 292             |                  |                                       |                     |                   |
| Security measures   |                            |                   |                  |                                       |                     |                   |
| Councillors' regalia  |                            |                   |                  |                                       |                     |                   |
| Watercraft  |                            |                   |                  |                                       |                     |                   |
| Work in progress  | 495 045                    | 1 128 031         |                  |                                       |                     |                   |
| Other   | 252 546                    | 5 299             |                  |                                       |                     | 326               |
|   | <b>2 133 462</b>           | <b>1 430 303</b>  | <b>295</b>       | <b>1 039</b>                          |                     | <b>(57 179)</b>   |
| <b>Total</b>  | <b>16 706 455</b>          | <b>2 738 901</b>  | <b>1 838 253</b> | <b>39 962</b>                         | <b>3 758</b>        | <b>(136 687)</b>  |

|                   |                            | ACCUMULATED DEPRECIATION   |                                |                                       |                   |                   |                            |                           |
|-------------------|----------------------------|----------------------------|--------------------------------|---------------------------------------|-------------------|-------------------|----------------------------|---------------------------|
| Transfers<br>R000 | Closing<br>balance<br>R000 | Opening<br>balance<br>R000 | Depreciation<br>charge<br>R000 | Capitalisation<br>adjustments<br>R000 | Disposals<br>R000 | Transfers<br>R000 | Closing<br>balance<br>R000 | Carrying<br>value<br>R000 |
|                   |                            |                            |                                |                                       |                   |                   |                            |                           |
|                   | 1 010 123                  |                            |                                |                                       |                   |                   |                            | 1 010 123                 |
|                   | <b>1 010 123</b>           |                            |                                |                                       |                   |                   |                            | <b>1 010 123</b>          |
|                   |                            |                            |                                |                                       |                   |                   |                            |                           |
|                   | 400 537                    | 194 657                    | 30 978                         |                                       | (13 481)          |                   | 212 154                    | 188 383                   |
|                   | <b>400 537</b>             | <b>194 657</b>             | <b>30 978</b>                  |                                       | <b>(13 481)</b>   |                   | <b>212 154</b>             | <b>188 383</b>            |
|                   |                            |                            |                                |                                       |                   |                   |                            |                           |
| 917               | 37 801                     | 18 320                     | 6 265                          |                                       | (258)             |                   | 24 327                     | 13 474                    |
| 48                | 315 476                    | 127 880                    | 127 525                        | 607                                   | (10 732)          | 6                 | 245 286                    | 70 190                    |
|                   | 154 538                    | 65 356                     | 26 380                         |                                       | (499)             |                   | 91 237                     | 63 301                    |
|                   | 13 436                     | 4 210                      | 5 407                          |                                       | (1 522)           |                   | 8 095                      | 5 341                     |
| 73 126            | 329 550                    | 117 027                    | 24 553                         | 210                                   | (6 050)           | 7                 | 135 747                    | 193 803                   |
| 10 807            | 241 266                    | 139 041                    | 41 828                         |                                       | (552)             | 490               | 180 807                    | 60 459                    |
| 344               | 444 260                    | 154 476                    | 99 002                         | 1 001                                 | (36 399)          | (79)              | 218 001                    | 226 259                   |
|                   |                            |                            |                                |                                       |                   |                   |                            |                           |
|                   | 175 588                    | 86 184                     | 16 082                         |                                       |                   |                   | 102 266                    | 73 322                    |
|                   |                            |                            |                                |                                       |                   |                   |                            |                           |
| (788 293)         | 834 783                    | 10 000                     | 6                              |                                       |                   |                   | 10 006                     | 824 777                   |
| 1 438             | 259 609                    | 156 012                    | 13 537                         |                                       | 254               | 26                | 169 829                    | 89 780                    |
| <b>(701 613)</b>  | <b>2 806 307</b>           | <b>878 506</b>             | <b>360 585</b>                 | <b>1 818</b>                          | <b>(55 758)</b>   | <b>450</b>        | <b>1 185 601</b>           | <b>1 620 706</b>          |
| <b>(323)</b>      | <b>21 190 319</b>          | <b>3 431 954</b>           | <b>909 050</b>                 | <b>22 638</b>                         | <b>(86 822)</b>   | <b>364</b>        | <b>4 277 184</b>           | <b>16 913 135</b>         |



## Appendix C – Segmental analysis property, plant and equipment

|   | COST                 |                |                   |                                 |                  |                |
|---|----------------------|----------------|-------------------|---------------------------------|------------------|----------------|
|   | Opening balance R000 | Additions R000 | Assets found R000 | Capitalisation adjustments R000 | Revaluation R000 | Transfers R000 |
| <b>CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY</b> | <b>10 705 208</b>    | 1 361 285      | 1 838 253         | 39 752                          |                  |                |
| Executive Mayor and City Manager                      | 371 519              | 18 934         | 6                 | 11                              |                  |                |
| Finance & Economic Development                        | 94 589               | 174 424        | 1                 | 1 446                           |                  |                |
| Development, Planning, Transportation and Environment | 425 489              | 273 888        |                   | 3 481                           |                  |                |
| Health  | 37 008               | 12 630         |                   |                                 |                  |                |
| Community development, Arts, Culture and Heritage     | 503 417              | 131 890        | 1 687             | 1 795                           |                  |                |
| Housing   | 1 197 037            | 43 575         | 12 464            | 13 063                          |                  |                |
| Corporate Services                                    | 102 642              | 22 944         |                   | 14                              |                  |                |
| Johannesburg Metropolitan Police Department           | 167 344              | 11 992         | 8                 |                                 |                  |                |
| Emergency Management Services                         | 100 974              | 13 675         |                   |                                 |                  |                |
| All Regions   | 494 430              | 39 780         | 71                | 2                               |                  |                |
| Contract Management Unit & Shareholder Unit           | 6 861                | 440            |                   |                                 |                  |                |
| Portfolio Accounts                                    | 7 203 898            | 617 113        | 1 824 016         | 19 940                          |                  |                |
| <b>MUNICIPAL ENTITIES</b>                             | <b>6 001 247</b>     | 1 377 616      |                   | 210                             | 3 758            | (323)          |
| The Johannesburg Fresh Produce Market (Pty) Ltd       | 153 579              | 62 414         |                   |                                 |                  |                |
| The Johannesburg Civic Theatre (Pty) Ltd              | 21 402               | 600            |                   |                                 |                  |                |
| The Johannesburg Zoo                                  | 4 381                | 1 031          |                   |                                 |                  |                |
| City of Johannesburg Property Company (Pty) Ltd       | 3 274                | 1 484          |                   |                                 |                  |                |
| Johannesburg Development Agency (Pty) Ltd             | 2 852                | 226            |                   |                                 |                  | 2              |
| Metropolitan Trading Company (Pty) Ltd                | 152 351              | 2 979          |                   |                                 |                  |                |
| City Power Johannesburg (Pty) Ltd                     | 2 227 304            | 829 771        |                   |                                 |                  |                |
| Johannesburg Water (Pty) Ltd                          | 2 474 284            | 421 909        |                   |                                 |                  | (300)          |
| Pikitup Johannesburg (Pty) Ltd                        | 395 635              | 35 490         |                   |                                 |                  |                |
| Johannesburg Roads Agency (Pty) Ltd                   | 41 366               | 6 180          |                   |                                 |                  |                |
| Johannesburg City Parks                               | 25 175               | 8 053          |                   | 210                             |                  |                |
| Johannesburg Housing Company (Pty) Ltd                | 1 676                | 113            |                   |                                 |                  |                |
| Johannesburg Tourism Company                          | 2 087                | 709            |                   |                                 |                  |                |
| Johannesburg Metropolitan Bus Services (Pty) Ltd      | 483 869              | 5 933          |                   |                                 |                  | (25)           |
| Roodepoort City Theatre (Pty) Ltd                     | 1 624                | 716            |                   |                                 |                  |                |
| Johannesburg City Housing Company                     | 10 388               | 8              |                   |                                 | 3 758            |                |
|   | <b>16 706 455</b>    | 2 738 901      | 1 838 253         | 39 962                          | 3 758            | (323)          |

|                   |                            | ACCUMULATED DEPRECIATION   |                                |                                       |                   |                   |                            |                           |
|-------------------|----------------------------|----------------------------|--------------------------------|---------------------------------------|-------------------|-------------------|----------------------------|---------------------------|
| Disposals<br>R000 | Closing<br>balance<br>R000 | Opening<br>balance<br>R000 | Depreciation<br>charge<br>R000 | Capitalisation<br>adjustments<br>R000 | Transfers<br>R000 | Disposals<br>R000 | Closing<br>balance<br>R000 | Carrying<br>value<br>R000 |
| (113 107)         | <b>13 831 391</b>          | <b>1 591 159</b>           | 463 736                        | 22 428                                |                   | (69 159)          | <b>2 008 164</b>           | 11 823 227                |
| (2 193)           | <b>388 277</b>             | <b>121 782</b>             | 31 036                         | 11                                    |                   | (1 761)           | <b>151 068</b>             | 237 209                   |
| (30 955)          | <b>239 505</b>             | <b>51 813</b>              | 46 879                         | 2 447                                 |                   | (28 995)          | <b>72 144</b>              | 167 361                   |
| (10 395)          | <b>692 463</b>             | <b>108 983</b>             | 42 528                         |                                       |                   | (8 336)           | <b>143 175</b>             | 549 288                   |
| 479               | <b>50 117</b>              | <b>18 475</b>              | 3 302                          | 1                                     |                   | 481               | <b>22 259</b>              | 27 858                    |
| (20 226)          | <b>618 563</b>             | <b>198 607</b>             | 24 372                         | 108                                   |                   | (536)             | <b>222 551</b>             | 396 012                   |
| (31 489)          | <b>1 234 650</b>           | <b>503 770</b>             | 34 177                         | 11 324                                |                   | (17 235)          | <b>532 036</b>             | 702 614                   |
| 711               | <b>126 311</b>             | <b>65 883</b>              | 17 528                         |                                       |                   | 290               | <b>83 701</b>              | 42 610                    |
| (712)             | <b>178 632</b>             | <b>87 289</b>              | 17 346                         | 1                                     |                   | (1 492)           | <b>103 144</b>             | 75 488                    |
| 555               | <b>115 204</b>             | <b>63 286</b>              | 10 198                         | 6                                     |                   | (140)             | <b>73 350</b>              | 41 854                    |
| 3 222             | <b>537 505</b>             | <b>138 308</b>             | 109 715                        |                                       |                   | 663               | <b>248 686</b>             | 288 819                   |
| 695               | <b>7 996</b>               | <b>5 990</b>               | 559                            |                                       |                   | (4 794)           | <b>1 755</b>               | 6 241                     |
| (22 799)          | <b>9 642 168</b>           | <b>226 973</b>             | 126 096                        | 8 530                                 |                   | (7 304)           | <b>354 295</b>             | 9 287 873                 |
| (23 580)          | <b>7 358 928</b>           | <b>1 840 795</b>           | 445 314                        | 210                                   | 364               | (17 663)          | <b>2 269 020</b>           | 5 089 908                 |
|                   | <b>215 993</b>             | <b>20 784</b>              | 4 817                          |                                       |                   |                   | <b>25 601</b>              | 190 392                   |
| 126               | <b>22 128</b>              | <b>14 583</b>              | 1 269                          |                                       |                   | 225               | <b>16 077</b>              | 6 051                     |
|                   | <b>5 412</b>               | <b>2 354</b>               | 892                            |                                       |                   |                   | <b>3 246</b>               | 2 166                     |
|                   | <b>4 758</b>               | <b>933</b>                 | 619                            |                                       |                   |                   | <b>1 552</b>               | 3 206                     |
|                   | <b>3 080</b>               | <b>1 259</b>               | 528                            |                                       |                   |                   | <b>1 787</b>               | 1 293                     |
| (94)              | <b>155 236</b>             | <b>88 490</b>              | 1 056                          |                                       |                   | (30)              | <b>89 516</b>              | 65 720                    |
| (6 663)           | <b>3 050 412</b>           | <b>549 650</b>             | 165 903                        |                                       |                   | (1 343)           | <b>714 210</b>             | 2 336 202                 |
| (36)              | <b>2 895 857</b>           | <b>715 918</b>             | 170 917                        |                                       | 389               | (36)              | <b>887 188</b>             | 2 008 669                 |
| (333)             | <b>430 792</b>             | <b>182 478</b>             | 53 871                         |                                       |                   | (333)             | <b>236 016</b>             | 194 776                   |
| (144)             | <b>47 402</b>              | <b>12 605</b>              | 3 880                          |                                       |                   | (144)             | <b>16 341</b>              | 31 061                    |
| (2 662)           | <b>30 776</b>              | <b>18 013</b>              | 3 577                          | 210                                   |                   | (2 513)           | <b>19 287</b>              | 11 489                    |
|                   | <b>1 789</b>               | <b>217</b>                 | 320                            |                                       |                   |                   | <b>537</b>                 | 1 252                     |
|                   | <b>2 796</b>               | <b>590</b>                 | 609                            |                                       |                   |                   | <b>1 199</b>               | 1 597                     |
| (13 765)          | <b>476 012</b>             | <b>231 600</b>             | 36 894                         |                                       | (25)              | (13 481)          | <b>254 988</b>             | 221 024                   |
| (9)               | <b>2 331</b>               | <b>1 119</b>               | 131                            |                                       |                   | (8)               | <b>1 242</b>               | 1 089                     |
|                   | <b>14 154</b>              | <b>202</b>                 | 31                             |                                       |                   |                   | <b>233</b>                 | 13 921                    |
| (136 687)         | <b>21 190 319</b>          | <b>3 431 954</b>           | 909 050                        | 22 638                                | 364               | (86 822)          | <b>4 277 184</b>           | 16 913 135                |



## Appendix D – Segmental financial performance

| 2005<br>Actual<br>income<br>R000 | 2005<br>Actual<br>expenditure<br>R000 | 2005<br>Surplus/<br>(deficit)<br>R000 |   |
|----------------------------------|---------------------------------------|---------------------------------------|---|
| 7 752 802                        | 6 844 147                             | 908 655                               | <b>CITY OF JOHANNESBURG<br/>METROPOLITAN MUNICIPALITY</b> |
| 5 020                            | 437 601                               | (432 581)                             | Executive Mayor and City Manager                          |
| 6 524 167                        | 1 761 434                             | 4 762 733                             | Finance & Economic Development                            |
| 93 246                           | 148 317                               | (55 071)                              | Development, Planning, Transportation and Environment     |
| 42 209                           | 31 961                                | 10 248                                | Health  |
| 24 549                           | 145 086                               | (120 537)                             | Community development, Arts, Culture and Heritage         |
| 266 491                          | 284 109                               | (17 618)                              | Housing   |
| 118 122                          | 271 846                               | (153 724)                             | Corporate Services  |
| 319 581                          | 700 498                               | (380 917)                             | Johannesburg Metropolitan Police Department               |
| 71 124                           | 326 809                               | (255 685)                             | Emergency Management Services                             |
| 95 296                           | 711 104                               | (615 808)                             | All Regions   |
| 192 997                          | 2 025 382                             | (1 832 385)                           | Contract Management Unit & Shareholder Unit               |
| 8 596 656                        | 8 046 959                             | 549 697                               | <b>MUNICIPAL ENTITIES</b>                                 |
| 106 177                          | 88 961                                | 17 216                                | The Johannesburg Fresh Produce Market (Pty) Ltd           |
| 31 791                           | 29 409                                | 2 382                                 | The Johannesburg Civic Theatre (Pty) Ltd                  |
| 35 311                           | 34 625                                | 686                                   | The Johannesburg Zoo                                      |
| 25 340                           | 20 074                                | 5 266                                 | City of Johannesburg Property Company (Pty) Ltd           |
| 23 797                           | 50 017                                | (26 220)                              | Johannesburg Development Agency (Pty) Ltd                 |
| 24 628                           | 25 935                                | (1 307)                               | Metropolitan Trading Company (Pty) Ltd                    |
| 3 577 663                        | 3 225 243                             | 352 420                               | City Power Johannesburg (Pty) Ltd                         |
| 3 112 879                        | 2 877 116                             | 235 763                               | Johannesburg Water (Pty) Ltd                              |
| 617 621                          | 660 077                               | (42 456)                              | Pikitup Johannesburg (Pty) Ltd                            |
| 384 876                          | 378 891                               | 5 985                                 | Johannesburg Roads Agency (Pty) Ltd                       |
| 336 435                          | 332 673                               | 3 762                                 | Johannesburg City Parks                                   |
| 10 249                           | 10 057                                | 192                                   | Johannesburg Housing Company (Pty) Ltd                    |
| 8 066                            | 7 385                                 | 681                                   | Johannesburg Tourism Company                              |
| 293 543                          | 291 193                               | 2 350                                 | Johannesburg Metropolitan Bus Services (Pty) Ltd          |
| 5 729                            | 5 122                                 | 607                                   | Roodepoort City Theatre (Pty) Ltd                         |
| 2 551                            | 10 181                                | (7 630)                               | Johannesburg City Housing Company                         |
| 16 349 458                       | 14 891 106                            | 1 458 352                             |   |
| (2 622 859)                      | (2 622 859)                           |                                       | Inter-company charges                                     |
| (220 655)                        | (220 655)                             |                                       | CJMM inter-departmental charges                           |
| 13 505 944                       | 12 047 592                            | 1 458 352                             | <b>Surplus before fair value adjustment</b>               |



| 2006<br>Actual<br>income<br>R000 | 2006<br>Actual<br>expenditure<br>R000 | 2006<br>Surplus/<br>(deficit)<br>R000 |
|----------------------------------|---------------------------------------|---------------------------------------|
| 8 280 858                        | 7 871 073                             | 409 785                               |
| 6 905                            | 434 138                               | (427 233)                             |
| 6 917 493                        | 2 363 941                             | 4 553 552                             |
| 161 223                          | 258 331                               | (97 108)                              |
| 46 621                           | 35 825                                | 10 796                                |
| 13 881                           | 161 001                               | (147 120)                             |
| 147 742                          | 267 443                               | (119 701)                             |
| 132 220                          | 334 120                               | (201 900)                             |
| 368 486                          | 765 879                               | (397 393)                             |
| 88 011                           | 339 859                               | (251 848)                             |
| 101 602                          | 868 839                               | (767 237)                             |
| 296 674                          | 2 041 697                             | (1 745 023)                           |
| 9 208 920                        | 8 490 059                             | 718 861                               |
| 133 079                          | 129 323                               | 3 756                                 |
| 32 513                           | 30 994                                | 1 519                                 |
| 42 837                           | 41 628                                | 1 209                                 |
| 24 033                           | 23 710                                | 323                                   |
| 26 383                           | 26 068                                | 315                                   |
| 30 499                           | 32 059                                | (1 560)                               |
| 3 825 943                        | 3 505 153                             | 320 790                               |
| 3 372 855                        | 2 949 954                             | 422 901                               |
| 597 759                          | 655 752                               | (57 993)                              |
| 416 207                          | 408 277                               | 7 930                                 |
| 357 053                          | 328 313                               | 28 740                                |
| 15 411                           | 15 479                                | (68)                                  |
| 12 440                           | 11 721                                | 719                                   |
| 310 527                          | 310 254                               | 273                                   |
| 6 940                            | 6 871                                 | 69                                    |
| 4 441                            | 14 503                                | (10 062)                              |
| 17 489 778                       | 16 361 132                            | 1 128 646                             |
| (2 878 260)                      | (2 878 260)                           |                                       |
| (264 673)                        | (264 673)                             |                                       |
| 14 346 845                       | 13 218 199                            | 1 128 646                             |



## Appendix E – Statement of financial performance – actual versus budget (Group) for the year ended 30 June 2006

|   | 2006<br>Actual<br>R000 | 2006<br>Original<br>budget<br>R000 | 2006<br>Revised<br>estimate<br>R000 | 2006<br>Variance<br>R000 | 2006<br>Variance<br>% |
|---|------------------------|------------------------------------|-------------------------------------|--------------------------|-----------------------|
| <b>Revenue</b>  | <b>14 427 248</b>      | <b>13 628 118</b>                  | <b>14 076 588</b>                   | <b>350 660</b>           | <b>2,5%</b>           |
| Property rates  | 2 918 647              | 2 936 376                          | 2 986 376                           | (67 729)                 | (2,3%)                |
| Service charges   | 6 666 438              | 6 822 805                          | 6 909 013                           | (242 575)                | (3,5%)                |
| Regional service council levies   | 1 905 493              | 1 574 508                          | 1 714 508                           | 190 985                  | 11,1%                 |
| Rental facilities and equipment   | 63 627                 | 111 749                            | 71 498                              | (7 871)                  | (11,0%)               |
| Interest earned – external investments                                      | 338 405                | 162 376                            | 316 332                             | 22 073                   | 7,0%                  |
| Interest earned – outstanding debtors                                       | 126 770                | 40 200                             | 53 632                              | 73 138                   | 136,4%                |
| Fines   | 193 030                | 200 608                            | 200 678                             | (7 648)                  | (3,8%)                |
| Licences and permits  | 928                    | 256                                | 256                                 | 672                      | 262,5%                |
| Income from agency services   | 146 119                | 131 758                            | 133 812                             | 12 307                   | 9,2%                  |
| Government grants and subsidies   | 1 370 865              | 694 935                            | 1 187 959                           | 182 906                  | 15,4%                 |
| Other income  | 524 437                | 564 405                            | 458 807                             | 65 630                   | 14,3%                 |
| Public contributions, donated and contributed property, plant and equipment | 133 481                | 351 142                            | 6 557                               | 126 924                  | 1 935,7%              |
| Gains on disposal of property, plant and equipment                          | 39 008                 | 37 000                             | 37 160                              | 1 848                    | 5,0%                  |
| <b>Expenditure</b>  | <b>13 298 602</b>      | <b>13 228 796</b>                  | <b>13 820 369</b>                   | <b>521 767</b>           | <b>3,8%</b>           |
| Employee-related costs  | 3 467 390              | 3 541 051                          | 3 566 781                           | 99 391                   | 2,8%                  |
| Remuneration of Councillors   | 50 056                 | 48 219                             | 52 719                              | 2 663                    | 5,1%                  |
| Bad debts   | 844 645                | 904 686                            | 903 397                             | 58 752                   | 6,5%                  |
| Collection costs  | 1 631                  |                                    |                                     | (1 631)                  | 0,0%                  |
| Depreciation  | 909 050                | 1 062 506                          | 940 753                             | 31 703                   | 3,4%                  |
| Repairs and maintenance   | 241 009                | 210 690                            | 214 986                             | (26 023)                 | (12,1%)               |
| Interest on external borrowings   | 775 344                | 794 786                            | 753 881                             | (21 463)                 | (2,8%)                |
| Bulk purchases  | 3 490 303              | 3 686 503                          | 3 519 487                           | 29 184                   | 0,8%                  |
| Contracted services   | 1 368 252              | 1 437 496                          | 1 536 715                           | 168 463                  | 11,0%                 |
| Grants and subsidies paid   | 142 280                | 25 399                             | 133 906                             | (8 374)                  | (6,3%)                |
| General expenses  | 1 973 939              | 1 517 460                          | 2 197 744                           | 223 805                  | 10,2%                 |
| Loss on disposal of property, plant and equipment                           | 34 703                 |                                    |                                     | (34 703)                 | 0,0%                  |
| <b>Net surplus/(deficit) for the year</b>                                   | <b>1 128 646</b>       | <b>399 322</b>                     | <b>256 219</b>                      | <b>872 427</b>           | <b>340,5%</b>         |

## Explanation of significant variances

Additional RSC Levies debtors raised of R121 million. The full amount has been provided for as bad debts.  
Dormant housing debtors were identified and closed. Housing stock is being transferred on an ongoing basis through the Retro programme to beneficiaries.

There was a reallocation of deemed interest from individual revenue accounts to interest received, amounting to R76 million.

The MEs budgeted for Government Grants and Subsidies in terms of SA GAAP. The variance was caused due to the conversion of the deferred income to GRAP and GAMAP for consolidation purposes.  
Leave accrual has been written back.  
The accounting treatments of grants changed in City Power, which was not reflected in the budget and the deferred income.

Improvement in payment levels.

Additional repairs and maintenance were performed by Johannesburg Metropolitan Bus Services (Pty) Ltd.

There was a change in the description of certain expenditure as well as an effort from the Group to reduce the use of external consultants.

Marked-to-market loss on held-for-sale investment of R81,4 million as well as cancelling of inter-company transactions.  
The loss on assets mainly relates to the demolition of Orlando Stadium, properties sold by the Johannesburg Property Company and other assets that were scrapped.



## Appendix F – CJMM: Related entity transactions

### Material transactions with subsidiary companies in 2006

|  | Subsidies and<br>grants paid<br>R000 |
|--|--------------------------------------|
| The Johannesburg Fresh Produce Market (Pty) Ltd  |                                      |
| The Johannesburg Civic Theatre (Pty) Ltd         | 13 923                               |
| The Johannesburg Zoo                             | 27 752                               |
| City of Johannesburg Property Company (Pty) Ltd  | 5 567                                |
| Johannesburg Development Agency (Pty) Ltd        | 11 433                               |
| Metropolitan Trading Company (Pty) Ltd           | 21 133                               |
| City Power Johannesburg (Pty) Ltd                |                                      |
| Johannesburg Water (Pty) Ltd                     | 240 000                              |
| Pikitup Johannesburg (Pty) Ltd                   | 461 581                              |
| Johannesburg Roads Agency (Pty) Ltd              | 327 904                              |
| Johannesburg City Parks                          | 308 785                              |
| Johannesburg Housing Company                     | 9 050                                |
| Johannesburg Tourism Company                     | 11 277                               |
| Johannesburg Metropolitan Bus Services (Pty) Ltd | 222 778                              |
| Roodepoort City Theatre                          | 3 700                                |
| Johannesburg City Housing Company                |                                      |
|  | 1 664 883                            |

### Material transactions with subsidiary companies in 2005

|  | Subsidies and<br>grants paid<br>R000 |
|--|--------------------------------------|
| The Johannesburg Fresh Produce Market (Pty) Ltd  |                                      |
| The Johannesburg Civic Theatre (Pty) Ltd         | 13 300                               |
| The Johannesburg Zoo                             | 22 150                               |
| City of Johannesburg Property Company (Pty) Ltd  | 9 465                                |
| Johannesburg Development Agency (Pty) Ltd        | 7 100                                |
| Metropolitan Trading Company (Pty) Ltd           | 16 243                               |
| City Power Johannesburg (Pty) Ltd                |                                      |
| Johannesburg Water (Pty) Ltd                     | 240 000                              |
| Pikitup Johannesburg (Pty) Ltd                   | 459 800                              |
| Johannesburg Roads Agency (Pty) Ltd              | 309 200                              |
| Johannesburg City Parks                          | 293 055                              |
| Johannesburg Housing Company (Pty) Ltd           | 8 800                                |
| Johannesburg Tourism Company                     | 7 000                                |
| Johannesburg Metropolitan Bus Services (Pty) Ltd | 202 300                              |
|  | 1 588 413                            |

| Interest received<br>R000 | Interest expense<br>R000 | Rates received<br>R000 | Electricity expenses<br>R000 | RSC levies received<br>R000 | Income from billing services<br>R000 | Water and sanitation expenses<br>R000 |
|---------------------------|--------------------------|------------------------|------------------------------|-----------------------------|--------------------------------------|---------------------------------------|
| 15 934                    |                          | 1 871                  |                              | 554                         |                                      |                                       |
| 603                       | 77                       |                        |                              | 61                          |                                      |                                       |
| 113                       | 101                      |                        |                              | 71                          |                                      |                                       |
| 610                       | 3 895                    |                        |                              | 120                         |                                      |                                       |
|                           | 811                      | 690                    |                              | 25                          |                                      |                                       |
| 293 756                   | 56 700                   | 4 143                  | 25 833                       | 5 387                       | 22 542                               |                                       |
| 273 013                   | 35 287                   |                        |                              | 5 721                       | 40 000                               | 38 314                                |
| 11 963                    | 949                      | 1 209                  |                              | 5 973                       |                                      |                                       |
| 1 709                     | 10 695                   | 90                     |                              | 668                         |                                      |                                       |
|                           | 11 742                   | 436                    |                              | 686                         |                                      |                                       |
|                           |                          |                        |                              | 62                          |                                      |                                       |
|                           | 1 760                    | 121                    |                              | 483                         |                                      |                                       |
|                           |                          |                        |                              | 75                          |                                      |                                       |
| 597 701                   | 122 017                  | 8 560                  | 25 833                       | 19 886                      | 62 542                               | 38 314                                |

| Interest received<br>R000 | Interest expense<br>R000 | Rates received<br>R000 | Electricity expenses<br>R000 | RSC levies received<br>R000 | Income from billing services<br>R000 | Water and sanitation expenses<br>R000 |
|---------------------------|--------------------------|------------------------|------------------------------|-----------------------------|--------------------------------------|---------------------------------------|
| 12 608                    | 138                      | 233                    |                              | 277                         |                                      |                                       |
|                           |                          | 15                     |                              | 67                          |                                      |                                       |
|                           |                          |                        |                              | 75                          |                                      |                                       |
| 79                        | 6 371                    |                        |                              | 86                          |                                      |                                       |
|                           | 980                      |                        |                              | 33                          |                                      |                                       |
| 267 892                   | 44 650                   | 13 374                 | 27 209                       | 7 900                       | 21 231                               |                                       |
| 272 064                   | 21 621                   | 6 326                  |                              | 6 058                       | 47 947                               | 100 770                               |
| 11 137                    | 3 478                    | 2 315                  |                              | 401                         |                                      |                                       |
|                           | 7 949                    | 17                     |                              | 402                         |                                      |                                       |
|                           | 22 206                   | 7                      |                              | 392                         |                                      |                                       |
|                           |                          |                        |                              | 88                          |                                      |                                       |
|                           | 4 006                    |                        |                              | 33                          |                                      |                                       |
|                           |                          |                        |                              | 538                         |                                      |                                       |
| 563 780                   | 111 399                  | 22 287                 | 27 209                       | 16 350                      | 69 178                               | 100 770                               |



## Appendix G – Fixed asset additions – actual versus budget

|   | 2006<br>Original<br>budget<br>R000 | 2006<br>Revised<br>budget<br>R000 | 2006<br>Variance<br>R000 | 2006<br>Variance<br>% |             |
|---|------------------------------------|-----------------------------------|--------------------------|-----------------------|-------------|
| <b>CITY OF JOHANNESBURG<br/>METROPOLITAN MUNICIPALITY</b> | <b>1 361 285</b>                   | <b>1 421 220</b>                  | <b>1 496 599</b>         | <b>135 314</b>        | <b>9%</b>   |
| Executive Mayor and City Manager                          | 18 934                             | 10 056                            | 19 326                   | 392                   | 2%          |
| Finance & Economic Development                            | 174 424                            | 234 295                           | 192 049                  | 17 625                | 9%          |
| Development, Planning, Transportation and Environment     | 273 888                            | 253 585                           | 307 152                  | 33 264                | 11%         |
| Health  | 12 630                             | 12 589                            | 12 861                   | 231                   | 2%          |
| Community development, Arts, Culture and Heritage         | 131 890                            | 126 450                           | 139 371                  | 7 481                 | 5%          |
| Housing   | 43 575                             | 234 250                           | 78 278                   | 34 703                | 44%         |
| Corporate Services  | 22 944                             | 16 881                            | 24 438                   | 1 494                 | 6%          |
| Johannesburg Metropolitan Police Department               | 11 992                             | 9 248                             | 12 111                   | 119                   | 1%          |
| Emergency Management Services                             | 13 675                             | 15 998                            | 16 327                   | 2 652                 | 16%         |
| All Regions   | 39 780                             | 3 101                             | 40 917                   | 1 137                 | 3%          |
| Contract Management Unit & Shareholder Unit Agencies      | 440                                | 400                               | 456                      | 16                    | 4%          |
|   | <b>617 113</b>                     | <b>504 367</b>                    | <b>653 313</b>           | <b>36 200</b>         | <b>6%</b>   |
| <b>MUNICIPAL ENTITIES</b>                                 | <b>1 377 616</b>                   | <b>1 385 676</b>                  | <b>1 283 643</b>         | <b>(93 973)</b>       | <b>(7%)</b> |
| The Johannesburg Fresh Produce Market (Pty) Ltd           | 62 414                             | 32 500                            | 58 500                   | (3 914)               | (7%)        |
| The Johannesburg Civic Theatre (Pty) Ltd                  | 600                                | 2 348                             | 348                      | (252)                 | infinite %  |
| The Johannesburg Zoo                                      | 1 031                              | 200                               | 1 000                    | (31)                  | infinite %  |
| City of Johannesburg Property Company (Pty) Ltd           | 1 484                              | 700                               | 700                      | (784)                 | infinite %  |
| Johannesburg Development Agency (Pty) Ltd                 | 226                                | 500                               |                          | (226)                 | infinite %  |
| Metropolitan Trading Company (Pty) Ltd                    | 2 979                              | 1 160                             | 8 205                    | 5 226                 | 64%         |
| City Power Johannesburg (Pty) Ltd                         | 829 771                            | 675 178                           | 688 583                  | (141 188)             | (21%)       |
| Johannesburg Water (Pty) Ltd                              | 421 909                            | 556 197                           | 452 436                  | 30 527                | 7%          |
| Pikitup Johannesburg (Pty) Ltd                            | 35 490                             | 47 961                            | 43 945                   | 8 455                 | 19%         |
| Johannesburg Roads Agency (Pty) Ltd                       | 6 180                              | 10 250                            | 10 250                   | 4 070                 | 40%         |
| Johannesburg City Parks                                   | 8 053                              | 49 379                            | 10 375                   | 2 322                 | 22%         |
| Johannesburg Housing Company                              | 113                                | 103                               | 103                      | (10)                  | infinite %  |
| Johannesburg Tourism Company                              | 709                                | 400                               | 400                      | (309)                 | infinite %  |
| Johannesburg Metropolitan Bus Services (Pty) Ltd          | 5 933                              | 8 000                             | 8 000                    | 2 067                 | 26%         |
| Roodepoort City Theatre                                   | 716                                | 800                               | 798                      | 82                    | infinite %  |
| Johannesburg City Housing Company                         | 8                                  |                                   |                          | (8)                   | infinite %  |
|   | <b>2 738 901</b>                   | <b>2 806 896</b>                  | <b>2 780 242</b>         | <b>41 341</b>         | <b>1%</b>   |

## Explanation of significant variances

The implementation of SAP R3 is slower than originally anticipated.

Some capital projects funded by provincial government will only start in the 2006/07 financial year.

The Geological Museum Display and the Museum Africa projects were delayed and will now be completed in the 2006/07 financial year.

Housing Department did not spend the entire budget allocated because most of the Projects were at a planning stage. This can be quantified with reference to the MIG projects.

Some of the computer equipment and furniture will only be purchased during the 2006/07 financial year.

The Be Safe Centres progressed slower than originally anticipated.

Prior years MIG funding projects now accounted for.

Improvements to buildings from the previous year only completed in the current year.

There were some time delays in contracts. Certain capital expenditure in budget was incorrectly defined as capital expenditure instead of operating expenditure.

Projects from the previous year only completed in the current year.

The strength of SA currency enabled the purchase of computer equipment at a much better rate than anticipated.

Upgrade of the Happiness House Project postponed due to legal constraints.

Current year projects amounting to R1,6 million were transferred to the next financial year.



## Appendix H – Disclosures of grants and subsidies in Grants and subsidies received

| Name of grant                    | Name of organ of state or municipal entity | Quarterly receipts |                |                |               |                 | March 2005 R000 | June 2005 R000 |
|----------------------------------|--|--------------------|----------------|----------------|---------------|-----------------|-----------------|----------------|
|                                  |  | March 2005 R000    | June 2005 R000 | Sept 2005 R000 | Dec 2005 R000 | March 2006 R000 |                 |                |
| Restructuring                    | Central Government                         |                    |                |                |               | 25 000          | 14 913          | 14 913         |
| Financial Management             | Central Government                         |                    |                | 3 000          |               |                 | 560             | 560            |
| Municipal infra-structure        | Central Government                         | 35                 |                | 2 000          | 574           | 1 542           | 33              |                |
| HIV/AIDS – Health Department     | Province                                   | 1 110              |                |                |               | 3 700           | 455             |                |
| HIV/AIDS – Community Development | Province                                   |                    |                |                |               | 1 500           |                 |                |
| Health subsidy                   | Province                                   | 20 045             | 10 825         |                | 10 825        | 21 650          | 20 045          | 10 825         |
| HIV/AIDS – Corporate Services    | Province                                   |                    |                | 318            |               | 358             |                 |                |
| Community Development projects   | Province                                   | 7 389              |                |                | 800           | 1 700           | 2 135           | 3 341          |
| Housing Projects                 | Province                                   | 7 825              | 47 740         | 1 526          | 269           |                 | 14 872          | 111 282        |
| Planning projects                | Province                                   | 1                  |                |                |               | 396 186         |                 | 98             |
| Cosmo City                       | Province                                   |                    |                |                |               |                 |                 |                |
| Ambulance subsidy                | Province                                   |                    | 14 117         | 14 117         | 14 117        | 14 117          |                 | 21 640         |
| Arts and Culture projects        | Province                                   |                    |                |                |               | 2 200           |                 |                |
| Alexandra renewal project        | Province                                   | 14 389             |                |                | 6 140         | 27 385          |                 | 14 389         |
| Mayoral Aids Fund                | Private                                    |                    |                |                | 27            | 25              |                 |                |
| Carnegie Corporation             | Private                                    |                    |                |                |               | 4 692           | 683             | 272            |
| Vodacom: White City              |  |                    |                |                |               |                 |                 |                |
| Jabavi                           | Private                                    |                    |                |                |               | 1 500           |                 |                |
| JMPD Academy Facilities          | Private                                    |                    |                |                |               | 776             |                 |                |
|                                  |  | <b>50 794</b>      | <b>72 682</b>  | <b>20 961</b>  | <b>32 752</b> | <b>502 331</b>  | <b>53 696</b>   | <b>177 320</b> |



terms of section 123 of MFMA, 56 of 2003

| Quarterly expenditure |                 |                 | Grants and subsidies delayed/withheld |                |                |               |                 | Reason for delay or withholding of funds | Compliance with division of revenue Act |
|-----------------------|-----------------|-----------------|---------------------------------------|----------------|----------------|---------------|-----------------|--|---|
| Sept 2005 R000        | Dec 2005 R000   | March 2006 R000 | March 2005 R000                       | June 2005 R000 | Sept 2005 R000 | Dec 2005 R000 | March 2006 R000 |  | Yes/No                                  |
| 14 913                | 14 913          | 14 915          |                                       |                |                |               |                 |  | Yes                                     |
| 560                   | 560             | 560             |                                       |                |                |               |                 |  | Yes                                     |
|                       | 74              | 390             | 2                                     |                |                |               |                 |  | Yes                                     |
| 294                   | 691             | 569             |                                       |                |                |               |                 |  | Yes                                     |
|                       | 10 825          | 176<br>21 650   |                                       |                |                |               | 671             |  | Yes<br>Yes                              |
| 14 823                | 3 007<br>24 047 | 241<br>13 673   | 1 048                                 |                |                | 545           |                 | Not completed                            | Yes<br>Yes                              |
|                       |                 | 11 556          |                                       |                |                |               |                 |  | Yes<br>Yes                              |
| 24 343                | 26 802          | 24 432<br>2 200 |                                       |                |                |               |                 |  | Yes<br>Yes                              |
| 6 140                 | 27 385<br>480   | 95              |                                       |                |                | 480           | 95              |  | Yes<br>Yes                              |
| 98                    | 55              | 22              |                                       |                |                |               |                 |  | Yes                                     |
|                       |                 | 745<br>2 861    |                                       |                |                |               |                 |  | Yes<br>Yes                              |
| <b>61 171</b>         | <b>108 839</b>  | <b>94 085</b>   | <b>1 050</b>                          |                |                | <b>1 025</b>  | <b>766</b>      |  |   |



# Appendix I – Bank balances and cash

as at 30 June 2006

| Description                              | Account Number | Bank statement balance  |                         |                         | Cash book balance       |                         |                         |
|--|----------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|  |                | 30 June<br>2004<br>R000 | 30 June<br>2005<br>R000 | 30 June<br>2006<br>R000 | 30 June<br>2004<br>R000 | 30 June<br>2005<br>R000 | 30 June<br>2006<br>R000 |
| <b>Bank accounts:</b>                    |                |                         |                         |                         |                         |                         |                         |
| ABSA Primary Bank Account                | 405-439-4859   | 102 225                 | 67 093                  | <b>68 797</b>           | 102 225                 | 67 093                  | <b>68 797</b>           |
| ABSA Ordinary Bank Account               | 405-439-8227   |                         |                         |                         |                         |                         |                         |
| ABSA Stores Bank Accounts                | 405-439-8308   |                         |                         |                         |                         |                         |                         |
| ABSA Licensing Bank Account              | 405-439-8405   |                         |                         |                         |                         |                         |                         |
| ABSA Traffic Bank Account                | 405-439-8332   |                         |                         |                         | 1 422                   | 2 546                   |                         |
| ABSA Civil Contracts Bank Account        | 405-439-8455   |                         |                         |                         |                         |                         |                         |
| ABSA RSC Billing Bank Account            | 405-439-8439   |                         |                         |                         |                         |                         |                         |
| ABSA Internal Collection Bank Account    | 405-439-8421   |                         |                         |                         |                         |                         |                         |
| ABSA R/D Ordinary Bank Account           | 405-439-8578   |                         |                         |                         |                         |                         |                         |
| ABSA Elec. Payments Costs Bank Account   | 405-439-8497   |                         |                         |                         |                         |                         |                         |
| ABSA 3rd Party Banking Bank Account      | 405-439-8489   |                         |                         |                         | 27                      | 620                     | <b>994</b>              |
| ABSA Elec. Payments Bank Account         | 405-439-8463   |                         |                         | <b>11 485</b>           | (2 372)                 | 6 632                   | <b>11 480</b>           |
| ABSA Elec. Payment R/D Bank Account      | 405-442-3511   |                         |                         |                         |                         |                         |                         |
| ABSA Collections Bank Account            | 405-442-3561   |                         |                         |                         | 4 942                   | 6 571                   | <b>4 438</b>            |
| ABSA R/D Bank Account                    | 405-439-8502   |                         |                         |                         |                         |                         |                         |
| ABSA RSC Contractors 1 Bank Account      | 405-448-6339   |                         |                         |                         |                         |                         |                         |
| ABSA RSC Contractors 2 Bank Account      | 405-448-6355   |                         |                         |                         |                         |                         |                         |
| ABSA RSC Contractors 4 Bank Account      | 405-546-3920   |                         |                         |                         |                         |                         |                         |
| ABSA RSC Contractors 3 Bank Account      | 405-546-3881   |                         |                         |                         |                         |                         |                         |
| ABSA RSC R/D Bank Account                | 405-546-4023   |                         |                         |                         |                         |                         |                         |
| ABSA RSC Bank Charges Bank Account       | 405-546-4049   |                         |                         |                         |                         |                         |                         |
| ABSA Traffic R/D Bank Account            | 405-715-4521   |                         |                         |                         |                         |                         |                         |
| ABSA Licensing R/D Bank Account          | 405-715-4652   |                         |                         |                         |                         |                         |                         |
| ABSA Bank Charges Ordinary Bank Account  | 405-715-4791   |                         |                         |                         |                         |                         |                         |
| ABSA Licensing Bank Charges Bank Account | 405877-9813    |                         |                         |                         |                         |                         |                         |
| ABSA Traffic Bank Charges Bank Account   | 405-877-9994   |                         |                         |                         |                         |                         |                         |
| ABSA Addis Ababa Bank Account            | 406-052-5145   |                         | 679                     | <b>196</b>              |                         | 679                     | <b>196</b>              |
| ABSA Arts Alive Bank Account             | 405-785-5929   |                         | 433                     |                         |                         | 433                     |                         |
| FNB Treasury Bank Account                | 620-12152-386  | 968                     | 95                      | <b>191</b>              | 968                     | 95                      | <b>191</b>              |
| FNB Ordinary Bank Account                | 506-11838-621  |                         |                         |                         |                         |                         |                         |
| FNB Licensing Bank Account               | 620-16397-178  |                         |                         |                         |                         |                         |                         |
| FNB Traffic Bank Account                 | 620-16397-326  |                         |                         |                         |                         |                         |                         |
| ABSA Danida Bank Account                 | 405-987-7065   |                         |                         | <b>714</b>              |                         |                         | <b>366</b>              |
| ABSA Cashier Deposit account             | 4054394655     | 5 278                   | 6 369                   | <b>7 652</b>            | 538                     | 9 054                   | <b>7 652</b>            |
| ABSA Trust account                       | 4054423252     |                         | (1)                     | <b>1</b>                | (2)                     | (63)                    | <b>(6)</b>              |
| ABSA Business account                    | 4054394663     |                         |                         |                         | (55)                    | 389                     | <b>(160)</b>            |
| ABSA RD cheque account                   | 4054394689     | 1 258                   | 1 042                   | <b>472</b>              | 1 258                   | 1 042                   | <b>472</b>              |
| ABSA Salary account                      | 4054394671     | 1 099                   | 29                      | <b>1</b>                | 1 099                   | 29                      | <b>1</b>                |
| FNB Business account                     | 62012471257    | 2 109                   | 1 441                   | <b>276</b>              | 2 109                   | 654                     | <b>276</b>              |
| FNB Cashier deposit account              | 51390961353    |                         |                         |                         | 502                     | 786                     |                         |
| ABSA Bank charges account                | 4055150630     |                         |                         |                         | (269)                   |                         |                         |
| ABSA Current Account                     | 4054394859     |                         |                         |                         |                         |                         |                         |
| Nedbank Limited                          | 1 284 025 993  | 182                     | 368                     | <b>159</b>              | 155                     | 368                     | <b>159</b>              |



| Description                          | Account Number | Bank statement balance |               |               | Cash book balance |               |               |
|--------------------------------------|----------------|------------------------|---------------|---------------|-------------------|---------------|---------------|
|                                      |                | 30 June                | 30 June       | 30 June       | 30 June           | 30 June       | 30 June       |
|                                      |                | 2004                   | 2005          | 2006          | 2004              | 2005          | 2006          |
|                                      |                |                        |               |               |                   |               |               |
|                                      |                | R000                   | R000          | R000          | R000              | R000          | R000          |
| <b>Bank accounts:</b>                |                |                        |               |               |                   |               |               |
| Nedbank Limited                      | 1 284 111 555  |                        |               | 27            |                   |               | 27            |
| ABSA Deposit Account                 | 4054400460     |                        |               |               |                   |               |               |
| ABSA Gauteng West                    | 40 5439 4778   |                        |               |               |                   |               |               |
| ABSA Gauteng West                    | 40 5442 3414   |                        |               |               |                   |               |               |
| ABSA Gauteng West                    | 40 5990 8162   | 742                    | 4             |               | 742               | 4             |               |
| FNB Current Account                  | 62 023 810 858 | 483                    | 506           | 528           | 483               | 516           | 528           |
| ABSA Current Account                 | 4054 394 825   |                        |               |               | (26 148)          | (41 005)      | (17 848)      |
| ABSA Soweto Tourism Centre           | 4060 801 177   |                        | (229)         | (2 702)       |                   | (229)         | (2 702)       |
| ABSA Call Account                    | 9 073 207 905  | 54                     | 56            | 59            | 54                | 56            | 59            |
| ABSA Current Account                 | 4 050 839 158  |                        |               |               |                   |               |               |
| ABSA Third party payments            | 405-515-1157   |                        |               |               |                   |               |               |
| ABSA Electronic deposits             | 405-515-1238   |                        |               |               |                   |               |               |
| ABSA On site collections             | 405-479-9051   |                        |               |               |                   |               |               |
| ABSA Unpaid collections              | 405-479-9564   |                        |               |               |                   |               |               |
| ABSA Direct deposits                 | 405-439-4728   |                        |               |               |                   |               |               |
| ABSA Unpaid cheques                  | 405-439-4760   |                        |               |               |                   |               |               |
| ABSA Prepaid account                 | 405-541-8357   |                        |               |               |                   |               |               |
| ABSA Sundry revenue accounts         | 405-463-6689   |                        |               |               |                   |               |               |
| ABSA Salaries account                | 405-439-4752   |                        |               |               |                   |               |               |
| ABSA Bank charges                    | 405-439-4744   |                        |               |               |                   |               |               |
| ABSA Main cheque account             | 405-439-4736   |                        |               |               |                   |               |               |
| ABSA Expenditure                     | 4 054 394 786  |                        |               |               |                   |               |               |
| ABSA Revenue                         | 4 054 394 809  |                        |               |               |                   |               |               |
| ABSA Salaries                        | 4 054 394 817  |                        |               |               |                   |               |               |
| ABSA Revenue 2 (Debtor deposits)     | 4 055 177 264  |                        |               |               |                   |               |               |
| ABSA Income (Sundry deposits)        | 4 054 394 702  |                        |               |               |                   |               |               |
| ABSA Expenditure                     | 4 054 394 710  |                        |               |               | (6 152)           | (2 424)       | (10 572)      |
| ABSA Trust Account                   | 40-5439-8803   |                        |               |               |                   |               |               |
| ABSA Operating Account               | 40-5439-8772   |                        |               |               |                   |               |               |
| ABSA Salary Account                  | 40-5439-8811   |                        |               |               |                   |               |               |
| ABSA Main                            | 4 054 428 422  |                        |               |               |                   |               |               |
| ABSA Cemeteries                      | 4 054 428 391  |                        |               |               |                   |               |               |
| ABSA Salary Account                  | 4 055 233 040  |                        |               |               |                   |               |               |
| ABSA General account                 | 4 058 050 233  | 5 137                  | 948           | 4 905         | 5 138             | 355           | 1 662         |
| ABSA Grant accounts                  | 4 059 925 738  |                        | 122           | 128           | 278               | 122           | 128           |
| ABSA                                 | 4 057 945 928  | 658                    | 835           | 1 004         | 658               | 835           | 1 004         |
| ABSA Main Account                    | 4 054 394 833  |                        |               |               |                   |               | (8 448)       |
| ABSA Salary Account                  | 4 054 394 841  |                        |               |               |                   |               |               |
| ABSA Current                         | 0570142348     | 3                      | 4             | 206           |                   | (10)          | 135           |
| ABSA Computicket                     | 0570147854     | 15                     | 6             | 46            | 15                | 6             | 46            |
| ABSA Special Savings                 | 9097335459     | 172                    | 2             | 2             | 172               | 2             | 2             |
| ABSA Special Savings                 | 9099384175     | 1                      | 990           | 627           | 1                 | 990           | 627           |
| Nedbank Limited                      | 1905092075     | 54                     | 32            | 48            | 54                | 32            | 48            |
| ABSA                                 | 40 5853 6762   | 7                      | 6             | 6             | 7                 | 6             | 6             |
| ABSA                                 | 40 5853 6005   | 20                     | 4             | 4             | 20                | 4             | 4             |
| ABSA                                 | 91 1288 7111   | 2 408                  | 16            | 17            | 2 408             | 16            | 17            |
| Nedbank Limited                      | 15 1106 3270   | 804                    | 90            | 99            | 5 609             | 89            | 99            |
| Nedbank Limited                      | 14 6909 5971   | 105                    | 252           | 363           | 105               | 273           | 363           |
| <b>Petty cash and float accounts</b> |                |                        |               |               | 1 257             | 1 221         | 740           |
| <b>TOTAL</b>                         |                | <b>123 782</b>         | <b>81 192</b> | <b>95 311</b> | <b>97 248</b>     | <b>57 787</b> | <b>60 781</b> |



## Appendix J – Directors' remuneration

as at 30 June 2006

|   | Johannesburg<br>Fresh Produce<br>Market<br>(Pty) Ltd<br>R000s | Johannesburg<br>Civic Theatre<br>(Pty) Ltd<br>R000s | Johannesburg<br>Zoo<br>R000s | Johannesburg<br>Property<br>Company<br>(Pty) Ltd<br>R000s | Johannesburg<br>Development<br>Agency<br>(Pty) Ltd<br>R000s | Metropolitan<br>Trading<br>Company<br>(Pty) Ltd<br>R000s |
|---|---|---|------------------------------|---|---|--|
| <b>Non-executive Directors</b>                  | 478   | 159   | 226                          | 227   | 389   | 350  |
| Directors' fees                                 | 478   | 159   | 226                          | 227   | 389   | 350  |
| Travel  |   |   |                              |   |   |  |
| <b>Chief Executive Officer</b>                  | 1 130   | 1 073   | 1 290                        | 772   | 1 027   | 704  |
| Annual remuneration                             | 587   | 791   | 1 026                        | 724   | 804   | 704  |
| Performance bonus                               | 8   | 164   | 264                          |   | 158   |  |
| Car allowance                                   | 300   | 86  |                              | 48  | 62  |  |
| Contributions to UIF, medical and pension funds | 235   | 32  |                              |   | 3   |  |
| <b>Chief Finance Officer</b>                    | 812   | 477   | 343                          |   | 709   | 622  |
| Annual remuneration                             | 549   | 362   | 319                          |   | 579   | 622  |
| Performance bonus                               |   | 56  | 24                           |   |   |  |
| Car allowance                                   | 194   | 36  |                              |   | 112   |  |
| Contributions to UIF, medical and pension funds | 69  | 24  |                              |   | 18  |  |
| <b>Other Executive Directors</b>                |   |   |                              |   |   |  |
| Annual remuneration                             |   |   |                              |   |   |  |
| Performance bonus                               |   |   |                              |   |   |  |
| Car allowance                                   |   |   |                              |   |   |  |
| Contributions to UIF, medical and pension funds |   |   |                              |   |   |  |
| <b>Senior Management</b>                        | 3 610   | 1 567   | 3 140                        | 2 449   | 870   | 508  |
| Annual remuneration                             | 2 274   | 1 151   | 2 691                        | 1 884   | 532   | 508  |
| Performance bonus                               | 191   | 156   | 449                          | 250   | 117   |  |
| Car allowance                                   | 569   | 129   |                              | 315   | 216   |  |
| Contributions to UIF, medical and pension funds | 576   | 131   |                              |   | 5   |  |



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| City Power<br>Johannesburg<br>(Pty) Ltd<br>R000s | Johannesburg<br>Water<br>(Pty) Ltd<br>R000s | Pikitup<br>Johannesburg<br>(Pty) Ltd<br>R000s | Johannesburg<br>Roads<br>Agency<br>(Pty) Ltd<br>R000s | Johannesburg<br>City<br>Parks<br>R000s | Johannesburg<br>Social<br>Housing<br>Company<br>(Pty) Ltd<br>R000s | Johannesburg<br>Tourism<br>Company<br>R000s | Johannesburg<br>Metropolitan<br>Bus Services<br>(Pty) Ltd<br>R000s | Roodepoort<br>City<br>Theatre<br>R000s |
|--|---|---|---|--|--|---|--|--|
| 1 900  | 968   | 562   | 686   | 518                                    | 379  | 85  | 283  | 103                                    |
| 1 855<br>45                                      | 968   | 562   | 686   | 518                                    | 379  | 85  | 283  | 102<br>1                               |
| 2 052  |   | 1 475   | 972   | 1 220                                  | 571  | 949   | 1 500  | 794                                    |
| 1 318<br>513<br>98<br>123                        |   | 1 018<br>286<br>140<br>31                     | 972   | 984<br>203<br>32<br>1                  | 529  | 696<br>68<br>108<br>77                      | 1 258  | 794                                    |
| 1 282  | 401   | 956   | 631   | 1 025                                  | 741  | 749   | 540  | 335                                    |
| 857<br>167<br>140<br>118                         | 257<br>23<br>74<br>47                       | 734<br>153<br>68<br>1                         | 631   | 733<br>171<br>120<br>1                 | 564<br>23<br>154   | 510<br>51<br>70<br>118                      | 412<br>108<br>20   | 335                                    |
|  | 5 855                                       | 1 791   |   |  |  |   |  |  |
| 3 691<br>752<br>701<br>711                       | 982<br>246<br>402<br>161                    |   |   |  |  |   |  |  |
| 11 177   | 2 628                                       | 2 631   | 2 569   | 4 494                                  | 1 690  | 522   | 1 388  | 221                                    |
| 7 213<br>886<br>1 500<br>1 578                   | 1 617<br>156<br>529<br>326                  | 1 649<br>249<br>322<br>411                    | 2 569   | 3 373<br>728<br>393                    | 1 346<br>67<br>203<br>74   | 377<br>21<br>55<br>69                       | 907<br>312<br>169  | 221                                    |







