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**CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

General Information

MAYORAL COMMITTEE

Executive Mayor

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

Councillors

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

General Information

GRADING OF LOCAL AUTHORITY

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

CITY MANAGER

Trevor Fowler

CHIEF FINANCIAL OFFICER

Reggie Boqo

REGISTERED OFFICE

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

POSTAL ADDRESS

P O Box 1049
Johannesburg
2000

PRIMARY BANKER

Standard Bank

AUDITORS

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Index

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

Index	Page
Municipal Manager's approval of the Group Annual Financial Statements	5
Statement of Financial Position	6 - 7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9 - 10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 14
Appropriation Statement	15 - 18
Accounting Policies	19 - 41
Notes to the Group Annual Financial Statements	42 - 180

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Index

Abbreviations

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Municipal Manager's approval of the Group Annual Financial Statements

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

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

**Accounting Officer
Designation**

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2015	2014 Restated	2015	2014 Restated
ASSETS					
Current Assets					
Inventories	3	318 093	307 574	59 326	113 073
Loans to Municipal Entities	4	-	-	1 009 887	980 592
Other financial assets	5	-	186 361	-	186 361
Current tax receivable		15 556	14 667	-	-
Finance lease receivables	6	-	-	81 179	80 984
Trade and other receivables	7	1 189 184	1 055 008	3 982 335	3 364 871
Receivables from non-exchange transactions	8	397 316	273 414	317 697	254 626
VAT receivable	9	346 725	470 777	284 336	428 071
Consumer debtors	10	5 113 926	4 611 125	716 651	687 147
Other financial assets at fair value	11	3 788 897	2 348 387	4 052 950	1 401 255
Cash and cash equivalents	12	5 279 905	5 327 242	4 179 988	5 144 077
		16 449 602	14 594 555	14 684 349	12 641 057
Non-Current Assets					
Zoo animals	13	23 741	15 247	-	-
Investment property	14	1 019 010	1 013 179	1 018 542	1 012 688
Property, plant and equipment	15	55 004 296	47 399 971	33 228 844	28 645 466
Intangible assets	16	882 913	622 068	500 913	331 031
Heritage assets	17	583 154	578 173	581 561	576 580
Investments in Municipal Owned Entities	18	-	-	465 046	407 441
Investment in joint venture	19	49 826	43 820	-	-
Investment in associates	20	20 046	18 108	-	-
Loans to Municipal Entities	4	-	-	5 648 642	4 997 925
Other financial assets	5	92 441	103 742	92 441	103 742
Finance lease receivables	6	-	-	256 058	193 949
Other financial assets at fair value	11	4 588 634	2 245 539	-	1 832 005
		62 264 061	52 039 847	41 792 047	38 100 827
Total Assets		78 713 663	66 634 402	56 476 396	50 741 884

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2015	2014 Restated	2015	2014 Restated
LIABILITIES					
Current Liabilities					
Loans and borrowings	23	1 574 097	971 179	1 573 418	970 551
Current tax payable		-	2 822	-	-
Finance lease obligation	24	118 042	87 253	102 830	76 193
Trade and other payables	25	12 424 199	10 324 901	11 583 429	10 288 828
VAT payable	9	352 355	412 997	-	-
Obligations arising from conditional grants and receipts	26	517 469	870 173	475 309	814 381
Provisions	27	29 163	94 226	-	25 537
Deferred income	29	8 966	10 909	-	-
Financial liabilities at fair value	11&30	144 785	969 183	6 856	7 816
		15 169 076	13 743 643	13 741 842	12 183 306
Non-Current Liabilities					
Loans and borrowings	23	14 138 964	12 436 804	14 122 311	12 419 473
Finance lease obligation	24	247 316	281 489	237 899	267 866
Employee benefit obligation	28	1 764 455	1 842 379	1 816 411	1 843 061
Obligations arising from conditional grants and receipts	26	41 206	39 440	-	-
Deferred tax	21	1 706 269	1 450 598	-	-
Provisions	27	659 630	665 770	99 987	96 084
Deferred income	29	45 637	53 581	45 637	48 879
Financial liabilities at fair value	11&30	4 920 253	459 830	331 619	46 297
Consumer deposits	31	722 678	506 862	17 288	25 320
		24 246 408	17 736 753	16 671 152	14 746 980
Total Liabilities		39 415 484	31 480 396	30 412 994	26 930 286
Net Assets		39 298 179	35 154 006	26 063 402	23 811 598
NET ASSETS					
Reserves					
Hedging reserve		(19 570)	(37 721)	(19 570)	(37 721)
Accumulated surplus		39 317 749	35 191 727	26 082 972	23 849 319
Total Net Assets		39 298 179	35 154 006	26 063 402	23 811 598

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2015	2014 Restated	2015	2014 Restated
Revenue					
Revenue from exchange transactions					
Income from agency services		204 111	193 643	204 111	193 643
Interest received		561 506	527 708	1 096 074	1 116 503
Licences and permits		1 121	1 170	1 121	1 170
Other income	33	1 477 260	1 328 637	841 397	665 997
Rental facilities and equipment		233 942	206 326	94 739	92 736
Service charges	35	22 273 708	20 299 203	380 840	315 255
Total revenue from exchange transactions		24 751 648	22 556 687	2 618 282	2 385 304
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	36	7 562 282	7 215 938	7 622 800	7 320 954
Transfer revenue					
Fines		1 123 705	1 309 717	1 123 705	1 309 717
Government grants and subsidies	37	8 649 590	7 789 582	8 551 348	7 701 203
Public contributions, Donated and contributed property, plant and equipment		323 563	35 054	322 379	35 054
Total revenue from non-exchange transactions		17 659 140	16 350 291	17 620 232	16 366 928
Total revenue		42 410 788	38 906 978	20 238 514	18 752 232
Expenditure					
Employee related costs	38	(8 602 669)	(7 963 902)	(4 908 180)	(4 568 141)
Remuneration of councillors	39	(127 499)	(120 639)	(127 499)	(120 639)
Provision	27	-	(25 537)	-	(25 537)
Depreciation and amortisation	40	(2 413 436)	(2 115 700)	(1 667 941)	(1 487 480)
Impairment losses	41	(1 466)	(8 647)	(142 664)	(58 579)
Finance costs		(1 522 374)	(1 419 131)	(1 623 519)	(1 540 437)
Allowance for impairment of current receivables	42	(4 392 062)	(3 195 731)	(1 775 862)	(1 732 206)
Repairs and maintenance		(1 027 749)	(1 008 172)	(305 322)	(286 682)
Bulk purchases	43	(12 562 745)	(11 792 735)	-	-
Contracted services	44	(2 606 363)	(2 045 259)	(1 870 086)	(1 291 881)
Grants and subsidies paid	45	(569 071)	(309 839)	(3 083 614)	(2 548 017)
General Expenses	46	(4 494 679)	(4 023 887)	(2 748 810)	(2 724 499)
Total expenditure		(38 320 113)	(34 029 179)	(18 253 497)	(16 384 098)
Operating surplus		4 090 675	4 877 799	1 985 017	2 368 134
(Loss)/gain on disposal assets		(23 016)	(615 208)	(11 129)	(610 070)
Reversal of impairment		-	-	-	190 927
Fair value adjustments	47	322 144	157 113	259 765	111 973
Gain as a result of donated animals and new births		5 901	2 922	-	-
Income from equity accounted investments		8 493	11 032	-	-
		313 522	(444 141)	248 636	(307 170)
Surplus before taxation		4 404 197	4 433 658	2 233 653	2 060 964
Taxation	63	278 175	391 248	-	-
Surplus for the year		4 126 022	4 042 410	2 233 653	2 060 964

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
GROUP				
Balance at 01 July 2013		(54 928)	30 715 498	30 660 570
Changes in net assets				
Net income recognised directly in net assets		17 207	-	17 207
Land Recognition		-	426 886	426 886
Net revenue (expenditure) recognised directly in equity		17 207	426 886	444 093
Surplus for the year		-	4 042 410	4 042 410
Total recognised revenue and expenditure for the year		17 207	4 469 296	4 486 503
Transfer of functions between entities under common control		-	6 933	6 933
Total changes		17 207	4 476 229	4 493 436
Opening balance as previously reported		(37 721)	35 676 709	35 638 988
Adjustments				
Prior period errors	51	-	(484 982)	(484 982)
Balance at 01 July 2014 as restated		(37 721)	35 191 727	35 154 006
Changes in net assets				
Net income recognised directly in net assets		18 151	-	18 151
Net revenue (expenditure) recognised directly in equity		18 151	-	18 151
Surplus for the year		-	4 126 022	4 126 022
Total recognised revenue and expenditure for the year		18 151	4 126 022	4 144 173
Total changes		18 151	4 126 022	4 144 173
Balance at 30 June 2015		(19 570)	39 317 749	39 298 179

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
CJMM				
Opening balance as previously reported		(54 928)	21 067 206	21 012 278
Adjustments				
Prior year adjustments	51	-	294 263	294 263
Balance at 01 July 2013 as restated		(54 928)	21 361 469	21 306 541
Changes in net assets				
Amounts recognised directly in other comprehensive Income during the year		17 207	-	17 207
Land recognition		-	426 886	426 886
Net revenue (expenditure) recognised directly in equity		17 207	426 886	444 093
Surplus for the year		-	2 060 964	2 060 964
Total recognised revenue and expenditure for the year		17 207	2 487 850	2 505 057
Total changes		17 207	2 487 850	2 505 057
Opening balance as previously reported		(37 721)	24 013 878	23 976 157
Adjustments				
Prior period errors	51	-	(164 559)	(164 559)
Balance at 01 July 2014 as restated		(37 721)	23 849 319	23 811 598
Changes in net assets				
Amounts recognised directly in other comprehensive Income during the year		18 151	-	18 151
Net revenue (expenditure) recognised directly in equity		18 151	-	18 151
Surplus for the year		-	2 233 653	2 233 653
Total recognised revenue and expenditure for the year		18 151	2 233 653	2 251 804
Total changes		18 151	2 233 653	2 251 804
Balance at 30 June 2015		(19 570)	26 082 972	26 063 402

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2015	2014 Restated	2015	2014 Restated
Cash flows from operating activities					
Receipts					
Cash receipts from customers		28 098 236	26 992 986	7 781 700	6 376 471
Grants		8 129 533	7 260 372	8 051 074	7 159 446
Interest income		561 506	561 816	1 079 182	944 772
		36 789 275	34 815 174	16 911 956	14 480 689
Payments					
Cash paid to suppliers and employees		(27 802 637)	(26 896 107)	(11 613 069)	(9 880 505)
Finance costs		(1 522 374)	(1 413 858)	(1 463 528)	(1 530 487)
Taxes on surpluses		(26 215)	(34 086)	-	-
		(29 351 226)	(28 344 051)	(13 076 597)	(11 410 992)
Net cash flows from operating activities	48	7 438 049	6 471 123	3 835 359	3 069 697
Cash flows from investing activities					
Purchase of capital assets		(9 452 438)	(7 286 767)	(5 846 373)	(3 636 697)
Investment in sinking fund		(266 667)	(533 333)	(266 667)	(533 333)
Loans redeemed from municipal entities		-	-	970 093	924 657
Finance lease receivables		-	-	(62 304)	(83 812)
Investment in Municipal entities		-	-	(57 605)	(67 858)
Other financial assets		199 534	61 950	199 534	61 950
Loans to Municipal Entities		-	-	(1 792 769)	(1 001 111)
Net cash flows from investing activities		(9 519 571)	(7 758 150)	(6 856 091)	(4 336 204)
Cash flows from financing activities					
Proceeds from borrowings		3 276 000	2 083 961	3 276 000	2 066 000
Repayment of borrowings		(971 553)	(662 571)	(970 925)	(662 571)
Finance lease obligation		(85 186)	(56 004)	(85 186)	(68 562)
Repayment of post retirement benefits		(140 436)	(151 963)	(137 709)	(117 802)
Provisions		(44 640)	-	(25 537)	-
Net cash flows from financing activities		2 034 185	1 213 423	2 056 643	1 217 065
Net increase/(decrease) in cash and cash equivalents		(47 337)	(73 604)	(964 089)	(49 442)
Cash and cash equivalents at the beginning of the year		5 327 242	5 400 846	5 144 077	5 193 519
Cash and cash equivalents at the end of the year	12	5 279 905	5 327 242	4 179 988	5 144 077

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget (YTD)	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
GROUP						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	22 433 382	93 328	22 526 710	22 273 708	(253 002)	
Rental facilities and equipment	293 594	(24 409)	269 185	233 942	(35 243)	1
Income from agency services	237 345	(20 000)	217 345	204 111	(13 234)	
Licences and permits	707	-	707	1 121	414	
Other income	1 562 989	463 686	2 026 675	1 477 260	(549 415)	2
Interest received	527 803	2 043	529 846	561 506	31 660	
Total revenue from exchange transactions	25 055 820	514 648	25 570 468	24 751 648	(818 820)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7 610 948	-	7 610 948	7 562 282	(48 666)	
Government grants	8 808 699	193 684	9 002 383	8 649 590	(352 793)	
Transfer revenue						
Public contributions, Donated and contributed property, plant and equipment	-	-	-	323 563	323 563	
Fines	466 534	879 436	1 345 970	1 123 705	(222 265)	3
Total revenue from non-exchange transactions	16 886 181	1 073 120	17 959 301	17 659 140	(300 161)	
Total revenue	41 942 001	1 587 768	43 529 769	42 410 788	(1 118 981)	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget (YTD)	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
Expenditure						
Employee related cost	(8 740 592)	(235 390)	(8 975 982)	(8 602 669)	373 313	
Remuneration of councillors	(134 301)	-	(134 301)	(127 499)	6 802	
Depreciation and amortisation	(2 795 813)	-	(2 795 813)	(2 413 436)	382 377	4
Impairment loss/ Reversal of impairments	-	-	-	(1 466)	(1 466)	
Finance costs	(1 809 644)	38 948	(1 770 696)	(1 522 374)	248 322	
Allowance for impairment of current receivables	(1 481 233)	(1 420 183)	(2 901 416)	(4 392 062)	(1 490 646)	5
Repairs and maintenance	(1 200 305)	(90 522)	(1 290 827)	(1 027 749)	263 078	6
Bulk purchases	(12 477 870)	140 316	(12 337 554)	(12 562 745)	(225 191)	
Contracted Services	(3 850 659)	(517 072)	(4 367 731)	(2 606 363)	1 761 368	7
Grants and subsidies paid	(299 689)	(65 787)	(365 476)	(569 071)	(203 595)	8
General Expenses	(3 993 015)	(357 024)	(4 350 039)	(4 494 679)	(144 640)	
Total expenditure	(36 783 121)	(2 506 714)	(39 289 835)	(38 320 113)	969 722	
Operating surplus	5 158 880	(918 946)	4 239 934	4 090 675	(149 259)	
Loss on disposal of assets and liabilities	20 000	(20)	19 980	(23 016)	(42 996)	
Fair value adjustments	-	-	-	322 144	322 144	9
Gain on biological assets and agricultural produce	-	-	-	5 901	5 901	
Share of (deficit)/surplus of associate accounted for under the equity method	-	-	-	8 493	8 493	
	20 000	(20)	19 980	313 522	293 542	
Surplus before taxation	5 178 880	(918 966)	4 259 914	4 404 197	144 283	
Taxation	528 805	(170 368)	358 437	278 175	(80 262)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	4 650 075	(748 598)	3 901 477	4 126 022	224 545	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

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

- Rental facilities:** There are currently expired contracts for rental facilities that needed to be renewed and this has taken longer than expected. This has had a negative impact in the occupancy rate and therefore resulting in performance below budget. .
- Other Income:** The under budget in other income is due to a decrease in demanded for other goods and services provided by the City to the public resulting in a performance below budget.
- Traffic Fines revenue:** The under budget in traffic fines is due to a decrease in traffic offences by the public resulting in a performance below budget.
- Depreciation and Amortisation:** The under budget in depreciation is due to assets being bought and capitalised at different times during the financial year. This has resulted in some assets being received and capitalised in the middle of the financial year.
- Allowance for impairment of current receivables:** unless there is a commitment to donate by the public at the budgeting stage. The variance resulted from donation of land from the Gauteng Provincial Government
- Repairs and maintenance:** The budget for repairs and maintenance takes into account the routine, planned maintenance and also allows for the emergency repairs, there were less emergency repairs required in the current period than what was budgeted for..
- Contracted Services:** The under budget in contracted service is due to less reliance on consultants and also contracts that have ended and not renewed during the year.
- Grants and Subsidies:** The over budget in grants paid is due to the increase in the top structure expenditure and the grants paid to Non-Profit Organisations.
- Fair Value Adjustments:** The fair value adjustments are not budgeted and is mainly attributable to the fair value changes in the interest rate swap and the sinking fund .

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
GROUP - 2015											
Financial Performance											
Property rates	7 610 948	-	7 610 948	-	-	7 610 948	7 562 282	-	(48 666)	99 %	99 %
Service charges	22 433 382	93 328	22 526 710	-	-	22 526 710	22 273 708	-	(253 002)	99 %	99 %
Investment revenue	420 118	(333)	419 785	-	-	419 785	561 506	-	141 721	134 %	134 %
Transfers recognised - operational	5 690 916	290 236	5 981 152	-	-	5 981 152	6 094 144	-	112 992	102 %	107 %
Other own revenue	2 688 854	1 301 089	3 989 943	-	-	3 989 943	3 368 184	-	(621 759)	84 %	125 %
Total revenue (excluding capital transfers and contributions)	38 844 218	1 684 320	40 528 538	-	-	40 528 538	39 859 824	-	(668 714)	98 %	103 %
Employee costs	(8 740 592)	(235 390)	(8 975 982)	-	-	(8 975 982)	(8 602 669)	-	373 313	96 %	98 %
Remuneration of councillors	(134 301)	-	(134 301)	-	-	(134 301)	(127 499)	-	6 802	95 %	95 %
Depreciation and asset impairment	(2 795 813)	-	(2 795 813)	-	-	(2 795 813)	(2 414 902)	-	380 911	86 %	86 %
Finance charges	(1 809 644)	38 948	(1 770 696)	-	-	(1 770 696)	(1 522 374)	-	248 322	86 %	84 %
Materials and bulk purchases	(12 522 815)	140 316	(12 382 499)	-	-	(12 382 499)	(12 562 745)	-	(180 246)	101 %	100 %
Transfers and grants	(299 689)	(65 787)	(365 476)	-	-	(365 476)	(569 071)	-	(203 595)	156 %	190 %
Other expenditure	(10 480 267)	(2 384 821)	(12 865 088)	-	-	(12 865 088)	(12 543 869)	-	321 219	98 %	120 %
Total expenditure	(36 783 121)	(2 506 734)	(39 289 855)	-	-	(39 289 855)	(38 343 129)	-	946 726	98 %	104 %
Surplus/(Deficit)	2 061 097	(822 414)	1 238 683	-	-	1 238 683	1 516 695	-	278 012	122 %	122 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2 654 718	101 597	2 756 315	-		2 756 315	2 555 445		(200 870)	93 %	96 %
Contributions recognised - capital and contributed assets	463 065	(198 149)	264 916	-		264 916	323 563		58 647	122 %	70 %
Surplus (Deficit) after capital transfers and contributions	5 178 880	(918 966)	4 259 914	-		4 259 914	4 395 703		135 789	103 %	85 %
Share of surplus (deficit) of associate	-	-	-	-		-	(8 493)		(8 493)	- %	- %
Taxation	528 805	(170 368)	358 437	-		358 437	278 175		(80 262)	78 %	53 %
Surplus/(Deficit) for the year	4 650 075	(748 598)	3 901 477	-		3 901 477	4 126 021		224 544	106 %	89 %

Capital expenditure and funds sources

Total capital expenditure	10 875 150	(47 201)	10 827 949	-		10 827 949	10 234 655		(593 294)	95 %	94 %
Sources of capital funds											
Transfers recognised - capital	2 654 718	101 597	2 756 315	-		2 756 315	2 555 445		(200 870)	93 %	96 %
Public contributions and donations	463 065	(198 149)	264 916	-		264 916	323 563		58 647	122 %	70 %
Borrowing	3 276 000	-	3 276 000	-		3 276 000	3 276 000		-	100 %	100 %
Internally generated funds	4 481 367	49 351	4 530 718	-		4 530 718	4 082 862		(447 856)	90 %	91 %
Total sources of capital funds	10 875 150	(47 201)	10 827 949	-		10 827 949	10 237 870		(590 079)	95 %	94 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
CJMM - 2015											
Financial Performance											
Property rates	7 610 948	-	7 610 948	-	-	7 610 948	7 622 800	-	11 852	100 %	100 %
Rendering of Services	409 661	(4 000)	405 661	-	-	405 661	380 840	-	(24 821)	94 %	93 %
Investment revenue	1 341 441	(9 656)	1 331 785	-	-	1 331 785	1 096 074	-	(235 711)	82 %	82 %
Transfers recognised - operational	5 808 427	483 287	6 291 714	-	-	6 291 714	6 091 843	-	(199 871)	- %	- %
Other own revenue	1 752 805	832 809	2 585 614	-	-	2 585 614	2 527 306	-	(58 308)	98 %	144 %
Total revenue (excluding capital transfers and contributions)	16 923 282	1 302 440	18 225 722	-	-	18 225 722	17 718 863	-	(506 859)	97 %	105 %
Employee costs	(4 972 431)	62 859	(4 909 572)	-	-	(4 909 572)	(4 908 180)	-	1 392	100 %	99 %
Remuneration of councillors	(134 301)	-	(134 301)	-	-	(134 301)	(127 499)	-	6 802	95 %	95 %
Debt impairment	(376 311)	(980 436)	(1 356 747)	-	-	(1 356 747)	(1 775 862)	-	(419 115)	131 %	472 %
Depreciation and asset impairment	(2 058 139)	55 552	(2 002 587)	-	-	(2 002 587)	(1 810 605)	-	191 982	90 %	88 %
Finance charges	(1 873 843)	41 795	(1 832 048)	-	-	(1 832 048)	(1 623 519)	-	208 529	89 %	87 %
Transfers and grants	(2 674 232)	(191 885)	(2 866 117)	-	-	(2 866 117)	(3 083 614)	-	(217 497)	108 %	115 %
Other expenditure	(5 163 052)	(628 075)	(5 791 127)	-	-	(5 791 127)	(4 937 815)	-	853 312	85 %	96 %
Total expenditure	(17 252 309)	(1 640 190)	(18 892 499)	-	-	(18 892 499)	(18 267 094)	-	625 405	97 %	106 %
Surplus/(Deficit)	(329 027)	(337 750)	(666 777)	-	-	(666 777)	(548 231)	-	118 546	82 %	167 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2 297 307	101 597	2 398 904	-		2 398 904	2 459 505		60 601	103 %	107 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	322 379		322 379	- %	- %
Surplus (Deficit) after capital transfers and contributions	1 968 280	(236 153)	1 732 127	-		1 732 127	2 233 653		501 526	129 %	113 %
Surplus/(Deficit) for the year	1 968 280	(236 153)	1 732 127	-		1 732 127	2 233 653		501 526	129 %	113 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Statement of compliance

Basis of Preparation and Presentation

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

These Group Annual Financial Statements have been prepared on the accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise.

1.1 Presentation currency

These Group Annual Financial Statements are presented in South African Rand, which is the functional currency of the group.

1.2 Going concern assumption

1.3 Consolidation

Basis of consolidation

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

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

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

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

Investments in Municipal Entities

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

Investment in associates

The CJMM consolidate associates when it has significant influence.

Significant influence is the power of CJMM to participate in the financial and operating policy decisions of an activity, but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the group's share of net assets of the associate, less any impairment losses.

Interests in joint ventures

The CJMM consolidate joint ventures when there is a binding arrangement between itself and another party(s) committed to undertake an activity that is subject to joint control.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Consolidation (continued)

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

1.4 Transfer of functions between entities under common control

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Accounting Policies

1.4 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

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

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

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

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

Measurement period

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

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

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

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

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

Acquisition-related costs

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

Subsequent measurement

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

Accounting Policies

1.4 Transfer of functions between entities under common control (continued)

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

Significant judgements include:

Financial instruments at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provision, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions.

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

Management has to determine an accurate estimate of the environmental obligation to rehabilitate the various landfill sites upon closure.

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. Additional disclosure of these estimates of provisions are included in note 27.

Expected manner of realisation for deferred tax

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

Taxation

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

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

Useful lives and residual value of assets

The useful life of assets are based on management's estimates. Management considers the impact of technology, service requirements and the required return on assets to determine the optimum useful- life expectation, where appropriate. The estimated residual values of assets is also based on management's judgement which takes into account the condition of the assets at the end of their useful lives.

Post retirement benefits

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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

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

Additional information is disclosed in Note 28.

Debt impairment provision

The allowance for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Management utilises judgement in evaluating credit risk related to customers. Judgement is based on various factors including, but not limited to, historical information available.

1.6 Zoo animals

Zoo animals are accounted for in terms of GRAP 17 as items of property, plant and equipment. The majority of animals

are received as donations and transfers from other similar institutions for no consideration or from procreation. These assets are recorded at a fair value at the time of donation or transfer, and are depreciated accordingly.

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

value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

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

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

The longevity of zoo animals has been assessed as follows::

Amphibia	4 - 16 years
Arachnida	2 - 20 years
Aves	4 - 64 years
Mammalia	6 - 64 years
Pisces	1 - 35 years
Reptilia	7- 80 years
Insecta	4 years

1.7 Investment property

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Investment property (continued)

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

Investment property is initially recognised at cost.

Initial Measurement

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

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

Subsequent Measurement.

Investment property is measured using the cost model, carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property - Buildings	30 years

Land is not depreciated.

Derecognition:

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its use or disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

1.8 Property, plant and equipment

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

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

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

Initial Measurement

Property, plant and equipment is initially measured at cost.

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Property, plant and equipment (continued)

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

Subsequent Measurement

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

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

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

Item	Average useful life
Buildings	5 - 60 years
Plant and machinery	2 - 40 years
Furniture and fixtures	1 - 12 years
Motor vehicles	5 - 14 years
Computer equipment	2 - 15 years
Infrastructure	
• Electricity	20 - 30 years
• Pedestrian Malls	20 years
• Roads and Paving	15 - 20 years
• Sewerage	15 - 20 years
• Gas	20 years
• Civil pump stations	60 - 100 years
• pipelines	60 - 100 years
• Pump stations	5 - 16 years
• Water meters	4 - 13 years
Community Assets	
• Recreational Facilities	20 - 30 years
• Dogs and Horses	5 - 7 years
Bins and containers	5 - 10 years
Specialised vehicles	12 - 15 years
Library books	10 years
Emergency equipment	5 - 10 years

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

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

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

1.9 Intangible assets

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

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Intangible assets (continued)

Cost Model

Initial Recognition and measurement

Intangible assets are initially recognised at cost.

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

Derecognition:

Intangible assets are derecognised:

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

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

1.10 Heritage assets

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

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

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

Initial recognition and measurement

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Heritage assets (continued)

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

Subsequent Measurement.

Heritage assets are carried at cost less accumulated impairment losses.

Heritage assets are not depreciated.

Transfers

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

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

Derecognition

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

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

Transitional provision

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

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

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

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

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

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

1.11 Investments in Municipal Owned Entities

1.12 Investment in joint venture

Joint venture

Surpluses and deficits resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The group's share of surpluses or deficits, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Investment in joint venture (continued)

In respect of its interests in jointly controlled operations, the municipality recognises in its Annual Financial Statements:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the revenue that it earns from the sale or provision of goods or services by the joint venture.

In respect of its interest in jointly controlled assets, the municipality recognises in its Annual Financial Statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

1.13 Investment in associates

Associates

An investment in an associate is accounted for using the equity method, except when the asset is classified as held-for-sale. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surpluses or deficits of the investee after acquisition date. The use of the equity method is discontinued from the date the group ceases to have significant influence over an associate.

Any impairment losses are deducted from the carrying amount of the investment in associate.

Distributions received from the associate reduce the carrying amount of the investment.

Surpluses and deficits resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

On acquisition the excess of the group's interest of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is accounted for as goodwill, and is included in the carrying amount of the associate.

The excess of the group's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is excluded from the carrying amount of the investment and is instead included as revenue in the period in which the investment is acquired.

The most recent available group annual financial statements of the associate is used to apply the equity method. If the reporting dates of the group and associates are different, the associate prepares, financial statements as of the same date as of the reporting date of the group unless it is impractical to do so.

The recognition of the group's share of deficits is discontinued once the group's share of deficits of an associate equals or exceeds its interest in the associate.

1.14 Financial instruments

Non-derivative financial assets.

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

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

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

- Amortised cost; and
- Cost.

Financial assets at amortised Cost

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Financial instruments (continued)

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

Cash and cash equivalents

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

Impairment of non-derivative financial assets

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

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

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

Non-derivative financial liabilities

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

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

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

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

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

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Financial instruments (continued)

Cash flow hedges

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

Other than designated through profit and loss

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

1.15 Tax

Current tax assets and liabilities

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

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

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

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

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

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

1.16 Leases

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.16 Leases (continued)

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

Finance leases - lessor

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

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

Finance leases - lessee

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

The finance lease assets are depreciated at the appropriate rates on a straight line basis over the shorter of the lease term or the estimated useful life of the assets.

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

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

Operating leases - lessor

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

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

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

Operating leases - lessee

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

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

1.17 Inventories

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

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

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

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

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.17 Inventories (continued)

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

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

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

1.18 Non-current assets held for sale and disposal groups

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

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

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

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

1.19 Impairment

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

The Impairment loss is recognised as an expense.

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

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

Impairment of cash-generating assets.

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

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 Impairment (continued)

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

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

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

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

Useful life is either:

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

1.20 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

1.21 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

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

Accounting Policies

1.21 Employee benefits (continued)

Defined benefit plans

The Group currently has three employee benefit plans which are paid to retired or existing employees. The benefit plans are as follows; Post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

- Post-retirement health care benefits
- Housing subsidies; and
- Gratuities upon retirement to some retirees.

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

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

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

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

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

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

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

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

Post retirement obligations

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.21 Employee benefits (continued)

Bonus pensionable service and medical boardings.

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

1.22 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised but are separately disclosed in note 50.

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

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

Accounting Policies

1.22 Provisions and contingencies (continued)

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

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

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

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

1.23 Revenue from exchange transactions

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Accounting Policies

1.23 Revenue from exchange transactions (continued)

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

Interest and royalties

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

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

1.24 Revenue from non-exchange transactions

Non-exchange transactions are transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions are generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines

Revenue from the issuing of fines is recognised when:

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

The group has two types of fines :

Criminal Procedures Act fines:

These fines are issued in terms of the Criminal Procedures Act and are usually issued by way of notice to offenders, and can (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or (b) indicate that the offender must appear in Court on a specified day (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Initial recognition:

An asset acquired through a non- exchange transaction shall initially be measured at fair value at the date of acquisition which is the best estimate of the inflow of economic benefits. An inflow of resources from a non- exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

Subsequent measurement

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition.

AARTO traffic fines

Initial recognition

An asset acquired through a non- exchange transaction shall initially be measured at fair value at the date of acquisition which is the best estimate of the inflow of economic benefits. An inflow of resources from a non- exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.24 Revenue from non-exchange transactions (continued)

The COJ is legally entitled to 50% of the face value of the fines, taking into account the best estimate of the inflow of economic benefits in terms of GRAP 23.

In terms of the AARTO ACT par 32(1) and (2), RTIA is legally entitled to receive 50% of the face value of such fine plus other administrative cost so incurred as compensation for their services in collecting and adjudication process.

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition

Government grants

Government grants are recognised as revenue when;

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

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

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

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

1.25 Investment income

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

1.26 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.27 Comparative figures

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

1.28 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.29 Fruitless and wasteful expenditure

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.29 Fruitless and wasteful expenditure (continued)

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

1.30 Irregular expenditure

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

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

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

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

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

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

1.31 Internal reserves

Capital replacement reserve (CRR)

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

Compensation for occupational injuries and diseases (COID) reserve

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.32 Conditional grants and receipts

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

1.33 Segmental information

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

1.34 Budget information

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

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

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

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

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

The Group Annual Financial Statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

2. STANDARD AND INTERPRETATIONS NOT YET EFFECTIVE

At the reporting date, the following Standards and Interpretations were in issue but not yet effective:

<u>Name</u>	<u>Effective Date</u>
GRAP 18 - Segment Reporting	Not yet effective
GRAP 20 - Related Parties	Not yet effective
GRAP 32 - Service Concession arrangements: Grantor	Not yet effective
GRAP 105 - Transfer of functions between entities under common control	01 April 2015
GRAP 106 - Transfer of functions between entities not under common control	01 April 2015
GRAP 107 - Mergers	01 April 2015
GRAP 108 - Statutory receivables	Not yet effective

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

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

3. INVENTORIES

Consumable stores	313 260	239 284	58 006	52 023
Spare parts	18 789	16 473	-	-
Water	11 682	10 749	-	-
Housing stock	1 320	61 050	1 320	61 050
Work in progress	5 987	2 004	-	-
Food and Beverage	533	539	-	-
Fuel (Diesel, Petrol)	3 062	2 558	-	-
Bin Liners	1 655	1 679	-	-
Protective clothing	1 373	1 601	-	-
	357 661	335 937	59 326	113 073
Inventories (write-downs)	(39 568)	(28 363)	-	-
	318 093	307 574	59 326	113 073
Cost of inventories expensed	276 760	185 209	78 061	14 349

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
4. LOANS TO MUNICIPAL ENTITIES				
Shareholder loans				
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 17.5% Maturity = 30 June 2016	-	-	581 814	581 814
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2016.	-	-	42 979	42 979
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 15% Maturity 30 June 2018.	-	-	181 938	242 590
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2018.	-	-	13 023	17 366
	-	-	819 754	884 749

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
4. LOANS TO MUNICIPAL ENTITIES (continued)				
Conduit loans				
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2024	-	-	880 290	-
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2015	-	-	-	70 163
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2016	-	-	89 793	171 896
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	179 401	257 752
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2018	-	-	209 794	264 399
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	-	-	233 685	277 917
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	-	-	297 860	340 399
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	-	-	221 694	246 554
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.31% Maturity = 30 June 2022	-	-	327 935	359 733
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.65% Maturity = 30 June 2023	-	-	50 982	55 179
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2016	-	-	19 707	37 725
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	2 494	3 583
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-	2 389	3 028
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.,18% Maturity = 30 June 2024	-	-	791 424	-
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2015	-	-	-	42 889
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2016	-	-	44 261	84 253
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = Jibar less 35bp Maturity = 15 May 2026	-	-	108 840	145 120
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-	225 682	286 017
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	-	-	217 786	259 009

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
4. LOANS TO MUNICIPAL ENTITIES (continued)				
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	-	-	292 102	333 818
Johannesburg Water (Pty) Ltd Terms and conditions: Jibar plus 70pb Maturity = 15 May 2026	-	-	455 763	497 196
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	-	-	222 080	246 983
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2022	-	-	278 277	305 260
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2023	-	-	608 016	656 506
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2026	-	-	121 054	-
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.15% Maturity = 30 June 2026	-	-	628	628
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.42% Maturity = 30 June 2026	-	-	2 937	2 937
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2026	-	-	5 785	5 785
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2026	-	-	19 701	19 701
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2026	-	-	30 171	30 171
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	-	-	14 379	14 379
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	-	-	7 885	7 885
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	-	-	19 983	19 983
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.78% Maturity = 30 June 2026	-	-	14 738	14 738
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.4% Maturity = 30 June 2026	-	-	15 309	15 309
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 09.31% Maturity = 30 June 2026	-	-	22 398	22 398
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 09.65% Maturity = 30 June 2026	-	-	27 265	27 265
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	-	5 301
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2017	-	-	16 318	23 316
The Johannesburg Fresh Produce (Pty) Ltd	-	-	-	1 958

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
4. LOANS TO MUNICIPAL ENTITIES (continued)				
Terms and conditions: Rate = 10.2% Maturity = 30 June 2015 The Johannesburg Fresh Produce (Pty) Ltd	-	-	-	7 198
Terms and conditions: Rate = 10.2% Maturity = 30 June 2015 The Johannesburg Fresh Produce (Pty) Ltd	-	-	8 775	16 704
Terms and conditions: Rate = 10.2% Maturity = 30 June 2016 The Johannesburg Fresh Produce (Pty) Ltd	-	-	-	7 636
Terms and conditions: Rate = 10.9% Maturity = 30 June 2018 The Johannesburg Fresh Produce (Pty) Ltd	-	-	13 413	16 999
Terms and conditions: Rate = 9% Maturity = 30 June 2019 The Johannesburg Fresh Produce (Pty) Ltd	-	-	10 485	12 570
Terms and conditions: Rate = 10.4% Maturity = 30 June 2020 The Johannesburg Fresh Produce (Pty) Ltd	-	-	10 918	12 502
Terms and conditions: Rate = 10.4% Maturity = 30 June 2021 The Johannesburg Fresh Produce (Pty) Ltd	-	-	10 660	11 879
Terms and conditions: Rate = 9.31% Maturity = 30 June 2022 The Johannesburg Fresh Produce (Pty) Ltd	-	-	22 671	24 870
Terms and conditions: Rate = 9.65% Maturity = 30 June 2023 The Johannesburg Fresh Produce (Pty) Ltd	-	-	6 889	7 456
	-	-	6 162 617	5 274 947
Less impairment of loans to Municipal Entities	-	-	(323 842)	(181 179)
	-	-	5 838 775	5 093 768
Non-current assets	-	-	5 648 642	4 997 925
Current assets	-	-	1 009 887	980 592
	-	-	6 658 529	5 978 517

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

4. LOANS TO MUNICIPAL ENTITIES (continued)

Reconciliation of provision for impairment of loans to municipal entities

Opening balance	-	-	181 179	153 915
Additional impairment - Pikitup Johannesburg (Pty) Ltd	-	-	121 054	27 264
Additional impairment - Johannesburg Metropolitan Bus Services (Pty) Ltd	-	-	21 609	-
	-	-	323 842	181 179

CJMM

Impairment of loan to Pikitup Johannesburg (Pty) Ltd

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

Additional impairment - Johannesburg Metropolitan Bus Services (Pty) Ltd

The Johannesburg Metro Bus company is technically insolvent and has liquidity challenges. The entity is in the process of putting in place a turn around strategy aimed to improve the liquidity problem in the long term. The current liquidity problem has led to the impairment of the current portion of the loan.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
5. OTHER FINANCIAL ASSETS				
At amortised cost				
Other financial assets	-	186 361	-	186 361
Housing Selling scheme loans	26 629	27 301	26 629	27 301
Other loans and receivables	65 812	76 441	65 812	76 441
	92 441	290 103	92 441	290 103
Non-current assets				
At amortised cost	92 441	103 742	92 441	103 742
Current assets				
At amortised cost	-	186 361	-	186 361
	2015 Amortised Cost	2014 Amortised Cost	2015 Amortised Cost	2014 Amortised Cost
Investment: RMB - E Maturity - 30.11.2014	-	88 703	-	88 703
Investment: RMB - R10 Maturity - 30.11.2014	-	93 371	-	93 371
Fixed Deposit - RMB Maturity - 30.11.2014	-	4 287	-	4 287
	-	186 361	-	186 361

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
6. FINANCE LEASE RECEIVABLES				
Gross investment in the lease due				
- within one year	-	-	90 945	85 308
- in second to fifth year inclusive	-	-	299 376	229 293
- later than five years	-	-	42 718	44 069
	-	-	433 039	358 670
less: Unearned finance revenue	-	-	(95 802)	(83 737)
Present value of minimum lease payments receivable	-	-	337 237	274 933
Present value of minimum lease payments receivable	-	-	337 237	274 933
Non-current assets	-	-	256 058	193 949
Current assets	-	-	81 179	80 984
	-	-	337 237	274 933

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

The unguaranteed future values of assets leased under finance lease at the end of the reporting period amount to R 94 687 (2014: R 48 111).

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
7. TRADE AND OTHER RECEIVABLES				
Loans and receivables				
Accrued VAT	219 788	125 243	219 788	125 243
Housing debtors	309 217	132 945	309 217	132 945
Insurance debtor	1 928	4 262	-	54
Operating lease receivables	592	299	-	-
Related party debtors	-	-	3 001 063	2 679 123
Sundry debtors	495 550	517 951	351 323	331 523
Trade debtors	59 045	109 989	-	-
	1 086 120	890 689	3 881 391	3 268 888
Other receivables				
Deposits	746	1 103	-	-
Fruitless and wasteful expenditure to be investigated	53 19 868	19 154	2 366	2 321
Prepayments	82 450	134 355	98 578	93 662
	103 064	154 612	100 944	95 983
Total trade and other receivables	1 189 184	1 055 008	3 982 335	3 364 871
8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS				
Fines	317 697	254 626	317 697	254 626
Government grants and subsidies	15 958	-	-	-
Other receivables from non-exchange revenue	63 661	18 788	-	-
	397 316	273 414	317 697	254 626
9. VAT				
Receivable	346 725	470 777	284 336	428 071
Payable	(352 355)	(412 997)	-	-
	(5 630)	57 780	284 336	428 071

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
10. CONSUMER DEBTORS				
Gross balances				
Rates	5 448 273	5 463 047	5 448 273	5 463 047
Electricity	2 447 886	5 138 725	-	-
Water	5 887 074	7 494 866	-	-
Refuse	1 257 743	1 184 097	-	-
Housing rental	317 720	256 607	317 720	256 607
	15 358 696	19 537 342	5 765 993	5 719 654
Less: Allowance for impairment				
Rates	(4 744 399)	(4 787 008)	(4 744 399)	(4 787 008)
Electricity	(138 108)	(3 187 795)	-	-
Water	(3 874 196)	(5 748 754)	-	-
Refuse	(1 183 124)	(957 161)	-	-
Housing rental	(304 943)	(245 499)	(304 943)	(245 499)
	(10 244 770)	(14 926 217)	(5 049 342)	(5 032 507)
Net balance				
Rates	703 874	676 039	703 874	676 039
Electricity	2 309 778	1 950 930	-	-
Water	2 012 878	1 746 112	-	-
Refuse	74 619	226 936	-	-
Housing rental	12 777	11 108	12 777	11 108
	5 113 926	4 611 125	716 651	687 147
Current Assets	5 113 926	4 611 125	716 651	649 517

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
10. CONSUMER DEBTORS (continued)				
Included in the above balances are receivables from exchange transactions				
Electricity	2 309 778	1 950 930	-	-
Water	2 012 878	1 746 112	-	-
Refuse	74 619	226 936	-	-
Housing rental	12 777	11 108	12 777	11 108
	4 410 052	3 935 086	12 777	11 108
Included in above balances are receivables from non-exchange transactions (taxes and transfers)				
Rates	703 874	676 039	703 874	676 039
Net balance	5 113 926	4 611 125	716 651	687 147
Rates				
Current (0 - 30 days)	553 499	438 988	553 499	438 988
31 - 60 days	212 575	290 671	212 575	290 671
61 - 90 days	153 938	294 971	153 938	294 971
91 - 120 days	159 992	199 942	159 992	199 942
121 - 365 days	977 432	1 234 887	977 432	1 234 887
> 365 days	3 390 837	3 003 588	3 390 837	3 003 588
	5 448 273	5 463 047	5 448 273	5 463 047
Electricity				
Current (0 - 30 days)	1 568 705	1 872 673	-	-
31 - 60 days	281 596	252 256	-	-
61 - 90 days	83 408	265 649	-	-
91 - 120 days	68 653	153 745	-	-
121 - 365 days	415 282	975 372	-	-
> 365 days	30 242	1 619 030	-	-
	2 447 886	5 138 725	-	-
Water				
Current (0 - 30 days)	1 540 323	1 222 043	-	-
31 - 60 days	318 723	321 850	-	-
61 - 90 days	285 529	279 179	-	-
91 - 120 days	249 762	220 022	-	-
121 - 365 days	1 867 916	1 685 780	-	-
> 365 days	1 624 821	3 765 992	-	-
	5 887 074	7 494 866	-	-
Refuse				
Current (0 - 30 days)	57 627	154 718	-	-
31 - 60 days	40 698	42 182	-	-
61 - 90 days	39 127	56 120	-	-
91 - 120 days	18 726	47 739	-	-
121 - 365 days	1 101 565	883 338	-	-
	1 257 743	1 184 097	-	-
Housing rental				
Current (0 - 30 days)	11 346	9 723	11 346	9 723
31 - 60 days	5 676	4 654	5 676	4 654
61 - 90 days	5 606	4 589	5 606	4 589

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
10. CONSUMER DEBTORS (continued)				
91 - 120 days	5 365	4 510	5 365	4 510
121 - 365 days	5 451	4 485	5 451	4 485
> 365 days	284 276	228 646	284 276	228 646
	317 720	256 607	317 720	256 607

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
10. CONSUMER DEBTORS (continued)				
Summary of debtors by customer classification				
Residential				
Current (0 - 30 days)	1 944 284	1 951 317	581 620	766 688
31 - 60 days	451 078	573 747	137 772	216 823
61 - 90 days	324 832	553 564	102 590	206 213
91 - 120 days	330 563	408 621	112 987	157 061
121 - 365 days	2 888 430	3 169 922	679 227	906 652
> 365 days	2 326 793	5 166 509	1 824 226	1 519 298
	8 265 980	11 823 680	3 438 422	3 772 735
Less: Allowance for impairment	(6 094 674)	(9 838 483)	(3 086 931)	(3 326 514)
	2 171 306	1 985 197	351 491	446 221

Residential - Past due and impaired

Current (0 - 30 days)	618 033	937 377	486 171	667 389
31 - 60 days	181 262	283 248	116 763	190 156
61 - 90 days	164 871	319 795	87 093	179 636
91 - 120 days	284 449	358 824	95 833	137 909
121 - 365 days	2 638 050	2 946 102	573 248	794 657
> 365 days	2 208 009	4 993 137	1 727 823	1 356 767
	6 094 674	9 838 483	3 086 931	3 326 514

Residential - Past due and not impaired

Current (0 - 30 days)	1 320 727	1 008 498	89 923	93 858
31 - 60 days	269 760	290 279	20 952	26 447
61 - 90 days	159 905	232 276	15 441	25 085
91 - 120 days	46 060	49 714	17 100	19 069
121 - 365 days	250 326	223 651	105 924	111 828
> 365 days	124 528	180 772	102 151	169 934
	2 171 306	1 985 190	351 491	446 221

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
10. CONSUMER DEBTORS (continued)				
Industrial/ commercial				
Current (0 - 30 days)	2 060 076	2 346 457	264 014	352 744
31 - 60 days	385 611	320 163	74 058	86 855
61 - 90 days	242 493	323 871	52 575	88 027
91 - 120 days	187 409	203 374	55 099	40 192
121 - 365 days	1 333 617	1 509 466	268 048	320 104
> 365 days	2 442 683	2 817 962	1 463 282	973 892
	6 651 889	7 521 293	2 177 076	1 861 814
Less: Allowance for impairment	(3 862 028)	(5 024 609)	(1 835 527)	(1 631 419)
	2 789 861	2 496 684	341 549	230 395
Industrial/ commercial - Past due and impaired				
Current (0 - 30 days)	364 911	392 858	222 594	309 092
31 - 60 days	66 339	120 317	62 439	76 106
61 - 90 days	55 333	204 150	44 327	77 134
91 - 120 days	132 954	167 217	46 455	35 218
121 - 365 days	1 029 971	1 442 619	225 995	280 492
> 365 days	2 212 520	2 697 448	1 233 717	853 377
	3 862 028	5 024 609	1 835 527	1 631 419
Industrial/ commercial - Past due and not impaired				
Current (0 - 30 days)	1 695 164	1 953 599	41 420	43 651
31 - 60 days	319 271	199 845	11 619	10 748
61 - 90 days	187 160	119 720	8 248	10 893
91 - 120 days	54 455	36 157	8 644	4 974
121 - 365 days	303 648	66 846	42 053	39 612
> 365 days	230 163	120 517	229 565	120 517
	2 789 861	2 496 684	341 549	230 395

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
10. CONSUMER DEBTORS (continued)				
National and provincial government				
Current (0 - 30 days)	103 336	76 261	8 476	-
31 - 60 days	29 923	24 679	6 421	-
61 - 90 days	12 078	29 220	4 378	-
91 - 120 days	10 473	20 057	2 729	2 961
121 - 365 days	47 027	100 196	30 150	26 992
> 365 days	237 990	198 563	98 341	55 152
	440 827	448 976	150 495	85 105
Less: Allowance for impairment	(288 068)	(308 624)	(126 885)	(74 574)
	152 759	140 352	23 610	10 531

National and provincial government - Past due and impaired

Current (0 - 30 days)	7 146	3 417	7 146	-
31 - 60 days	5 414	1 645	5 414	-
61 - 90 days	3 692	2 995	3 692	-
91 - 120 days	9 947	13 340	2 301	2 596
121 - 365 days	39 481	96 097	25 420	23 651
> 365 days	222 388	191 130	82 912	48 327
	288 068	308 624	126 885	74 574

National and provincial government - Past due and not impaired

Current (0 - 30 days)	96 190	78 633	1 330	-
31 - 60 days	24 510	28 733	1 007	-
61 - 90 days	8 386	19 787	687	-
91 - 120 days	526	1 669	428	366
121 - 365 days	7 545	4 099	4 730	3 340
> 365 days	15 602	7 431	15 428	6 825
	152 759	140 352	23 610	10 531

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
10. CONSUMER DEBTORS (continued)				
Total				
Current (0 - 30 days)	4 107 696	4 687 368	854 110	1 119 432
31 - 60 days	866 612	920 437	218 251	303 678
61 - 90 days	579 403	894 718	159 543	294 240
91 - 120 days	528 445	621 779	170 815	200 214
121 - 365 days	4 269 074	4 162 148	977 425	1 253 748
> 365 days	5 007 466	9 082 696	3 385 849	3 065 369
	15 358 696	20 369 146	5 765 993	6 236 681
Less: Allowance for impairment	(10 244 770)	(15 480 874)	(5 049 343)	(5 587 164)
	5 113 926	4 888 272	716 650	649 517
Less: Provision for debt impairment				
Current (0 - 30 days)	990 090	1 348 411	715 911	995 337
31 - 60 days	253 015	406 048	184 616	271 343
61 - 90 days	223 896	528 902	135 112	261 693
91 - 120 days	427 350	538 469	144 589	179 048
121 - 365 days	3 707 502	3 815 307	824 663	1 120 027
> 365 days	4 642 917	8 843 737	3 044 452	2 759 716
	10 244 770	15 480 874	5 049 343	5 587 164
Total debtor past due but not impaired				
Current (0 - 30 days)	3 112 081	3 338 957	132 673	118 654
31 - 60 days	613 541	514 390	33 578	32 114
61 - 90 days	355 451	365 817	24 376	31 056
91 - 120 days	101 041	83 309	26 172	21 084
121 - 365 days	561 519	346 841	152 707	133 554
> 365 days	370 293	238 958	347 144	313 055
	5 113 926	4 888 272	716 650	649 517
Reconciliation of allowance for impairment				
Balance at beginning of the year	(14 926 217)	(13 726 149)	(5 032 507)	(4 813 706)
Contributions to allowance	(3 637 172)	(2 334 022)	(960 002)	(846 777)
Debt impairment transferred to Pikitup	-	-	-	529 012
Debt impairment written off against allowance	8 318 619	1 133 954	943 167	98 964
Balance at the end of the year	(10 244 770)	(14 926 217)	(5 049 342)	(5 032 507)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
11. OTHER FINANCIAL ASSETS AT FAIR VALUE				
The investments pledged as collateral cannot be sold until the related liability is settled in full. The Terms are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.				
Sinking Fund - Maturity - 05.06.2023				
CJMM				
CJMM discloses the sinking fund on a net basis.				
Other financial assets through profit or loss				
Bond			1 194 596	866 677
Floating rate note			1 336 212	825 080
Forward rate agreement			-	136
Amortising Swap			198 893	40 942
Bond Options			54 181	-
Swaps			1 804 752	512 723
Non-Current Assets			4 588 634	2 245 558
Other financial liabilities through profit or loss				
Bond			2 704 406	-
Floating rate note			224 528	-
Forward rate agreement			5 327	-
Amortising Swap			174 607	-
Bond Options			66 927	-
Swaps			1 706 098	413 553
Non-Current Liabilities			4 881 893	413 553
Net Non-Current Assets/(Liabilities)			(293 259)	1 832 005
Bonds			348 475	2 108 113
Bond option			72 120	205 624
Bond repos			3 018 257	-
Negotiable Certificate of Deposit			309 073	-
Cash			374 618	99 263
Cash collateral			27 364	35 501
Forward Rate Agreements			17 596	15 031
Swaps			23 376	19 619
Current Assets			4 190 879	2 483 151
Other financial liabilities through profit or loss				
Bonds			1 657	205 508
Bond Repos			521	719 534
Bond Options			88 037	-
Cash - collateral			-	120 529
Forward Rate Agreements			14 095	15 294
Swaps			33 620	21 031
Current Liabilities			137 930	1 081 896

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

11. OTHER FINANCIAL ASSETS AT FAIR VALUE (continued)

Net Current Assets	-	-	4 052 949	1 401 255
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GROUP

The Sinking fund is treated as a special purpose vehicle on the Group financial statements and figures below indicate the total assets from the fund:

Financial liabilities are disclosed in note 30 all cash equivalents in the fund are included under note 12

Bonds			348 475	2 108 113
Bond option			72 120	205 624
Bond Repos			3 018 257	-
Forward Rate Agreements			17 596	15 031
Swaps			23 377	19 619
Negotiable Certificate of Deposit			309 073	-
Current Assets			3 788 898	2 348 387
Bonds			1 194 596	866 677
Floating rate note			1 336 212	825 080
Forward rate agreement			-	136
Amortising Swap			198 893	40 942
Bond Options			54 181	-
Swaps			1 804 752	512 723
Non-Current Assets			4 588 634	2 245 558

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

11. OTHER FINANCIAL ASSETS AT FAIR VALUE (continued)

Financial assets carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	3 507 130	1 619 156	3 507 130	1 619 156
Held for trading non-derivative financial assets	5 272 383	3 109 554	5 272 383	3 109 554
	8 779 513	4 728 710	8 779 513	4 728 710

Financial liabilities carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	2 313 238	449 878	2 313 238	449 878
Held for trading non-derivative financial liabilities	2 706 584	1 045 572	2 706 584	1 045 572
	5 019 822	1 495 450	5 019 822	1 495 450

Cash Collateral

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	717	803	120	128
Bank	2 002 382	621 684	905 420	443 798
Call investment deposits	3 276 806	4 704 755	3 274 448	4 700 151
	5 279 905	5 327 242	4 179 988	5 144 077

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
12. CONSUMER DEBTORS (continued)				
Call investment deposits				
Call Deposits Standard Bank Rating - (F1+)			1 406	1 334
Fixed Deposits Standard Bank Rating - (F1+)			333 800	411 500
Fixed Deposits ABSA Rating - (F1+)			508 500	951 394
Call Deposits ABSA Rating - (F1+)			481 656	42 867
Call Deposits RMB Rating - (F1+)			1 100	1 000
Fixed Deposits RMB Rating - (F1+)			700 000	973 500
Call Deposits INVESTEC Rating - (F1)			1 250	20 687
Fixed Deposits INVESTEC Rating - (F1)			83 500	717 600
Call Deposits NEDBANK Rating - (F1+)			118 447	35 606
Fixed Deposits NEDBANK Rating - (F1+)			300 000	772 000
Call Deposits CITI BANK Rating - (F1)			1 611	2 114
Fixed Deposits CITI BANK Rating - (F1)			-	308 000
Call Deposits DEUTSCHE BANK Rating - (F1)			14 000	1 000
Fixed Deposits DEUTSCHE BANK rating - F1			242 000	-
Call Deposits ETTA Rating - (None)			2 000	48 000
Call Deposits LANDBANK Rating - (F1+)			1 050	1 050
Stanlib Call Investment Rating - (F1+)			486 486	417 103
			3 276 806	4 704 755
Underwriting of COID reserve			83 500	170 002
Capital replacement reserve			479 502	765 168
			563 002	935 170

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand

13. ZOO ANIMALS

GROUP

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	26 108	(2 367)	23 741	17 177	(1 930)	15 247

Reconciliation of zoo animals - GROUP - 2015

	Opening balance	Additions	Adjustments arising from accounting for births and deaths	Disposals	Depreciation	Closing balance
Zoo animals	15 247	6 057	3 816	(645)	(734)	23 741

Reconciliation of zoo animals - GROUP - 2014

	Opening balance	Additions	Adjustments arising from accounting for births and deaths	Disposals	Other changes, movements	Depreciation	Closing balance
Zoo animals	12 124	1 840	2 919	(1 095)	4	(545)	15 247

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Company Secretary's Certification

14. INVESTMENT PROPERTY

GROUP	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 019 353	(343)	1 019 010	1 013 499	(320)	1 013 179

CJMM	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 018 542	-	1 018 542	1 012 688	-	1 012 688

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand

14. INVESTMENT PROPERTY (continued)

Reconciliation of investment property - GROUP - 2015

	Opening balance	Additions	Transfers	Depreciation	Closing balance
Investment property	1 013 179	3 596	2 258	(23)	1 019 010

Reconciliation of investment property - GROUP - 2014

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Closing balance
Investment property	1 033 471	-	(20 269)	-	-	(23)	1 013 179

Reconciliation of investment property - CJMM - 2015

	Opening balance	Additions	Transfers	Impairments	Closing balance
Investment property	1 012 688	3 596	2 258	-	1 018 542

Reconciliation of investment property - CJMM - 2014

	Opening balance	Additions	Disposals	Transfers	Impairments	Closing balance
Investment property	1 032 957	-	(20 269)	-	-	1 012 688

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

15. PROPERTY, PLANT AND EQUIPMENT

GROUP	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 279 389	-	8 279 389	7 884 423	-	7 884 423
Buildings	12 351 695	(3 712 938)	8 638 757	11 892 844	(3 300 956)	8 591 888
Plant and machinery	13 269 095	(2 593 966)	10 675 129	11 067 360	(2 193 515)	8 873 845
Furniture and fixtures	571 666	(379 664)	192 002	557 140	(351 973)	205 167
Motor vehicles	697 039	(381 254)	315 785	567 925	(284 987)	282 938
Office equipment	894 513	(578 366)	316 147	854 202	(497 558)	356 644
Computer equipment	263 448	(153 445)	110 003	206 841	(140 083)	66 758
Infrastructure	11 101 180	(3 574 479)	7 526 701	11 525 267	(3 520 736)	8 004 531
Community	1 456 434	(486 949)	969 485	1 368 656	(417 305)	951 351
Bins and containers	274 816	(197 981)	76 835	250 578	(197 253)	53 325
Work in progress	11 627 822	(4 915)	11 622 907	6 682 780	-	6 682 780
Communication equipment	22 191	(11 205)	10 986	15 971	(11 712)	4 259
Fare collection equipment	7 566	(7 059)	507	8 296	(7 521)	775
Finance lease assets	58 573	(22 185)	36 388	43 919	(19 786)	24 133
Laboratory equipment	40 884	(23 865)	17 019	36 230	(20 644)	15 586
Minor plant	122 429	(77 659)	44 770	94 086	(71 797)	22 289
Signage	5 842	(3 164)	2 678	6 033	(3 143)	2 890
Specialised vehicles	1 044 645	(329 392)	715 253	1 018 778	(304 518)	714 260
Stage equipment	14 099	(5 960)	8 139	14 102	(5 235)	8 867
Tools and loose gear	66 502	(1 648)	64 854	1 935	(1 432)	503
Wastewater network	2 166 527	(187 113)	1 979 414	1 773 149	(166 303)	1 606 846
Water network	3 799 743	(488 266)	3 311 477	3 377 515	(415 716)	2 961 799
Library books	647 625	(594 959)	52 666	626 384	(575 623)	50 761
Emergency equipment.	52 632	(15 727)	36 905	48 246	(15 024)	33 222
Other	724	(624)	100	5 013	(4 882)	131
Total	68 837 079	(13 832 783)	55 004 296	59 927 673	(12 527 702)	47 399 971

CJMM	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 197 741	-	8 197 741	7 819 746	-	7 819 746
Buildings	10 903 774	(3 091 156)	7 812 618	10 570 102	(2 714 091)	7 856 011
Plant and equipment	370 146	(205 271)	164 875	365 152	(162 773)	202 379
Furniture and fittings	475 134	(328 732)	146 402	472 733	(307 362)	165 371
Motor vehicles	381 281	(287 833)	93 448	327 331	(225 167)	102 164
Office equipment	836 619	(539 385)	297 234	798 774	(459 274)	339 500
Infrastructure	10 585 183	(3 351 499)	7 233 684	10 946 120	(3 296 409)	7 649 711
Community	1 456 434	(486 949)	969 485	1 368 656	(417 305)	951 351
Bins and containers	12 204	(7 219)	4 985	10 634	(6 530)	4 104
Work in progress	7 693 503	-	7 693 503	2 912 875	-	2 912 875
Specialised vehicles	725 861	(200 663)	525 198	719 497	(161 357)	558 140
Library books	647 625	(594 959)	52 666	626 384	(575 623)	50 761
Emergency equipment	52 632	(15 727)	36 905	48 246	(15 024)	33 222
Other	724	(624)	100	717	(586)	131
Total	42 338 861	(9 110 017)	33 228 844	36 986 967	(8 341 501)	28 645 466

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - GROUP - 2015

	Opening balance	Additions	Disposals	Transfers	Revaluations	Developer Funded network	Other changes, movements	Depreciation	Impairment loss	Closing balance
Land	7 884 423	347 061	(11 589)	59 494	-	-	-	-	-	8 279 389
Buildings	8 591 888	106 280	(101)	347 858	-	-	-	(407 168)	-	8 638 757
Plant and equipment	8 873 845	96 382	(2 696)	2 118 816	-	-	152	(411 021)	(349)	10 675 129
Furniture and fittings	205 167	29 156	(1 328)	10 914	-	-	95	(52 002)	-	192 002
Motor vehicles	282 938	95 881	(1 577)	-	-	-	-	(61 457)	-	315 785
Office equipment	356 644	92 744	(2 833)	13 211	-	-	34	(143 653)	-	316 147
Computer equipment	66 758	33 657	(1 250)	39 128	-	-	68	(28 358)	-	110 003
Infrastructure	8 004 531	145 534	(61 096)	167 011	-	-	-	(729 279)	-	7 526 701
Community	951 351	50 463	(7)	71 206	-	-	-	(103 528)	-	969 485
Bins and containers	53 325	29 430	(6)	323	-	-	-	(6 237)	-	76 835
Work in progress	6 682 780	8 517 303	-	(3 572 261)	-	-	-	-	(4 915)	11 622 907
Communication equipment	4 259	8 877	(109)	13	-	-	-	(2 054)	-	10 986
Fare collection equipment	775	-	(5)	-	-	-	-	(263)	-	507
Finance lease assets	24 133	24 774	(93)	-	-	-	-	(12 426)	-	36 388
Laboratory equipment	15 586	4 811	-	-	-	-	-	(3 378)	-	17 019
Minor plant	22 289	23 240	(7)	8 032	-	-	-	(8 784)	-	44 770
Signage	2 890	35	-	-	-	-	-	(247)	-	2 678
Specialised vehicles	714 260	115 071	(4 924)	-	(363)	-	-	(108 517)	(274)	715 253
Stage equipment	8 867	60	(12)	-	-	-	-	(776)	-	8 139
Tools and loose gear	503	64 614	(11)	(17)	-	-	15	(250)	-	64 854
Wastewater network	1 606 846	20 423	-	282 876	-	90 079	-	(20 810)	-	1 979 414
Water network	2 961 799	256 225	-	108 626	-	57 377	-	(72 550)	-	3 311 477
Library books	50 761	11 573	-	-	-	-	-	(9 668)	-	52 666
Emergency equipment	33 222	7 838	(41)	-	-	-	-	(4 114)	-	36 905
Other	131	-	(1)	-	-	-	-	(30)	-	100
	47 399 971	10 081 432	(87 686)	(344 770)	(363)	147 456	364	(2 186 570)	(5 538)	55 004 296

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - GROUP - 2014

	Opening balance	Additions	Disposals	Transfers	Developer Funded network	Depreciation	Impairment loss	Closing balance
Land	8 016 576	426 285	(581 035)	22 597	-	-	-	7 884 423
Buildings	8 819 252	124 162	(267)	109 990	-	(461 249)	-	8 591 888
Plant and machinery	8 193 577	206 420	(3 741)	797 200	-	(319 503)	(108)	8 873 845
Furniture and fixtures	165 919	30 923	(6 353)	66 638	-	(51 960)	-	205 167
Motor vehicles	209 148	122 042	(1 826)	-	-	(46 426)	-	282 938
Office equipment	199 174	160 760	(942)	105 567	-	(107 915)	-	356 644
Computer equipment	64 784	26 173	(674)	2 588	-	(26 113)	-	66 758
Infrastructure	7 652 894	308 117	(293)	677 538	-	(633 725)	-	8 004 531
Community	553 850	38 596	(60)	420 137	-	(61 172)	-	951 351
Bins and containers	45 875	13 617	-	267	-	(6 434)	-	53 325
Work in progress	3 638 903	5 354 058	(540)	(2 309 641)	-	-	-	6 682 780
Communication equipment	3 004	2 389	(12)	-	-	(1 122)	-	4 259
Fare collection equipment	1 271	-	-	-	-	(496)	-	775
Finance lease assets	13 717	22 732	(30)	-	-	(12 286)	-	24 133
Laboratory equipment	16 917	2 477	(27)	-	-	(3 781)	-	15 586
Minor plant	22 306	7 187	(51)	135	-	(7 288)	-	22 289
Signage	2 782	333	-	-	-	(225)	-	2 890
Specialised vehicles	478 309	382 991	(48 577)	-	-	(89 924)	(8 539)	714 260
Stage equipment	2 697	6 455	(10)	-	-	(275)	-	8 867
Tools and loose gear	949	14	(154)	-	-	(306)	-	503
Wastewater network	1 511 894	14 817	-	15 740	82 646	(18 251)	-	1 606 846
Water network	2 720 790	190 560	(2 359)	46 870	64 043	(58 105)	-	2 961 799
Library books	53 105	5 364	-	-	-	(7 708)	-	50 761
Emergency equipment	15 656	14 588	(239)	6 750	-	(3 533)	-	33 222
Other	184	-	-	-	-	(53)	-	131
	42 403 533	7 461 060	(647 190)	(37 624)	146 689	(1 917 850)	(8 647)	47 399 971

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - CJMM - 2015

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Depreciation	Closing balance
Land	7 819 746	347 061	-	(11 589)	42 523	-	8 197 741
Buildings	7 856 011	68 982	-	(101)	251 320	(363 594)	7 812 618
Plant and equipment	202 379	13 888	-	(1 275)	-	(50 117)	164 875
Furniture and fittings	165 371	18 219	-	(298)	7 742	(44 632)	146 402
Motor vehicles	102 164	65	-	(1 123)	-	(7 658)	93 448
Office equipment	339 500	82 061	-	(355)	13 221	(137 193)	297 234
Infrastructure	7 649 711	104 878	-	-	167 011	(687 916)	7 233 684
Community Assets	951 351	50 463	-	(7)	71 206	(103 528)	969 485
Bins and containers	4 104	1 346	-	(6)	323	(782)	4 985
Work in progress	2 912 875	5 575 769	-	-	(795 141)	-	7 693 503
Specialised vehicles	558 140	40 932	-	-	-	(73 874)	525 198
Library books	50 761	11 573	-	-	-	(9 668)	52 666
Emergency equipment	33 222	7 841	-	(41)	-	(4 117)	36 905
Other	131	-	-	(1)	-	(30)	100
	28 645 466	6 323 078	-	(14 796)	(241 795)	(1 483 109)	33 228 844

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - CJMM - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Closing balance
Land	7 951 900	426 284	(581 035)	22 597	-	7 819 746
Buildings	8 120 379	69 691	58	92 303	(426 420)	7 856 011
Plant and equipment	111 754	114 940	(152)	3 968	(28 131)	202 379
Furniture and fittings	134 753	14 802	(5 909)	66 504	(44 779)	165 371
Motor vehicles	113 236	13 531	(1 123)	-	(23 480)	102 164
Office equipment	179 675	156 991	(786)	105 544	(101 924)	339 500
Infrastructure	7 300 640	262 841	(293)	677 538	(591 015)	7 649 711
Community Assets	553 850	38 596	(60)	420 137	(61 172)	951 351
Bins and containers	4 853	20	-	267	(1 036)	4 104
Work in progress	1 758 751	2 572 387	-	(1 418 263)	-	2 912 875
Specialised vehicles	320 733	326 286	(42 708)	-	(46 171)	558 140
Library books	53 105	5 364	-	-	(7 708)	50 761
Emergency equipment	15 656	14 588	(239)	6 750	(3 533)	33 222
Other	185	-	-	-	(54)	131
	26 619 470	4 016 321	(632 247)	(22 655)	(1 335 423)	28 645 466

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

GROUP	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Office equipment	83 851	(32 360)	51 491	61 433	(25 904)	35 529
Office equipment	24 448	(12 292)	12 156	20 336	(14 193)	6 143
Leasehold property	1 649	(593)	1 056	543	(477)	66
Leasehold improvement	8 692	(4 382)	4 310	8 671	(3 764)	4 907
BRT Busses	355 021	(242 006)	113 015	355 021	(131 191)	223 830
Red Fleet	337 956	(160 776)	177 180	299 624	(219 482)	80 142
Total	811 617	(452 409)	359 208	745 628	(395 011)	350 617

CJMM	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Office equipment	63 114	(21 057)	42 057	40 696	(21 156)	19 540
Red fleet- Specialized Vehicles	337 956	(242 006)	95 950	299 624	(219 482)	80 142
BRT Busses- Specialized Vehicles	355 021	(160 776)	194 245	355 021	(131 191)	223 830
Total	756 091	(423 839)	332 252	695 341	(371 829)	323 512

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP			CJMM		
	2015	2014		2015	2014	
16. INTANGIBLE ASSETS						
GROUP	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	235 867	(49 150)	186 717	235 867	(43 417)	192 450
Servitudes	1 727	-	1 727	1 727	-	1 727
Licenses and franchises	285	(190)	95	285	(190)	95
Computer software, internally generated	13 946	(982)	12 964	14 231	(5 209)	9 022
Computer software	2 045 959	(1 379 780)	666 179	1 649 533	(1 230 759)	418 774
Intangible assets under development	15 231	-	15 231	-	-	-
Total	2 313 015	(1 430 102)	882 913	1 901 643	(1 279 575)	622 068
CJMM	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 719 133	(1 218 220)	500 913	1 396 272	(1 065 241)	331 031

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand

16. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - GROUP - 2015

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment reversal	Closing balance
Additional capacity rights	192 450	-	-	-	(5 733)	-	186 717
Servitudes	1 727	-	-	-	-	-	1 727
Licenses and franchises	95	285	-	-	(285)	-	95
Computer software, internally generated	9 022	-	-	-	(130)	4 072	12 964
Computer software	418 774	128 074	(1 445)	340 728	(219 952)	-	666 179
Intangible assets under development	-	15 231	-	-	-	-	15 231
	622 068	143 590	(1 445)	340 728	(226 100)	4 072	882 913

Reconciliation of intangible assets - GROUP - 2014

	Opening balance	Additions	Disposals	Transfers	Amortisation	Closing balance
Additional capacity rights	198 182	1 685	-	-	(7 417)	192 450
Servitudes	1 727	-	-	-	-	1 727
Licenses and franchises	-	285	-	-	(190)	95
Computer software, internally generated	9 230	-	-	-	(208)	9 022
Computer software	282 374	288 997	(705)	37 530	(189 422)	418 774
	491 513	290 967	(705)	37 530	(197 237)	622 068

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand

16. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - CJMM - 2015

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Closing balance
Computer software	331 031	116 961	-	237 752	(184 831)	-	500 913

Reconciliation of intangible assets - CJMM - 2014

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Closing balance
Computer software	197 117	263 327	-	22 558	(151 971)	-	331 031

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

17. HERITAGE ASSETS

GROUP	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	527 593	-	527 593	522 612	-	522 612
Historical monuments	14 457	-	14 457	14 457	-	14 457
Historical buildings	41 104	-	41 104	41 104	-	41 104
Total	583 154	-	583 154	578 173	-	578 173

CJMM	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	526 000	-	526 000	521 019	-	521 019
Historical monuments	14 457	-	14 457	14 457	-	14 457
Historical buildings	41 104	-	41 104	41 104	-	41 104
Total	581 561	-	581 561	576 580	-	576 580

Reconciliation of heritage assets - GROUP - 2015

	Opening balance	Additions	Transfers	Closing balance
Art collections, antiques and exhibits	522 612	3 195	1 786	527 593
Historical monuments	14 457	-	-	14 457
Historical buildings	41 104	-	-	41 104
	578 173	3 195	1 786	583 154

Reconciliation of heritage assets - GROUP - 2014

	Opening balance	Additions	Disposals	Transfers	Closing balance
Art collections, antiques and exhibits	522 347	402	(234)	97	522 612
Historical monuments	14 457	-	-	-	14 457
Historical buildings	19 625	21 479	-	-	41 104
	556 429	21 881	(234)	97	578 173

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

17. HERITAGE ASSETS (continued)

Reconciliation of heritage assets - CJMM - 2015

	Opening balance	Additions	Transfers	Closing balance
Art collections, antiques and exhibits	521 019	3 195	1 786	526 000
Historical monuments	14 457	-	-	14 457
Historical buildings	41 104	-	-	41 104
	576 580	3 195	1 786	581 561

Reconciliation of heritage assets - CJMM - 2014

	Opening balance	Additions	Disposals	Transfers	Closing balance
Art collections, antiques and exhibits	520 754	402	(234)	97	521 019
Historical monuments	14 457	-	-	-	14 457
Historical buildings	19 625	21 479	-	-	41 104
	554 836	21 881	(234)	97	576 580

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

18. INVESTMENTS IN MUNICIPAL OWNED ENTITIES

Gross investment	% holding	% holding	Carrying	Carrying
	2015	2014	amount 2015	amount 2014
City of Johannesburg Property Company (Pty) Ltd	100 %	100 %	103 113	103 113
City Power Johannesburg (Pty) Ltd	100 %	100 %	112 466	112 466
Johannesburg City Parks	100 %	100 %	29 958	29 958
Johannesburg Development Agency (Pty) Ltd	100 %	100 %	16 278	16 278
Johannesburg Metropolitan Bus Services (Pty) Ltd	100 %	100 %	54 774	54 774
Johannesburg Roads Agency (Pty) Ltd	100 %	100 %	181 445	123 840
Pikitup Johannesburg (Pty) Ltd	100 %	100 %	31 315	31 315
Johannesburg Civic Theatre	100 %	100 %	1 784	1 784
The Johannesburg Fresh Produce Market (Pty) Ltd	100 %	100 %	20 000	20 000
			551 133	493 528

Impairments

	Carrying	Carrying
	amount 2015	amount 2014
Johannesburg Metropolitan Bus Services (Pty) Ltd	(54 774)	(54 774)
Pikitup Johannesburg (Pty) Ltd	(31 315)	(31 315)
	(86 089)	(86 089)

Net investment

	Carrying	Carrying
	amount 2015	amount 2014
City of Johannesburg Property Company (Pty) Ltd	103 115	103 115
City Power Johannesburg (Pty) Ltd	112 466	112 466
Johannesburg City Parks	29 958	29 958
Johannesburg Development Agency (Pty) Ltd	16 278	16 278
Johannesburg Roads Agency (Pty) Ltd	181 445	123 840
The Johannesburg Civic Theatre (Pty) Ltd	1 784	1 784
The Johannesburg Fresh Produce Market (Pty) Ltd	20 000	20 000
	465 046	407 441

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

Johannesburg Social Housing Company (Pty) Ltd - R120.00
 Johannesburg Water (Pty) Ltd - R 200.

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

19. INVESTMENT IN JOINT VENTURE

Name of company	Listed / Unlisted	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
Golden Triangle Development Company (Pty) Ltd		- %	50,00 %	25 025	18 389
Joshco Madulamoho Joint Venture (JMJV)		- %	55,00 %	24 801	25 431
				<u>49 826</u>	<u>43 820</u>

Principal activities and reporting dates of Joint Ventures

Name of entity	Principal activity	Reporting date	Period of results included
Golden Triangle Development Company (Pty) Ltd	50%	2015/06/30	01/07/2014 - 30/06/2015
Joshco Madulamoho Joint Venture (JMJV)	55%	2015/06/30	01/07/2014 - 30/06/2015

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

Restrictions on a Joint Venture to distribute its reserves

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

20. INVESTMENTS IN ASSOCIATE

Name of entity	% holding 2015	% holding 2014	2014	2013
Friedshelf 128 (Pty) Ltd	50,00 %	50,00 %	20 046	18 108

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

Movements in carrying value

Opening balance			18 108	15 847
Share of surplus			1 938	2 261
			20 046	18 108

Principal activities, country of incorporation and voting power

The company is incorporated in South Africa and operating in the property industry.

Summary of controlled entity's interest in associate

Total assets			44 922	41 406
Total liabilities			(6 220)	(6 872)
Revenue			6 014	5 561
Surplus (deficit)			4 167	4 193

Associates with different reporting dates

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

21. DEFERRED TAX

Deferred tax liability

Property, Plant and Equipment	(2 051 354)	(1 680 084)	-	-
Trade and other receivables	(1 291)	655	-	-
Prepaid expenditure	(37 005)	(36 701)	-	-
Other deferred tax liability	(22 474)	(16 299)	-	-
Total deferred tax liability	(2 112 124)	(1 732 429)	-	-

Deferred tax asset

Provisions	14 700	5 742	-	-
Other deferred tax asset	59 092	91 978	-	-
Assessed losses	332 063	184 111	-	-
Total deferred tax asset	405 855	281 831	-	-

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(2 112 124)	(1 732 429)	-	-
Deferred tax asset	405 855	281 831	-	-
Total net deferred tax liability	(1 706 269)	(1 450 598)	-	-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

22. FINANCIAL ASSETS BY CATEGORY

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

GROUP - 2015

	Cost	At fair value	At amortised cost	Total
Current Assets				
Other financial assets	-	3 788 897	-	3 788 897
Trade and other receivables	1 189 184	-	-	1 189 184
Receivables from non-exchange	397 316	-	-	397 316
Consumer debtors	5 113 926	-	-	5 113 926
Call investment deposits	3 276 806	-	-	3 276 806
Bank balances and cash	2 003 099	-	-	2 003 099
Non-Current Assets				
Other financial assets	92 441	4 588 634	-	4 681 075
	12 072 772	8 377 531	-	20 450 303

GROUP - 2014

	Cost	At fair value	At amortised cost	Total
Current Assets				
Other financial assets	-	2 348 387	186 361	2 534 748
Trade and other receivables	1 055 008	-	-	1 055 008
Receivables from non-exchange	273 414	-	-	273 414
Consumer debtors	4 611 125	-	-	4 611 125
Call investment deposits	4 704 755	-	-	4 704 755
Bank balances and cash	622 487	-	-	622 487
Non-Current Assets				
Other financial assets	103 742	2 245 539	-	2 349 281
	11 370 531	4 593 926	186 361	16 150 818

CJMM - 2015

	Loans and receivables	At fair value	Total
Current Assets			
Loans to Municipal Entities	1 009 887	-	1 009 887
Other financial assets	-	4 052 950	4 052 950
Trade and other receivables	3 881 391	-	3 881 391
Receivables from non-exchange	317 697	-	317 697
Consumer debtors	716 651	-	716 651
Call investment deposits	3 274 448	-	3 274 448
Bank balances and cash	905 540	-	905 540
Non-Current Assets			
Loans to Municipal Entities	5 648 642	-	5 648 642
Other financial assets	65 812	-	65 812
	15 820 068	4 052 950	19 873 018

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Cost	At fair value	At amortised cost	Total
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City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
22. FINANCIAL ASSETS BY CATEGORY (continued)				
Current Assets				
Loans to Municipal Entities	980 592	-	-	980 592
Other financial assets	-	1 401 255	186 361	1 587 616
Trade and other receivables	3 268 888	-	-	3 268 888
Receivables from non-exchange	254 626	-	-	254 626
Consumer debtors	687 147	-	-	687 147
Bank balances and cash	443 926	-	-	443 926
Non-Current Assets				
Loans to Municipal Entities	4 997 925	-	-	4 997 925
Other financial assets	103 742	1 832 005	-	1 935 747
	10 736 846	3 233 260	186 361	14 156 467

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
23. LOANS AND BORROWINGS				
Non Current portion of loans and borrowings - At amortised cost				
Structured loans *	29 942	43 276	29 942	43 276
Development Bank South Africa	2 916 186	1 269 175	2 899 533	1 251 844
Listed bonds	6 475 667	7 709 000	6 475 667	7 709 000
Other loans and borrowings	4 717 169	3 415 353	4 717 169	3 415 353
	14 138 964	12 436 804	14 122 311	12 419 473
Current portion of loans and borrowings - At amortised cost				
Structured loans *	13 333	219 066	13 333	219 066
Development Bank South Africa	73 550	75 230	72 871	74 602
Listed bonds	1 233 333	333 333	1 233 333	333 333
Other loans and borrowings	253 881	343 550	253 881	343 550
	1 574 097	971 179	1 573 418	970 551
	15 713 061	13 407 983	15 695 729	13 390 024

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
24. FINANCE LEASE OBLIGATION				
Minimum lease payments due				
- within one year	143 243	115 497	126 871	104 110
- in second to fifth year	234 425	244 864	224 430	232 347
- later than five years	78 090	129 801	78 095	128 191
	455 758	490 162	429 396	464 648
less: future finance charges	(90 400)	(121 420)	(88 667)	(120 589)
Present value of minimum lease payments	365 358	368 742	340 729	344 059
Present value of minimum lease payments due				
- within one year	117 934	87 253	102 830	76 193
- in second to fifth year inclusive	175 567	163 109	166 036	151 082
- later than five years	71 861	118 380	71 863	116 784
	365 362	368 742	340 729	344 059
Non-current liabilities	247 316	281 489	237 899	267 866
Current liabilities	118 042	87 253	102 830	76 193
	365 358	368 742	340 729	344 059

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

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

Office Equipment

Johannesburg Water: Interest on finance leases are calculated at variable rates of interest, ranging between 7.35% and 8.5% per annum, and repayments on the lease arrangements are made quarterly. The lease terms are over a period of three years.

Joburg Theatre: This is a 3 year lease agreement with Pilot Software Pty Ltd for point of sales hardware. The entity had one finance lease during the current financial year. The effective interest rate on the lease was 13% in 2015.

Johannesburg City Parks: The average lease term is 4 years and the average effective borrowing rate is 10% (2014: 10%). Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. No restrictions other than for transfer or disposal of leased property have been imposed by the lessor.

Johannesburg Property Company: These assets are leased over a period of 2 to 5 years at a prime rate of 9.5%, and are secured by the assets financed.

Johannesburg Metropolitan Bus Company: The average lease term was 3 years and the average effective borrowing rate was 17% (2014: 17%). All leases have fixed repayments.

Johannesburg Development Agency: The JDA has leased 25 photocopier machines from Motswako Office Solutions (Pty) Ltd for a period of 3 years and 3 photocopiers for a period of 17 months. The lease agreement provides for monthly payments of R33,046 in advance and no residual value. The lease period ended 28 February 2015. The effective interest rate on the lease was 19.25% in 2015 and 2014.

Johannesburg Social Housing Company: The average lease term ranges between 3 years and 5 years. Interest rates are linked to prime. All leases have fixed repayments and no arrangements have been entered into for contingent rent on the leased asset.

Johannesburg Fresh Produce Market: The average lease term was 3-5 years and the average effective borrowing rate was 11% (2014: 13%). Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

24. FINANCE LEASE OBLIGATION (continued)

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

City of Johannesburg Metropolitan Municipality(CJMM): The lease relates to Office Equipment with lease terms of three years each. There are no renewal or purchase options imposed by the lease agreements. The average interest rate on the leases was 13% in 2015 (7% in 2014).

Other finance leases included under CJMM are:

Red Fleet

The lease relates to Emergency Service Vehicles with an average lease term of 10 years (excluding extensions). The lease is set to expire in August 2015. The average interest rate on the leases was 15.44% in 2015 (15.43% in 2014).

Bus Operating Company

The lease relates to BRT vehicles with a lease term of 12 years. The effective interest rate on the lease was 9.7% in 2015.

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
25. TRADE AND OTHER PAYABLES				
Financial liabilities				
Accrued interest	124 878	120 919	124 878	120 919
Credit balances in consumer debtors	1 686 721	1 626 671	981 350	916 162
Engineering fees	95 538	92 357	95 538	92 357
Other creditors	1 220 978	1 334 544	626 556	787 511
Related party creditor	-	-	6 312 823	6 581 810
Retentions	235 059	220 666	67 347	73 410
Trade payables	7 844 167	5 522 910	3 072 146	1 414 379
	11 207 341	8 918 067	11 280 638	9 986 548
Other liabilities				
Accrued bonus	191 324	200 982	12 384	24 085
Accrued leave pay	538 482	516 608	269 831	255 336
Accrued staff 13th cheques	13 295	11 881	-	-
Operating lease payables	23 230	28 401	4 967	8 408
Payments received in advance	450 527	648 962	15 609	14 451
	1 216 858	1 406 834	302 791	302 280
	12 424 199	10 324 901	11 583 429	10 288 828

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
26. OBLIGATIONS ARISING FROM CONDITIONAL GRANTS AND RECEIPTS				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Provincial grants : Capital projects	172 643	151 796	167 788	151 796
Provincial grants : Top Structure of houses	108	209 827	108	209 827
Provincial grants : Operating projects	9 983	8 296	9 983	8 296
2010 Public transport (SPTN)	265 633	398 840	265 633	398 840
Neighbourhood development partnership grant	19 158	9 849	19 158	9 849
Expanded Public Works Programme (EPWP)	6 382	19 033	6 382	19 033
Provincial grant : Jozi Ihlomihle (HIV/Aids)	696	696	696	696
Public Transport Network Grant	3 502	12 252	3 502	12 252
Social housing grant	74 680	71 996	-	-
Unspent public contributions and donations	5 890	27 028	2 059	3 792
	558 675	909 613	475 309	814 381
Non-current liabilities	41 206	39 440	-	-
Current liabilities	517 469	870 173	475 309	814 381
	558 675	909 613	475 309	814 381

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

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

See note 37 for reconciliation of grants from National/Provincial Government.

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

27. PROVISIONS

Reconciliation of provisions - GROUP - 2015

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Legal proceedings: SCM legacy litigation	29 350	-	(250)	-	29 100
Provision for consultation fees	18 500	-	(18 500)	-	-
Provision for Damages claim	23 737	-	(23 737)	-	-
Provision for Cleaning Services	20 000	-	-	-	20 000
Environmental rehabilitation: Closed landfill site	1 800	-	(1 800)	-	-
Environmental rehabilitation: Open landfill sites	144 460	-	(1 195)	8 078	151 343
Other Provisions	425 226	-	(61 096)	23 747	387 877
	96 923	-	(353)	3 903	100 473
	759 996	-	(106 931)	35 728	688 793

Reconciliation of provisions - GROUP - 2014

	Opening Balance	Additions	Reversals/ Settlement during the year	Change in discount factor	Total
Legal proceedings: SCM legacy litigation	-	29 350	-	-	29 350
Provision for consultation fees	-	18 500	-	-	18 500
Provision for Damages claim	-	23 737	-	-	23 737
Provision for Cleaning Services	20 000	-	-	-	20 000
Escalation on contracts	-	1 800	-	-	1 800
Environmental rehabilitation: Closed landfill site	63	-	(63)	-	-
Environmental rehabilitation: Open landfill sites	142 229	-	(5 016)	7 247	144 460
Other Provisions	386 661	18 865	-	19 700	425 226
	72 405	20 839	-	3 679	96 923
	621 358	113 091	(5 079)	30 626	759 996

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

27. PROVISIONS (continued)

Reconciliation of provisions - CJMM - 2015

	Opening Balance	Additions	Utilised/written back during the year	Total
Provision for consultation fees	23 737	-	(23 737)	-
Provision for Damages claim	20 000	-	-	20 000
Provision for Cleaning Services	1 800	-	(1 800)	-
Other Provisions	76 084	-	-	79 987
	121 621	-	(25 537)	99 987

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised/written back during the year	Settlement	Total
Provision for consultation fees	-	23 737	-	-	23 737
Provision for Damages Claim	20 000	-	-	-	20 000
Provision for Cleaning Services	-	1 800	-	-	1 800
Other Provisions	72 405	-	-	3 679	76 084
	92 405	25 537	-	3 679	121 621

Non-current liabilities	659 630	665 770	99 987	96 084
Current liabilities	29 163	94 226	-	25 537
	688 793	759 996	99 987	121 621

Legal proceedings: SCM

Johannesburg Roads Agency SOC Limited

The legal claims provision relates to the litigation in progress that is likely to be paid by Johannesburg Road Agency based on the previous legal actions taken against the entity. The Legal claims emanates from supply chain related matters which occurred in the past and the employment related matters from former and current employees against JRA.

Legacy

Joburg Market SOC Limited

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

Provision for Cleaning Services

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

The liability was settled in full.

Provision for Damages Claim

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

Management has estimated the provision, however there is uncertainty as to when the liability will be settled..

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

27. PROVISIONS (continued)

Provision for Consultation fees

This claim is by a firm of consulting engineers for work done on the construction of the 2010 Soccer World Cup Stadium.

The liability was settled in full.

Environmental rehabilitation: landfill sites(closed and Open)

On an annual basis, management has to determine an accurate estimate of the environmental obligation to rehabilitate the various landfill sites upon closure. During this process management placed reliance upon the final Landfill Airspace Estimation Report as compiled by an independent consulting engineer for the technical data utilised in the provision and lifespan estimates.

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

The final side slopes for each landfills are 1:3;

The cover to waste ratio is 1:5 for each site;

The growth rates for each site are based on zero growth;

The final landfill footprint extends over the entire landfill property size (excluding infrastructure and a 20m buffer zone between the site boundary and the toe of the landfill; and

The density of the waste is calculated using both the survey and weighbridge data.

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

Management has estimated the provision, however there is uncertainty as to when the liability will be settled.

Other Provisions

CJMM

Provision for Soweto pension fund

The provision is for the settlement of the Soweto Pension Fund which was approved by the Mayoral Committee on the 2nd of December 2010.

The Settlement amount should have been paid in cash on or before 30 June 2011, as a result the interest at the rate of 65% of the prime interest has been calculated.

Management has estimated a provision amount, however there is still uncertainty as to when the liability will be settled.

Pikitup Johannesburg SOC Limited

Provision for employee settlements

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

28. EMPLOYEE BENEFIT OBLIGATIONS

28.1 Post-retirement liabilities

Post-Retirement Medical Aid Plan	(1 320 453)	(1 339 856)	(1 382 494)	(1 375 982)
Post-Retirement Housing Subsidy Plan	(4 450)	(1 913)	(238)	(351)
Retirement Gratuity Plan	(439 552)	(500 610)	(433 679)	(466 728)
	(1 764 455)	(1 842 379)	(1 816 411)	(1 843 061)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

28. EMPLOYEE BENEFIT OBLIGATIONS (continued)

28.1.1 Unfunded post retirement medical aid plan

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

Amounts recognised in the Statement of financial position

Present value of unfunded obligation	1 320 453	1 339 856	1 240 425	1 241 051
In respect of notional accounts for employees of ME's	-	-	142 069	134 931
	1 320 453	1 339 856	1 382 494	1 375 982

Movements for the year

Opening balance	1 339 856	1 345 424	1 241 051	1 247 105
Benefits paid	(101 901)	(101 179)	(99 177)	(99 200)
Net expense recognised in the statement of financial performance	82 498	95 611	98 551	93 146
	1 320 453	1 339 856	1 240 425	1 241 051

Net expense recognised in the Statement of financial performance

Current service cost	4 680	5 220	2 924	3 027
Interest cost	114 859	101 984	106 157	94 296
Actuarial gains	(37 041)	(11 593)	(10 530)	(4 177)
	82 498	95 611	98 551	93 146

Notional loan account

Opening balance	-	-	134 931	128 146
Interest received	-	-	8 061	6 785
Payments against account	-	-	(923)	-
Balance at end of year	-	-	142 069	134 931

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	- %	7,89 %	- %	7,89 %
Expected increase in salaries	- %	6,67 %	- %	6,67 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

28. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Other assumptions.

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

Sensitivity analysis

Discount Rate

	-1%	0%	1%
Liability	1 446 789	1 319 229	1 210 499
Percentage change	-9,67%	0%	-8,24%

Benefit inflation

	-1%	0%	1%
Liability	1 210 033	1 320 453	1 447 740
Percentage change	-8,36%	0	9,64%

28.1.2 Unfunded post retirement housing subsidy plan

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

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

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	4 450	1 913	238	351
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Movements for the year

Opening balance	1 913	2 124	351	459
Benefits paid	(81)	(120)	(77)	(117)
Net expense recognised in the statement of financial performance	2 618	(91)	(36)	9
	4 450	1 913	238	351

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
28. EMPLOYEE BENEFIT OBLIGATIONS (continued)				
Net expense recognised in the Statement of financial performance				
Current service cost	67	54	-	-
Interest cost	142	157	18	24
Actuarial gains	2 409	(302)	(54)	(15)
	2 618	(91)	(36)	9

Key assumptions used

Assumptions used for the valuation .

Discount rates used	8,42 %	8,94 %	8,42 %	8,94 %
Expected increase in salaries	7,11 %	8,05 %	7,11 %	8,05 %

Sensitivity analysis

Discount rate

	-1%	0%	1%
Liability	4 957	4 450	4 010
Percentage change	11,4%	0	-9,89%

Benefit inflation

	-1%	0%	1%
Liability	4286	4450	4621
Percentage change	-3,68%	0	3,86%

28.1.3 Unfunded post retirement gratuity plan

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

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

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	439 552	500 610	163 947	190 546
In respect of notional accounts for employees of ME's	-	-	269 732	276 182
	439 552	500 610	433 679	466 728

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

28. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Movements for the year

Opening balance	500 610	518 241	190 546	198 117
Benefits paid	(38 454)	(50 663)	(15 807)	(18 484)
Net expense recognised in the statement of financial performance	(22 604)	33 032	(10 792)	10 913
	439 552	500 610	163 947	190 546

Net expense recognised in the Statement of financial performance

Interest cost	42 605	39 225	16 206	14 884
Actuarial (gains) losses	(65 209)	(6 193)	(26 998)	(3 971)
	(22 604)	33 032	(10 792)	10 913

Notional loan account

Opening balance	-	-	276 182	290 080
Interest received	-	-	16 199	15 340
Benefits payments	-	-	(22 648)	(29 238)
Balance at end of year	-	-	269 733	276 182

Key assumptions used

Assumptions used on last valuation on .

The principal actuarial assumptions used were as follows:

Discount rates used	8,42 %	8,94 %	8,42 %	8,94 %
Expected increase in salaries	7,11 %	8,05 %	7,11 %	8,05 %

Sensitivity analysis

Discount rate

	-1%	0%	1%
Liability	471 472	439 552	411 044
Percentage change	7,26%	0	-6,49%

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

28. EMPLOYEE BENEFIT OBLIGATIONS (continued)

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

City of Johannesburg Pension Fund			42 576	46 833
eJoburg Retirement Fund			156 340	171 178
Municipal Councillors Pension Fund			10 467	10 017
National Fund for Municipal Workers			108	102
Municipal Employees Gratuity Fund			10 124	1 163
			219 615	229 293

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

Joint Municipal Pension Fund			1 107	1 114
Municipal Employees Pension Fund			4 021	4 339
			5 128	5 453

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
29. DEFERRED INCOME				
Bond tap				
Balance unspent at beginning of year	48 879	51 804	48 879	51 804
Conditions met - transferred to revenue	(3 242)	(2 925)	(3 242)	(2 925)
Conditions still to be met - transferred to liabilities	45 637	48 879	45 637	48 879
<p>The Bond tap is a Bond issued into the life of an existing Bond. The Tap was issued at a premium on the prevailing interest rate at the time of the Tap. The premium is amortised over the maturity of the Bond and released to interest income on an annual basis.</p> <p>The Tap was issued on 09 December 2008, due to mature on 05 June 2023. The Tap was issued at a premium of R58,038,692, at an interest rate of 12.21% per annum. The notional amount was R468,000,000 and the issue price was R526,038,692.</p>				
Passenger trips received in advance				
Balance unspent at beginning of year	4 545	4 106	-	-
Current year receipts	-	439	-	-
Conditions met - transferred to revenue	(280)	-	-	-
Conditions still to be met - transferred to liabilities	4 265	4 545	-	-
<p>Deferred income refers to the liability relating to passenger trips sold in advance through the Smartcards Multi-Journey Software. The deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket accordingly.</p>				
Commission received				
Balance unspent at beginning of year	11 066	17 430	-	-
Conditions met - transferred to revenue	(6 364)	(6 364)	-	-
Conditions still to be met - transferred to liabilities	4 702	11 066	-	-
Additional text				
Total deferred income	54 604	64 490	45 637	48 879

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

30. FINANCIAL LIABILITIES AT FAIR VALUE

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for an 11.66% fixed interest rate.

Swap Details

Trade Date :	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1,000(million)
Fixed Rate:	11.66%
Payable:	Semi- annual

Heading

Sinking Fund	-	-	1	-
Opening balance	54 113	76 629	54 113	76 629
Swap fair value changes	(8 896)	(22 516)	(8 896)	(22 516)
SWAP closing balance	45 217	54 113	45 217	54 113
Bonds	2 706 063	205 508	-	-
Bonds Options	154 964	-	-	-
Bonds repo	521	719 534	-	-
Floating rate note	224 528	-	-	-
Forward rate agreement	19 422	15 294	-	-
Amortising Swap	174 607	-	-	-
Swaps	1 739 718	434 584	-	-
Net liability sinking fund	-	-	293 258	-
	5 065 040	1 429 033	338 475	54 113
Sinking fund (Refer to note 11)	-	-	-	-
Current liability	144 785	969 183	6 856	7 816
Non-Current liability	4 920 253	459 830	331 619	46 297
	5 065 038	1 429 013	338 475	54 113

31. CONSUMER DEPOSITS

Non Current portion of Consumer deposits

Electricity and water deposits	693 877	473 190	-	-
Other deposits	28 801	33 672	17 288	25 320
	722 678	506 862	17 288	25 320

Other deposits relate largely to deposits held in the JPC Portfolio Account (R 13 954 192). The other balance relates to deposits held by Community Development and the Housing Department. All consumer deposits are non-current in nature.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

32. FINANCIAL LIABILITIES BY CATEGORY

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

GROUP - 2015

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	1 574 097	1 574 097
Finance lease obligations	118 042	118 042
Deferred income	8 966	8 966
Trade and other payables	11 207 341	11 207 341
Non-Current Liabilities		
Loans and borrowings	-	-
Finance lease obligations	14 138 964	14 138 964
Deferred income	247 316	247 316
Consumer deposits	45 637	45 637
	722 678	722 678
	28 063 041	28 063 041

GROUP - 2014

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	971 179	971 179
Finance lease obligations	87 253	87 253
Deferred income	10 909	10 909
Trade and other payables	8 918 067	8 918 067
Non-Current Liabilities		
Loans and borrowings	-	-
Finance lease obligations	12 436 804	12 436 804
Deferred income	281 489	281 489
Consumer deposits	53 581	53 581
	506 862	506 862
	23 266 144	23 266 144

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

32. FINANCIAL LIABILITIES BY CATEGORY (continued)

CJMM - 2015

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	1 573 418	1 573 418
Finance lease obligations	102 830	102 830
Trade and other payables	11 280 638	11 280 638
Non-Current Liabilities		
Loans and borrowings	14 122 311	14 122 311
Finance lease obligations	237 899	237 899
Deferred income	45 637	45 637
Consumer deposits	17 288	17 288
	27 380 021	27 380 021

-

	Financial liabilities at amortised cost	Total
Current Liabilities		
Loans and borrowings	970 551	970 551
Finance lease obligations	76 193	76 193
Trade and other payables	9 986 548	9 986 548
Non-Current Liabilities		
Loans and borrowings	12 419 473	12 419 473
Finance lease obligations	267 866	267 866
Consumer deposits	25 320	25 320
	23 745 951	23 745 951

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
33. OTHER REVENUE				
Advertising	1 021	50 829	-	-
Brokerage revenue	-	921	-	921
Bulk contributions received	88 167	66 482	-	-
Commissions received	311 913	325 558	-	-
Cut-off fees	2 928	10 541	-	-
Demand site management levy	66 240	65 461	-	-
Developer funded asset income	200 335	187 410	-	-
Gautrain maintenance fees	5 788	5 746	-	-
Internal recoveries - ME's	-	-	415 551	374 766
Recovery of insurance	2 848	8 878	1 526	5 652
Recovery of legal costs	1 327	1 529	1 327	1 529
Sundry revenue	779 448	576 226	406 049	254 073
Training revenue	17 245	29 056	16 944	29 056
	1 477 260	1 328 637	841 397	665 997

34. REVERSAL OF IMPAIRMENT

Investment in Municipal entities	-	-	-	190 927
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The reversal of impairment relates to investments in Johannesburg Roads Agency, Metro Trading Company, Johannesburg Zoo and Roodepoort theatre which were technically insolvent. These ME's have subsequently been merged with other Municipal entities.

The previous impairment of Johannesburg road agency was reversed

35. SERVICE CHARGES

Other service charges	510 423	423 324	195 673	148 942
Refuse removal	1 118 297	1 127 620	-	-
Sale of electricity	13 237 167	12 232 413	-	-
Sale of water	4 609 642	4 111 742	-	-
Sewerage and sanitation charges	2 613 012	2 248 403	-	-
Surcharges : Electricity	134 686	116 919	134 686	127 531
Surcharges : Refuse	3 844	3 620	3 844	3 620
Surcharges : Water	46 637	35 162	46 637	35 162
	22 273 708	20 299 203	380 840	315 255

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
36. PROPERTY RATES				
Rates received				
Residential	2 628 897	2 485 990	2 628 897	2 485 990
Commercial	4 771 673	4 558 766	4 832 191	4 663 782
State	161 712	171 182	161 712	171 182
	7 562 282	7 215 938	7 622 800	7 320 954
Valuations				
Property rate valuation	919 592 501	912 838 178	919 592 501	912 838 178

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
37. GOVERNMENT GRANTS AND SUBSIDIES				
Provincial grants : Capital projects	232 149	259 816	137 123	174 500
Urban settlements development grant	1 685 810	1 511 649	1 685 810	1 511 649
Financial management grant	1 250	1 250	1 250	1 250
Provincial grants : Top structure of houses	328 077	207 950	328 077	207 950
Provincial grants : Operating projects	10 905	9 419	10 905	9 419
2010 Public transport (SPTN)	661 758	793 100	661 758	793 100
Neighbourhood development partnership grant	79 800	34 652	79 800	34 652
World Anti-Doping Agency (WADA)	-	10 000	-	10 000
Expanded Public Works Programme (EPWP)	42 864	36 430	42 864	36 430
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	-	32 474	-	32 474
Public Transport Network operations Grant	520 708	255 748	520 708	255 748
Social housing grant	914	914	-	-
Ambulance subsidy	105 809	100 334	105 809	100 334
Equitable share and fuel levy	4 853 451	4 452 207	4 853 451	4 452 207
Provincial health subsidies	123 793	81 490	123 793	81 490
Skills Development Grant	2 302	2 149	-	-
	8 649 590	7 789 582	8 551 348	7 701 203

Provincial grants : Capital projects

Balance unspent at beginning of year	151 796	139 793	151 796	139 294
Current year receipts	159 454	192 643	59 573	107 826
Previous years AUC - Capitalised	(506)	-	(506)	-
Transfers	44 454	(252)	44 454	(252)
Adjustment - Debtors	49 594	79 428	49 594	79 428
Conditions met - transferred to revenue	(232 149)	(259 816)	(137 123)	(174 500)
Conditions still to be met - transferred to liabilities	172 643	151 796	167 788	151 796

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
37. GOVERNMENT GRANTS AND SUBSIDIES (continued)				
Urban settlements development grant				
Current year receipts	1 695 487	1 488 878	1 695 487	1 488 878
transfer to EPWP	(9 680)	22 771	(9 680)	22 771
Transferred to debtors	3	-	3	-
Conditions met - transferred to revenue	(1 685 810)	(1 511 649)	(1 685 810)	(1 511 649)
Conditions still to be met - transferred to liabilities	-	-	-	-

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

This grant is made available to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households. The Urban Settlement Development Grant contributes towards the achievement of sustainable human settlements and improved quality of household life by implementing infrastructure development projects that work towards the realisation of adequate housing and improved quality environments and a functional residential property market. The infrastructure development projects includes roads, bridges, water supply network, sanitation services, electrical reticulation, social and recreational services, cemeteries and markets.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
37. GOVERNMENT GRANTS AND SUBSIDIES (continued)				
Financial management grant				
Current year receipts	1 250	1 250	1 250	1 250
Conditions met - transferred to revenue	(1 250)	(1 250)	(1 250)	(1 250)
Conditions still to be met - transferred to liabilities	-	-	-	-

The grant was to target training and capacitation of the staff in the Budget and Treasury offices. It targets systems for the implementation of the MFMA reporting requirements. The grant is mainly used to employ interns in the Finance Department and to fund the MFMA minimum competency level training.

Provincial grants : Top structure of houses

Balance unspent at beginning of year	209 827	392 202	209 827	392 202
Current year receipts	-	7 055	-	7 055
Adjustments	(34 774)	18 520	(34 774)	18 520
Transfers to debtors	153 132	-	153 132	-
Conditions met - transferred to revenue	(328 077)	(207 950)	(328 077)	(207 950)
Conditions still to be met - transferred to liabilities	108	209 827	108	209 827

Provincial grants : Operating projects

Balance unspent at beginning of year	8 296	7 226	8 296	7 226
Current year receipts	10 690	10 489	10 690	10 489
Transfers	2 902	-	2 902	-
Adjustments	(1 000)	-	(1 000)	-
Conditions met - transferred to revenue	(10 905)	(9 419)	(10 905)	(9 419)
Conditions still to be met - transferred to liabilities	9 983	8 296	9 983	8 296

To transform urban and rural community library infrastructure, facilities and services through a recapitalised programme at provincial level in support of local government and national initiatives. The funding is intended to address backlogs and disparities in ongoing provision and maintenance of community library services across municipalities and enable provincial departments to provide strategic guidance and alignment with national priorities.

2010 Public transport (SPTN)

Balance unspent at beginning of year	398 840	736 859	398 840	736 859
Current year receipts	553 571	843 781	553 571	843 781
Grants paid back	(25 020)	(388 700)	(25 020)	(388 700)
Conditions met - transferred to revenue	(661 758)	(793 100)	(661 758)	(793 100)
Conditions still to be met - transferred to liabilities	265 633	398 840	265 633	398 840

This grant is provided to finance 2010 Public Transport System.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
37. GOVERNMENT GRANTS AND SUBSIDIES (continued)				
Neighbourhood development partnership grant				
Balance unspent at beginning of year	9 849	14 769	9 849	14 769
Current year receipts	98 958	32 868	98 958	32 868
Grants paid back	(9 849)	(3 136)	(9 849)	(3 136)
Conditions met - transferred to revenue	(79 800)	(34 652)	(79 800)	(34 652)
Conditions still to be met - transferred to liabilities	19 158	9 849	19 158	9 849

The purpose of this grant is to stimulate and accelerate private sector investment in poor and underserved neighbourhoods. It is an Infrastructure Development grant focusing on township development, for the purpose of attracting private investment and for Government agencies to be able to provide basics services.

World Anti-Doping Agency (WADA)

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

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	19 033	32 789	19 033	32 789
Current year receipts	36 492	89 434	36 492	89 434
Adjustments	(3 419)	(43 989)	(3 419)	(43 989)
Transfers	(2 860)	(22 771)	(2 860)	(22 771)
Conditions met - transferred to revenue	(42 864)	(36 430)	(42 864)	(36 430)
Conditions still to be met - transferred to liabilities	6 382	19 033	6 382	19 033

The Grant assists in providing an important avenue for labour absorption and aids transfers of income to poor households. It uses expenditure on goods and services to create work opportunities for the unemployed. EPWP Projects employ workers on a temporary or on-going basis either by government, by contractors, or by other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions.

Orange African cup of nations

Balance unspent at beginning of year	-	4 737	-	4 737
Adjustments	-	(4 737)	-	(4 737)
Conditions still to be met - transferred to liabilities	-	-	-	-

Provincial grant : Jozi Ihlomihle (Hiv/Aids)

Balance unspent at beginning of year	696	15 282	696	15 282
Current year receipts	-	17 888	-	17 888
Conditions met - transferred to revenue	-	(32 474)	-	(32 474)
Conditions still to be met - transferred to liabilities	696	696	696	696

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

37. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Public Transport Network Grant

Balance unspent at beginning of year	12 252	-	12 252	-
Current year receipts	512 000	268 000	512 000	268 000
Adjustment	(42)	-	(42)	-
Conditions met - transferred to revenue	(520 708)	(255 748)	(520 708)	(255 748)
Conditions still to be met - transferred to liabilities	3 502	12 252	3 502	12 252

Social Housing grant

Balance unspent at beginning of year	71 996	68 692	-	-
Current year receipts	3 598	4 218	-	-
Conditions met - transferred to revenue	(914)	(914)	-	-
Conditions still to be met - transferred to liabilities	74 680	71 996	-	-

The grants relate to funds received by Johannesburg Social Housing Company namely::

- Social Housing Foundation
- Provincial grant - Kliptown Golf Course
- Gauteng Provincial grant - JMJV .

Ambulance subsidy

Current year receipts	105 809	100 334	105 809	100 334
Conditions met - transferred to revenue	(105 809)	(100 334)	(105 809)	(100 334)
Conditions still to be met - transferred to liabilities	-	-	-	-

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

Equitable share and fuel levy

Current year receipts	4 853 451	4 452 207	4 853 451	4 452 207
Conditions met - transferred to revenue	(4 853 451)	(4 452 207)	(4 853 451)	(4 452 207)
Conditions still to be met - transferred to liabilities	-	-	-	-

Municipal Equitable Share is the share of Local Government Sphere's share of revenue raised nationally. The equitable share allocation is a subsidy received from National Treasury and is mainly for RSC levies replacement, special support for councillors' remuneration, ward committees and funding for free basic services (Basic Social Services Package) for the registered indigent households.

Provincial health subsidies

Current year receipts	123 793	97 303	123 793	97 303
Adjustments	-	(15 813)	-	(15 813)
Conditions met - transferred to revenue	(123 793)	(81 490)	(123 793)	(81 490)
Conditions still to be met - transferred to liabilities	-	-	-	-

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
38. EMPLOYEE RELATED COSTS				
Employee related costs : Salaries and wages	6 130 497	5 796 116	3 398 819	3 237 540
Employee related costs : Pension contributions	961 884	714 596	524 701	386 604
Employee related costs : Gratuities	19 113	20 839	15 808	18 507
Employee related costs : Medical aid contributions	312 966	289 145	283 267	260 821
Employee related costs : Skills development levy	54 901	52 024	40 396	38 080
Actuarial (gains)/losses	(17 805)	(3 588)	-	-
Housing benefits and allowances	36 680	33 307	22 616	20 875
Overtime payments	244 210	237 099	71 505	59 718
Bonus	365 983	349 910	189 867	184 172
Travel, motor car, accommodation, subsistence and other allowances	392 323	360 814	265 197	254 211
Other employee costs	101 917	113 640	96 004	107 613
	8 602 669	7 963 902	4 908 180	4 568 141

Remuneration of the City Manager

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

Remuneration of the Group Head : Risk Assurance Services

Annual Remuneration	1 551	1 459
Car Allowance	287	288
Performance Bonuses	68	-
Contributions to UIF, Medical and Pension Funds	44	39
Unpaid absence	7	-
	1 957	1 786

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

Annual Remuneration	1 269	1 080
Car Allowance	108	108
Performance Bonuses	81	-
Contributions to UIF, Medical and Pension Funds	121	107
	1 579	1 295

Remuneration of the Group Head : Communication and Tourism

Annual Remuneration	1 517	1 402
Car Allowance	85	128
Performance Bonuses	48	-
Contributions to UIF, Medical and Pension Funds	52	71
Unpaid absence	61	-
Eminence	-	72
	1 763	1 673

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
38. EMPLOYEE RELATED COSTS (continued)				
Remuneration of the Group Head : Legal and Contracts				
Annual Remuneration			908	862
Car Allowance			87	87
Performance Bonuses			40	-
Contributions to UIF, Medical and Pension Funds			134	119
			1 169	1 068
Remuneration of the Group : Chief Financial Officer				
Annual Remuneration			2 500	1 382
Car Allowance			144	48
Contributions to UIF, Medical and Pension Funds			2	1
			2 646	1 431
Remuneration of the Executive Director : Economic Development				
Annual Remuneration			2 115	978
Contributions to UIF, Medical and Pension Funds			2	1
			2 117	979
Remuneration of the Executive Director : Community Development				
Annual Remuneration			1 514	1 427
Car Allowance			103	103
Performance Bonuses			59	-
Contributions to UIF, Medical and Pension Funds			152	154
			1 828	1 684

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
38. EMPLOYEE RELATED COSTS (continued)				
Remuneration of the Executive Director : Development Planning and Urban Development				
Annual Remuneration			1 913	1 595
Car Allowance			144	144
Performance Bonuses			79	-
Contributions to UIF, Medical and Pension Funds			113	89
Eminence/Premiums Allowance			180	105
			2 429	1 933
Remuneration of the Executive Director : EISD				
Annual Remuneration			1 666	1 569
Car Allowance			97	97
Performance Bonuses			49	-
Contributions to UIF, Medical and Pension Funds			45	44
			1 857	1 710
Remuneration of the Executive Director : Housing				
Annual Remuneration			1 362	1 284
Car Allowance			96	96
Performance Bonuses			52	-
Contributions to UIF, Medical and Pension Funds			135	126
			1 645	1 506
Remuneration of the Executive Director : Transportation				
Annual Remuneration			1 789	1 688
Car Allowance			73	73
Performance Bonuses			76	-
Contributions to UIF, Medical and Pension Funds			270	255
			2 208	2 016
Remuneration of the Executive Director : Health				
Annual Remuneration			1 861	1 753
Car Allowance			108	108
Performance Bonuses			129	-
Contributions to UIF, Medical and Pension Funds			2	2
			2 100	1 863
Remuneration of the Executive Director : Corporate Services				
Annual Remuneration			230	1 676
Car Allowance			-	128
Performance Bonuses			72	-
Contributions to UIF, Medical and Pension Funds			20	86
Final leave payment			106	-
			428	1 890

The Executive Director resigned on 30 June 2014 and the current appointment was effective from 01 May 2015.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

38. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Executive Director : Office of the City Manager

Annual Remuneration			1 344	1 160
Performance Bonuses			82	-
Contributions to UIF, Medical and Pension Funds			68	56
			1 494	1 216

Chief of Staff

Annual Remuneration			-	1 508
Car Allowance			-	128
Contributions to UIF, Medical and Pension Funds			-	161
			-	1 797

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

Annual Remuneration			197	1 113
Car Allowance			21	128
Performance Bonuses			77	-
Contributions to UIF, Medical and Pension Funds			36	101
Final Leave payment			51	-
			382	1 342

The Executive Director resigned 31 August 2014

Remuneration of the Group Head : Governance

Annual Remuneration			1 355	1 283
Car Allowance			96	96
Performance Bonuses			27	-
Contributions to UIF, Medical and Pension Funds			75	69
Unpaid absence			5	-
			1 558	1 448

Remuneration of the Chief Operations Officer

Annual Remuneration			2 433	2 296
Car Allowance			144	144
Contributions to UIF, Medical and Pension Funds			135	125
			2 712	2 565

Remuneration of the Secretary of Council

Annual Remuneration			1 592	1 501
Car Allowance			128	128
Contributions to UIF, Medical and Pension Funds			88	81
			1 808	1 710

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

38. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Executive Director : Public Safety

Annual Remuneration			1 564	491
Car Allowance			128	43
Contributions to UIF, Medical and Pension Funds			2	-
			1 694	534

The ED of Public Safety's appointment was effective March 2014

Remuneration of the Executive Director : Social Development

Annual Remuneration			1 258	1 160
Car Allowance			104	78
Contributions to UIF, Medical and Pension Funds			71	74
			1 433	1 312

39. REMUNERATION OF COUNCILLORS

Executive Mayor	1 226	1 008	1 226	1 008
Mayoral Committee Members	9 888	8 255	9 888	8 255
Speaker	1 010	763	1 010	763
Councillors	89 753	87 658	89 753	87 658
Councillors' pension contribution	10 313	10 943	10 313	10 943
Chairpersons	15 309	12 012	15 309	12 012
	127 499	120 639	127 499	120 639

Remuneration of the Executive Mayor - Parks Tau

Annual Remuneration			908	854
Car Allowance			128	128
Contributions to UIF, Medical and Pension Funds			148	140
Cell Allowance			42	42
			1 226	1 164

In-kind benefits

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

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
40. DEPRECIATION AND AMORTISATION				
Property, plant and equipment	2 186 570	1 917 895	1 483 110	1 335 508
Investment property	23	23	-	-
Zoo animals	743	545	-	-
Intangible assets	226 100	197 237	184 831	151 972
	2 413 436	2 115 700	1 667 941	1 487 480

41. IMPAIRMENT LOSSES

Impairments

Property, plant and equipment	5 538	8 647	-	-
Investments in Municipal Entities	-	-	-	31 314
These investments were impaired due to the possible absorption of these entities into the CJMM. The Pikitup Johannesburg (Pty) Ltd Investment was fully impaired due to the technical insolvency that the entity was facing at year end. For a more detailed description of these impairments, refer to Note 18				
Loans to Municipal Entities	-	-	121 055	27 265
The Pikitup Johannesburg (Pty) Ltd loan was fully impaired due to the technical insolvency that the entity was facing at year end. For a more detailed description of this impairment, refer to Note 4				
Loans to shareholders	-	-	21 609	-
The Johannesburg Metro Bus company is technically insolvent and has liquidity challenges. The entity has put in a place a turn around strategy aimed to improve the liquidity problem in the long term. The current liquidity problem has led to the impairment of the current portion of the loan.				
	5 538	8 647	142 664	58 579

Reversal of impairments

Property, plant and equipment	(4 072)	-	-	-
Total impairment losses (recognised) reversed	1 466	8 647	142 664	58 579

42. ALLOWANCE FOR IMPAIRMENT OF CURRENT RECEIVABLES

Allowance for Impairment - Trade and Other Receivables - Fines	718 577	827 963	718 577	827 963
Allowance for Impairment - Consumer Debtors	3 637 172	2 334 022	960 002	846 777
Bad debts written Off	-	9 596	-	4 707
Allowance for Impairment - Trade and Other Receivables - Other	36 313	24 150	97 283	52 759
	4 392 062	3 195 731	1 775 862	1 732 206

43. BULK PURCHASES

Electricity	9 039 469	8 515 003	-	-
Water	3 496 500	3 248 444	-	-
Sewer purification	26 776	29 288	-	-
	12 562 745	11 792 735	-	-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
44. CONTRACTED SERVICES				
Information Technology Services	276 265	263 680	274 265	258 535
Fleet Services	495 924	482 673	52 306	6 838
Operating Leases	137 376	177 170	136 545	177 170
Specialist Services	1 382 057	825 197	1 385 174	828 455
Other Contractors	314 741	296 539	21 796	20 883
	2 606 363	2 045 259	1 870 086	1 291 881

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
45. GRANTS AND SUBSIDIES PAID				
Grants paid to ME's				
City of Joburg Property Company SOC Limited	-	-	-	24 850
Johannesburg City Parks NPC	-	-	644 389	568 075
Johannesburg Development Agency SOC Limited	-	-	26 739	24 977
Johannesburg Metropolitan Bus Services SOC Limited	-	-	400 637	329 703
Johannesburg Roads Agency SOC Limited	-	-	761 067	651 103
Johannesburg Social Housing Company SOC Limited	-	-	19 970	18 397
Pikitup Johannesburg SOC Limited	-	-	592 918	564 569
Joburg Theatre SOC Limited	-	-	68 823	56 504
	-	-	2 514 543	2 238 178
Other subsidies				
Grant paid : Housing top structures	439 197	289 578	439 197	289 578
Grant paid : Other	129 874	19 053	129 874	19 053
Grant paid : Sporting Organisations (Marks Park Sports Club)	-	1 208	-	1 208
	569 071	309 839	569 071	309 839
	569 071	309 839	3 083 614	2 548 017

The department of Environment and Infrastructure has received the following

Additional text

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
46. GENERAL EXPENSES				
Advertising	75 366	69 087	43 403	43 374
Auditors remuneration	48 977	44 710	21 296	20 610
Bank charges	81 426	74 155	73 747	67 192
Cleaning	26 760	21 281	-	-
Commission paid	49 049	36 097	-	-
Computer expenses	31 735	29 670	-	-
Conferences and seminars	26 272	27 521	19 418	15 106
Consulting and professional fees	323 289	253 435	60 221	60 945
Cost of inventories expensed	276 760	185 209	78 061	14 349
Debt collection	161 137	35 853	161 137	35 853
Entertainment	325	193	-	-
Legal settlement	-	65 464	-	-
Free electricity	23 018	14 610	-	-
Fuel and oil	74 803	86 191	-	-
Gas	14 203	13 932	13 027	12 627
Hire	18 615	19 967	17 509	19 053
Horticulture	10 138	9 488	-	-
Hostel charges	1 362	1 445	-	-
IT expenses	13 582	26 716	-	-
Incident management fund	36 216	42 006	36 216	42 006
Insurance	125 909	173 125	130 063	171 046
Lease rentals on operating lease	744 308	655 932	244 062	320 817
ME - charges	-	-	326 409	447 164
Marketing	48 634	55 975	24 887	28 003
Medical expenses	4	-	-	-
Motor vehicle expenses	68 661	65 101	-	-
Other expenses	656 339	605 939	486 483	331 070
Placement fees	8 057	7 594	-	-
Printing and stationery	195 219	231 483	149 862	176 493
Productions	14 722	21 721	-	-
Research and development costs	525	-	-	-
Road maintenance	458 002	397 283	-	-
Security (Guarding of municipal property)	410 405	376 581	187 021	184 473
Software expenses	109 028	99 917	50 729	69 816
Staff welfare	40 011	50 475	16 876	27 273
Subscriptions and membership fees	22 306	19 121	17 649	14 736
Telephone and fax	120 821	98 102	51 057	42 659
Training	40 507	43 187	24 367	25 478
Travel - local	18 286	18 407	13 687	9 941
Travel - overseas	26 559	19 292	18 346	12 958
Utilities - Other	93 343	27 622	483 277	531 457
	4 494 679	4 023 887	2 748 810	2 724 499

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

Guarantee Fees	9 539	9 231	9 539	9 231
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47. FAIR VALUE ADJUSTMENTS

Other	62 383	45 140	-	-
Other financial assets				
• Fair value movement on the sinking fund	-	108 457	-	108 457
• Cash flow hedge (Ineffective portion)	259 765	3 516	259 765	3 516
	322 148	157 113	259 765	111 973

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
48. CASH GENERATED FROM OPERATIONS				
Surplus	4 126 022	4 042 410	2 233 653	2 060 964
Adjustments for:				
Depreciation and amortisation	2 413 436	2 115 700	1 667 941	1 487 482
Public contributions, donated and contributed property	(323 563)	(35 054)	-	-
Share of (deficit)/surplus of associate accounted for under the equity method	(8 493)	(11 032)	(322 379)	(35 054)
Fair value adjustments	(322 144)	(157 113)	(259 765)	(111 973)
Reversal of Impairment Provision	-	-	-	(190 927)
Allowance for impairment of current receivables	4 392 062	3 195 731	1 775 862	1 732 206
Impairment losses on property, plant and equipment	1 466	8 647	11 129	610 070
loss/gain on sale of Assets	23 016	615 208	-	-
Impairment of MOE investment	-	-	142 664	58 579
Post retirement benefits net expenditure	62 512	128 562	87 723	104 068
Gain on biological assets and agricultural produce	(5 901)	(2 922)	-	-
Changes in working capital:				
Inventories	(10 519)	48 208	53 747	6 779
Trade and other receivables	(134 176)	(73 275)	(690 704)	(2 008 026)
Consumer debtors	(502 801)	(928 742)	(29 504)	(211 573)
Other receivables from non-exchange transactions	(123 902)	(262 571)	-	-
Increase/decrease in deferred tax liability	255 671	332 543	-	-
Adjustment of impairment of current receivable	(4 392 062)	(3 065 629)	(1 775 862)	(1 439 675)
Refuse debtors transferred to PIKITUP	-	-	-	(31 314)
Trade and other payables	2 099 298	1 213 052	1 304 764	1 839 871
Decrease/(increase) VAT receivables	124 052	(319 329)	143 735	(285 232)
(Decrease)/increase VAT payable	(60 642)	(115 224)	-	-
Obligations arising from conditional grants and receipts	(350 938)	(500 556)	(500 274)	(541 757)
(Increase)/ decrease current tax receivable	(3 711)	(469)	-	-
Increase/(decrease in consumer deposits	215 816	41 754	(8 032)	(1 082)
Increase/(Decrease) in deferred income	(9 887)	(35 356)	(3 242)	(2 925)
Increase/(Decrease) in Provision	(26 563)	211 043	3 903	3 679
	7 438 049	6 471 123	3 835 359	3 069 697

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

49. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and not yet contracted for

• Infrastructure	4 729 302	4 435 990	2 482 866	623 206
• Community	278 942	204 728	278 974	112 611
• Other	512 919	1 798 972	231 549	1 432 783
• Heritage	-	52 225	-	21 725
	5 521 163	6 491 915	2 993 389	2 190 325

Authorised and contracted for

• Infrastructure	3 435 813	3 530 070	292 050	2 081 520
• Community	145 932	115 975	145 932	115 975
• Other	784 760	687 190	778 810	153 189
• Heritage	7 000	50 000	7 000	50 000
• Housing development fund	2 185	-	2 185	-
	4 375 690	4 383 235	1 225 977	2 400 684
	9 896 853	10 875 150	4 219 366	4 591 009

This expenditure will be financed from:

External Loans	3 940 000	3 276 000	901 061	646 563
CRR and Surplus cash	2 955 677	4 481 367	1 562 463	2 139 755
Government Grants	3 001 176	3 117 783	1 755 842	1 804 691
	9 896 853	10 875 150	4 219 366	4 591 009

Operating leases - as lessee (Fleet)

Minimum lease payments due

- within one year	545 182	480 695	83 558	17 518
- in second to fifth year inclusive	452 668	957 144	86 163	125 533
- later than five years	-	22 323	-	22 121
	997 850	1 460 162	169 721	165 172

This operating lease represents rentals for non specialised vehicles. All rentals due on vehicles leased are payable monthly in arrears and are linked to the prime rate. There are restrictions on the maximum number of kilometers that can be travelled over the lease term per vehicle and specifies the rate at which excess kilometers will be billed.

City of Johannesburg Municipality and the following entities had fleet leases:

Johannesburg Fresh Produce Market
 City Power Johannesburg
 Johannesburg City Parks
 Johannesburg Road Agency

Operating leases – as lessee (Buildings)

Minimum lease payments due

- within one year	197 009	57 106	20 102	36 967
- in second to fifth year inclusive	55 277	78 274	26 524	45 671
- later than five years	12 126	18 996	3 306	2 760
	264 412	154 376	49 932	85 398

Building Leases

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

49. COMMITMENTS (continued)

JPC: Operating lease represent rentals payable by the entity for the JPC head office and office accommodation for 8 buildings for various City departments.

Leases are negotiated for a term of 2 to 5 years for City department occupied buildings and 9 years and 11 months for the JPC head office, all leases are subject to yearly escalations. No contingent rent is payable.

CJMM: Operating lease are based on the contracts relating to operating leases of buildings held in the various Departments of the CJMM not included under JPC. The average leasing term for the CJMM is 4 years and the average escalation rate is 9%. Restrictions imposed on lease agreements are limited to those contained in individual contracts. A complete register of operating leases, as well as all the contracts are maintained by facilities management..

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

Operating leases – as lessee (Other)

Minimum lease payments due

- within one year	751 757	638 459	74 655	74 655
- in second to fifth year inclusive	2 298 467	1 940 204	298 621	298 621
- later than five years	477 484	955 693	6 569 664	6 644 319
	3 527 708	3 534 356	6 942 940	7 017 595

Operating leases – as lessor (income)

Minimum lease payments due

- within one year	7 033	2 992	-	-
- in second to fifth year inclusive	6 807	1 033	-	-
- later than five years	13 418	3 460	-	-
	27 258	7 485	-	-

Other operating Leases

City Power: The Kelvin Power lease relates to electricity capacity charge payable monthly. The amount is fixed and included in the monthly electricity consumption charge.

CJMM: CJMM is leasing Soccer City Stadium from DPW at an annual rental amount of R1 and the reduction of arrears accrued in respect of outstanding municipal rates and taxes and local authority services levied on the property to nil. The lease term for the property is 99 years.

Operating Lease income

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

JFPM: Operating Lease income is derived from the lease agreements in the Joburg Fresh Produce Market

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

50. CONTINGENCIES

GROUP

Johannesburg Roads Agency SOC Limited

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

Rennie Property vs JRA (A letter of demand has been served for the work to be done on storm water flooding during storms in Princess Crossing). The amount involved cannot be quantified.

Lucienne NanetterRaab & Others v JRA & Others (The applicants for an order directing the respondents not to allow construction vehicle to gain access to a construction site from Fulwell road in Bryanston. The JRA has issued a wayleave to the developers to conduct the work.

Cowan Harper vs JRA. (A letter of demand has been served about the dilapidated condition of the road on Third Avenue, Sandhurst, Sandton. The amount involved could not be quantified.

Residents of North Riding Estate vs JRA. (A letter of demand was sent to the JRA for remedial work to be carried out on a bridge in Felstead Road). Amount involved in the current year is not quantifiable.

Hetta Eiendoms BPK V JRA (Claim for damage to property due to construction). Amount involved in the current year is not quantifiable..

Brian Bracher vs JRA. (JRA is sued for the flooding on Brian Bracher property as a result of the storm-water drain. The amount involved in the current year is not quantifiable.

Hetta Eiendoms BPK V JRA (Claim for damage to property due to construction). Amount involved in the current year is not quantifiable.

Applemint vs JRA. JRA was served a letter of demand to do work on his property which has experienced a sinkhole as a result of the storm-water drain running through his property. Amount involved in the current year is not quantifiable.

Tembu Convenience vs JRA. City of Johannesburg is being sued for the loss of profit at an Engen Service Station in Soweto, as a result of the construction of the BRT system in Orlando East. Amount involved in the current year is not quantifiable.

NEF v JRA (The applicant has applied for a court order directing monies owed to Eyethu Translodge & Plant Hire which the JRA owes to be paid directly to NEF. The JRA is cited as the sixth respondent in the court application..

JRA v Stonevalley Homeowners Association. JRA applied by way of a notice of motion for specific performance for the rehabilitation of an attenuation dam against the residents association.

Post-retirement medical aid benefits for certain former employees were withdrawn during the year which resulted in significant reduction in the post-retirement medical aid liability. There is risk that the beneficiaries with withdrawn benefits might sue the entity as they have been members of the post-retirement medical aid for more than 10 years.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
50. CONTINGENCIES (continued)				
-Legal claims				
Midnight Moon Trading (Pty) Ltd (Dispute on quality of work)		3 870		3 870
PMPZ Construction vs JRA (The contact has sent a letter of demand through their attorneys for retention fees on work that was completed in Braamfisherville. The contract number is 023A/2010)		-		250
A Britz vs JRA (A warrant of execution was served on the JRA for outstanding of a bill of costs)		-		3
Dark Fibre Africa vs JRA (A letter of demand was served on the JRA for the payment of damages to optical fibre cables by workmen on site)		-		42
Oxyonlthuba v JRA - The sheriff of the court served the JRA with a warrant of execution to remove goods. The legal unit negotiated for a stay of the removal instruction to consult internally.		40 -		
RCI Solutions V JRA - The plaintiff has served a letter of demand the JRA for payments on projects that they have worked on.		3 0123 -		
Ubuntu Kraal v JRA (The plaintiff is suing the JRA (3rd Respondent) for the flooding on their property since the construction of the BRT system. They allege that it narrowed the water channel and resulting in backwater effect on the flood flows which caused a diversion of the flood flows.)		-		23 555
Bareki Management Consulting v JRA (The plaintiff issued summons for payment of an outstanding invoice issued on or about the 15th May, 2011.		159 -		
Khumoya Kgomotso v JRA (The plaintiff issued summons for the payment of an outstanding invoice.)		3 650 -		
Shophi Ngema vs JRA (The complainant sought work for R150 000 to make up the R200 000 they were offered when they were appointed.)		-		150 000
		10 732		27 869

Joburg Market SOC Limited

The total estimated claims amount to R7,917,732 which is in respect of disputes with suppliers, the company is of the view that this represents the maximum exposure. The company in consultation with its legal counsel has assessed the outcome of these proceedings and the likelihood that these cases will be successfully defended, no further provision is required..

The entity is involved in three (3) litigation matters and disputes relating to former employees. The directors are of the opinion that the claims can be successfully defended by the company.

Johannesburg Metropolitan Bus Services SOC Limited

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

Gross dishonesty: There is three separate labour disputes related to dismissal for dishonesty that exists between Metrobus and three of its ex-employees. In all these three cases awards were made in favour of Metrobus and the employees applied for reviews, the court dates are still pending. In one of them the employee dismissed has has proceeded to file a claim to the value of R1000.00 against four Metrobus employees who testified against in internal disciplinary hearing, Metrobus has assisted these employees to file opposing papers in this regard. Management feels they have a strong case and is of the opinion that this will not result in a liability.

Unfair labour practice: There is one labour dispute related to unfair labour practice that exist between Metrobus and one of its employees who was boarded in 2012. The employee claims that the termination of employment was on grounds of protected disclosure relating to his illness. An award was made in favour of Metrobus and the employee has applied for a review of this award. Management feels they have a strong case and is of the opinion that this will not result in a liability.

Medical boarding: There is a labour dispute related to medical boarding that exists between Metrobus and one of its ex-employees. An award was made in favour of Metrobus and the employee applied for a review of this award. Management feels they have a strong case and is of the opinion that this will not result in a liability.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

50. CONTINGENCIES (continued)

Unfair dismissal: Unfair dismissal matter relating to a former employee which Metrobus lost at Bargaining council. Management felt it had a strong case and a review application was made. The matter was heard by the labour court on 9th October 2014 and judgment in favour of Metrobus was made on 17 October 2014. The application to have the arbitration award issued was dismissed. However, the legal representatives of the employee in question have served Notice Of Leave to Appeal. Should Metrobus lose the case, it would be required to settle an amount of R 600,000.00 in salaries backpay.

Potential procurement claims: Three different parties who had an interest in certain tenders advertised and adjudicated on by Metrobus have instituted legal action against Metrobus. The potential exposure cannot be quantified at this stage as the matters are being considered by lawyers. However, the contract value of those tenders collectively is R346 481 195.27.

City Power Johannesburg SOC Limited

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

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

A summons was issued in favour of a customer Argent Industrial for a refund amounting R357k that was paid out. The matter is being defended and the trial date has been set for 16th April 2015.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

50. CONTINGENCIES (continued)

AP Eudemon a supplier is claiming a sum of R35 000 000 from the entity and other defendants. The matter is at a pleading stage.

Johannesburg City Parks NPC

Contingent liabilities

The company is a defendant on claims amounting to R79 451 784.87 relating to contractual disputes with the service providers.

There is a claim against the company for a possible contractual dispute of R74 400 105.56. The service provider was awarded a tender for the provision of security services in the company facilities.

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

There is a claim against the company for possible dispute of R4 837 044.80. The service provider is taking legal action against the company for canceling and withdrawing an irregular award to Techno Brain.

Contingent Asset

The company is currently pursuing claims amounting to R1 431 622 relating to contractual disputes with the service providers.

There is a claim against a service provider for an amount of R1 409 622 due to non-performance on the tender awarded to them for the installation of the access control system. However the service provider did not complete the project as per specification of the tender.

There are also summons instituted against a service provider for the amount of R22 000.

Johannesburg Development Agency SOC Limited

Bertram's Priority Block

The DA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertram's Priority Block. Eviction proceedings have been instituted in the South Gauteng High Court. Negotiations are underway with illegal occupants to settle the matter out of court.

Progress made since 2012 - Some of the illegal occupants have agreed to be reallocated to properties operated by the Johannesburg Social Housing Company. The few that would be left because of inability to meet monthly rental payments will be accommodated by the Department of Housing. Since this, no progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accommodation is found by the JDA and CJMM.

Ubuntu Kraal (Pty) Ltd vs JDA & CJMM

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

Achvsim Chijoike vs JDA and Skymark Security (Pty) Ltd

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

BRT - Thembu Convenience Store

The CJMM and the JDA were served with a summons by Tembu Convenience Centre CC, trading as a convenience store and Engen Fuel dealership, for loss of income amounting to more than R17 million, as a result of BRT construction works. The City has filed its papers defending the matter in the South Gauteng High Court. The matter has still not been put on a trial roll and the plaintiffs have applied for a set-down. The matter has been set down for trial on 02 March 2016.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

50. CONTINGENCIES (continued)

Dark Fibre Africa vs JDA and Easyway Tarmac Pave and Projects CC

The matter relates to the fibre optic cable that was damaged by opening a trench in the road reserve with a TLB Machine along the road carriage way of Orlando east, near Sefa Sonke street around 22 June 2013. The plaintiff, Dark Fibre Africa (Pty) Ltd is suing the JDA (2nd Defendant) on the basis that JDA used the services of Easyway Tarmac Pave and Projects CC to manage and control the execution of the water pipeline project and to do the drilling and excavation along the road carriage way of Orlando east near the intersection with sefa sonke street. The matter is being defended by the lawyers appointed by the JDA's insurers (AON).

Johannesburg Social Housing Company (Pty) Ltd

Contracted developers claim.

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

Pikitup Johannesburg SOC Limited

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

The company has a contingent liability to the value of R3.109 Million in the main relating to disputed claims with respect to service providers.

CJMM

Uninsured claims and litigations

1. Five plaintiffs brought action against the Council in the 1990's, arising from major road and other construction works at the Empire Interchange, around the suburbs of Braamfontein, Milpark, Cottesloe, Melville, Parktown West, Emmarentia and Richmond. They allegedly suffered damages as a result of the Council having closed the road. (This claim was originally for R4,146,583 the majority of which was for loss of earnings). The approximate amount that the plaintiff could now claim would be in the order of approximately R500,000.
2. Claim for damages for R10,000,000 in respect of relocation of homeless people. The plaintiff sued the City of Johannesburg allegedly because the City of Johannesburg relocated homeless people onto the defendant's property without its consent, making it impossible for him to develop the property.
3. Claim for damages against the City of Johannesburg amounting to R11,668,746.00. The claim is based on an alleged breach of contract in that the City of Johannesburg has allegedly failed to use its "best endeavours" to have the property transferred to the plaintiff.
4. Claim for breach in the amount of R12,842,448.89 arising from the City of Johannesburg cancellation of security contract for operational requirements. The claim is being defended on the basis that the contract was cancelled lawfully. The hearing took place from 21 to 23 April 2015. Judgement is awaited.
5. Claim for R50,000,000 for services rendered in terms of contract for the provision of red light violation services. The matter was referred to arbitration. The hearing will continue from 20 to 25 July 2015. The hearing was heard on 17 and 18 August 2015. Judgement is awaited.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

50. CONTINGENCIES (continued)

6. The plaintiff instituted action against the City of Johannesburg for wrongful termination of contract. It sought relief two fold, to uphold the contract, alternatively damages in the sum of R33,150,639. The matter was referred to arbitration; the plaintiff is however refusing to sign the arbitration agreement. The City is prepared to proceed with the arbitration however the plaintiff has not taken any further steps.
7. The City of Johannesburg appointed a service provider (a joint venture) to construct 1000 low cost RDP houses. The one partner to the JV subsequently ceded its rights and obligations in terms of the JV agreement to the other partner, which the City of Johannesburg was not party to. The latter partner then only concluded 385 foundations. After various opportunities to remedy the defects, the City terminated the contract. A dispute was declared and the matter referred to arbitration in terms of the JBCC agreement for the sum of R29,406,592. The service provider has applied for a trial date which was on 30 January 2015, however the case was further postponed to a date not yet known. The City of Johannesburg is processing the drafting of a discovery affidavit.
8. Claim for breach in the amount of R3,255,674 arising from the City of Johannesburg's cancellation of security contract for operational requirements. The claim is being defended on the basis that the contract is cancelled lawfully.

Contingencies arising from pending litigation on wage curve agreement

Claim for damages, contract was terminated R3,800,000. Matter settled in the sum of R1,700,000 (less tax) paid to plaintiff in terms of a Settlement Agreement.

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

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM		
	2015	2014	2015	2014	
51. PRIOR PERIOD ERRORS					
GROUP					
Statement of Financial Position	REF	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
ASSETS					
Current Assets					
Trade and other receivables	1	1 324 974	-	(269 967)	1 055 007
Receivables from non-exchange transactions	1	20 552	-	252 862	273 414
Consumer debtors	2	4 888 272	-	(277 147)	4 611 125
Non-Current Assets					
Investment property	3	1 262 350	-	(249 171)	1 013 179
Property, plant and equipment	4	47 426 384	-	(26 411)	47 399 973
Intangible assets	5	525 383	-	96 685	622 068
LIABILITIES					
Current Liabilities					
Trade and other payables	6	(10 332 238)	-	7 337	(10 324 901)
Obligations arising from conditional grants and receipts		837 617	-	(32 556)	805 061
Non-Current Liabilities					
Provisions	6	(589 686)	-	(76 084)	(665 770)
Finance lease obligation	7	(328 033)	-	46 544	(281 489)
Deferred Income		(78 259)	-	24 678	(53 581)
Other reclassifications		-	-	18 248	18 248
NET ASSETS					
Accumulated surplus		(35 676 710)	-	484 982	(35 191 728)
		9 280 606	-	-	9 280 606

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM		
	2015	2014	2015	2014	
51. PRIOR PERIOD ERRORS (continued)					
Statement of Financial Performance	Note	As previously reported	Change in accounting policy	Correction of errors	Restated
		R'000	R'000	R'000	R'000
Revenue					
Revenue from exchange transactions					
Interest received		561 816	-	(34 108)	527 708
Other income	7	1 454 827	-	(126 190)	1 328 637
Service charges	2	20 360 213	-	(61 010)	20 299 203
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	2	7 549 458	-	(333 520)	7 215 938
Transfer revenue					
Fines	1	1 367 970	-	(58 253)	1 309 717
Expenditure					
Employee related costs	8	(7 873 445)	-	(90 457)	(7 963 902)
Depreciation and amortisation	4	(2 061 832)	-	(53 868)	(2 115 700)
Allowance for impairment of current receivables	2	(3 169 414)	-	(26 317)	(3 195 731)
Repairs and maintenance		(690 616)	-	-	(690 616)
General Expenses	8	(4 739 690)	-	715 803	(4 023 887)
(Loss)/gain on disposal assets		(528 032)	-	(87 176)	(615 208)
Surplus before taxation					
Surplus for the year from continuing operations					
Other Reclassifications*		(8 021 990)	-	(11 796)	(8 033 786)
		4 209 265	-	(166 892)	4 042 373

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

51. PRIOR PERIOD ERRORS (continued)

Effect of errors in accumulated surplus:

Opening balance of 2014 :	R484 982m
Increase /(decrease) in net surplus for 2014.	R166 892m

*other reclassifications are items on the face of the Income statement which were not materially restated and have not been included in the explanations below

Certain comparative figures have been reclassified to enhance presentation. Material amendments to prior years due to error or reclassifications are explained below

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

51. PRIOR PERIOD ERRORS (continued)

City of Johannesburg (CJMM)

1. Trade and Other Receivables and Fines

Traffic fines debtors were reclassified from trade and other receivables to receivables from non-exchange transaction to correctly reflect the nature of the debtor as per Grap 23. R 254 626.

Traffic fines revenue in the previous year was overstated as a result of invalid fines included. This error had an impact on the fines receivable, revenue and impairment. This error was identified in the current year and adjusted retrospectively.

2. Consumer Debtors, Service Charges and Property rates

Rates: The market values of properties had changed as a result of a ratepayer's objection and the appeal process. The reversal of the prior year's revenue as a result of the outcome of the Connaught Case in which the court finding went against the City. The court decided that the city must reverse the billing and refund where necessary.

Refuse: The prior period errors relate to revenue for 2013/14 and 2012/13 financial periods. These are amounts that were not billed in their respective periods and were identified at year end. also retrospectively derecognised.

Water: The City of Johannesburg Metropolitan Municipality has recalculated the accrual value in relation to the 2013 and 2014 financial years, as well as recalculated the impact of meters that have not been read for greater than twelve months. The combination of these transactions results in an adjustment to revenue for the 2013 and 2014 financial years as disclosed below. This has been accounted for as a prior period adjustment.

Electricity: The accrual for electricity sales includes an increase in revenue reported for the 2014 financial period and a decrease in revenue for 2013.

3. Investment Property

The cost of a project was prematurely capitalised before it had been completed. The initial cost and the subsequent depreciation have thus been retrospectively reversed.

4. Property Plant and Equipment

Public Works Lease: Land (R49,5 million)

The lease was previously classified as a Finance Lease which resulted in the recognition of the land and a finance lease obligation in the financial statements. Upon critical review of the contract in conjunction with the relevant GRAP standards it was concluded that the lease was in fact an operating lease. This was due to a lack of evidence to prove that the lease transferred substantially all the risks and rewards incidental to ownership of the land. The land and the finance lease liability were thus retrospectively derecognised from the financial statements. The Finance Costs relating to the obligation were also retrospectively derecognised.

Depreciation on completed assets had not been accounted for in the prior year. This was retrospectively adjusted. (R56m) Previously, assets (amounting to R35m) were incorrectly classified as Heritage assets. These assets were retrospectively reclassified Property, plant and equipment.

5. Intangible Assets

Intangible assets were erroneously omitted from the financial statements. The cost and subsequent depreciation of these assets were retrospectively recognised.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

51. PRIOR PERIOD ERRORS (continued)

6. Provisions and Trade Payables

R40m relating to the Soweto Pension Fund had been erroneously classified as Trade and other payables. This was identified in the current year and corrected retrospectively. R40m relating to the Soweto Pension Fund had been erroneously classified as Trade and other payables. This was identified in the current year and corrected retrospectively.

The provision is for the settlement of the Soweto Pension Fund which was approved by the Mayoral Committee on the 2nd of December 2010. The settlement amount agreed upon was R65m plus finance charges as from 30 June 2011.

The provision of R25m and the relevant finance charges of R3m relating to the above provision were erroneously omitted from the financial statements. This error was identified in the current year and recognised retrospectively.

7. Other Revenue, Finance lease Obligation

Revenue from Rae Ayah bus services was reclassified from Other Revenue to Service Charges as management believes this to be the most appropriate classification. Rental of Halls income was incorrectly classified as Other Revenue. It was retrospectively reclassified to Rental facilities.

Kelvin Power revenue had been under-stated by R12m due to a misinterpretation of the contract which had stipulated for an increase of R3 million per quarter.

The lease agreement for soccer city land was incorrectly disclosed as a finance lease instead of an operating lease as risk and rewards did not pass to the Group as per GRAP 13

8. Employee Related Costs and General Expenses

Utility Services provided by other members of the economic entity to the various departments and Moe's were erroneously not eliminated in the Group financial statements.

It was found that benefits paid on the Post-Retirement Liability were erroneously recorded as employee related costs in profit/loss. This error was retrospectively corrected.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) cash and cash equivalents and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to member, return capital to member, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the group manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

City Power Johannesburg

Distribution Losses

The electricity energy losses can be classified into technical losses and non-technical losses, during 2014/15 financial year.

The entity's technical losses for the year are measured at 9%, amounting to R840 952. Technical losses relates to energy that is lost in the transportation of electricity from the point of supply to point of distribution through evaporation.

The entity's non-technical losses decreased from 19.18% to 9.63%. Non-technical losses, if sold would have generated additional revenue of R1 524 307 (2014: R3 026 900) in the current year. The non-technical losses are attributable mainly to the following:

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT (continued)

Johannesburg Water (SOC) Ltd

Water losses are included in cost of sales. The level of physical and commercial losses for the year under review is 22.0% [R776,2 million], (2014: 29.0% [R942,0 million]). The level of physical losses for the year under review is 16.0% [R559,4 million], (2014: 20.9% [R678,9 million]). The level of commercial losses for the year under review is 6.2% [R216,7 million], (2014: 8.1% [R263,1 million]).

It is acknowledged and accepted that a certain level of water losses cannot be avoided from a technical perspective and is considered acceptable from an economic perspective. This means the cost of interventions to reduce water losses from a technical perspective should be less than the savings to be realised. The industry norm for water losses is 18%. Taking consideration hereof would result in a reduction of the level of water losses for the year under review to 4.2% [R146,8 million], (2014: 11.0% [R357,3 million]). The industry norm of 18% applied is 2% more stringent than the benchmark of 20% as published by the South African Water Research Commission.

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

Portfolio 1 Overview

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

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

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

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

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

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

Financial Risk Management Framework

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT (continued)

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

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

Liquidity and Concentration Risk

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

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

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

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

Both Short-term and Long-term borrowings are approved as per the budget and the banking services contract. The table below indicates approved facilities as at end of June 2015:

Details	Approved Funding R'000	Total Utilised R'000	Available for use R'000
Short-Term Borrowings			
Long-Term Borrowings			
Borrowing	3 276 000	3 276 000	-

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

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

Funding Debt Maturities

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

Swap Redemption Analysis

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT (continued)

Instrument	Maturity date	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years		
Interest Rate Swap R1bn Loan	29-Mar-18	24 300	15 279	9 270	-	-	-	-

Capital Redemption Analysis of Non Derivative Liabilities as at 30 June 2015

Class	Balance	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Floating Rate Loans	1 987 6	114 724	114 724	1 114 724	68 386	65 111	510 028
Fixed Rate Loans	13 708 0	1 458 694	469 693	2 148 397	440 743	467 081	8 723 429
		-	-	-	-	-	-

Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 30 June 2015

Investment type	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Call Deposits	1 106 136	-	-	-	-	-
Short Term Investments	2 167 800	-	-	-	-	-
	-	-	-	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the CJMM's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimising the CJMM's service delivery objectives. GRAP 104 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the Group.

Interest rate risk

This refers to the risk that the value of a financial instrument will change due to a change in i) the absolute level of interest rates; ii) in the spread between two rates; iii) in the shape of the yield curve or in any other interest rate relationship. CJMM's floating rate liabilities are exposed to interest rate risk in terms of both cash flow and fair values.

Interest Rate Fair Value Sensitivity Analysis

The fair values of the CJMM's floating rate liability portfolio are sensitive to interest rate changes. The fair values of these liabilities are based on projected cash flows calculated using market projected forward rates. The projected cash flows are then discounted using market implied discount factors. The table below shows how the fair values of floating rate liabilities change on the basis of the following assumptions:

- The base case interest rate is at current levels
- A range of values between two upward percent and one downward percent movement in interest rates. Management generally expects interest rates to rise in the future.

Fair value sensitivity to the interest rate movement/shift for Floating Rate Loans

Class	Fair Value	-1%	-0.50%	0	0.50%	1%	1.50%	2%
Floating Rate Loans	1 274 602	1 207 573	1 241 079	1 274 602	1 308 141	1 341 696	1 375 268	1 408 857

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT (continued)

Fair Value Sensitivity Analysis of Variable Rate Liabilities

The fair value sensitivity analysis of variable rate liabilities shows that a 2 percentage point increase in interest rates will increase the fair value of floating rate liabilities by R134 million (10.53%), and a 1 percentage point decrease in interest rates will decrease the fair value of floating rate liabilities by R67 million.(-5.26).

Interest Rate Cashflow Sensitivity Analysis

The Floating rate tables below shows the cash flow sensitivity analysis for floating rate liabilities. The sensitivity analysis is based on the following assumptions:

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand

52. RISK MANAGEMENT (continued)

Cash flow sensitivity analysis

Loan name	Institution	Nominal	Issue date	Cash Flow	Rate	Rate option	Interest rate shift						
							-1%	-0.50%	0%	0.50%	1%	1.50%	2%
DBSA 13541-1	DBSA	75 829	31 Mar-02	30-Sep-15	3 months JIBAR + 2.535%	Floating	3 555	3 622	3 689	3 755	3 822	3 889	3 956
				31-Dec-15			3 545	3 609	3 672	3 736	3 800	3 863	3 927
				31-Mar-16			3 505	3 565	3 625	3 685	3 745	3 805	3 864
				30Jun-16			3 488	3 545	3 601	3 658	3 715	3 771	3 828
						-	-	-	-	-	-	-	-
DBSA 102761-1	DBSA	425 000	20-Aug-09	31-Dec-15	6 months JIBAR + 2.85%	Floating	28 216	29 129	30 043	30 957	31 870	32 784	33 668
				30-Jun-16			28 268	29 141	30 014	30 886	31 759	32 631	33 504
				30-Dec-16			28 545	29 396	30 246	31 097	31 948	32 799	33 649
				31-Jun-17			28 188	28 994	29 800	30 606	31 412	32 218	33 023
						-	-	-	-	-	-	-	-
						-	-	-	-	-	-	-	-
						-	-	-	-	-	-	-	-
DBSA 103345-1	DBSA	495 000	17-Apr-09	31-Dec-15	6 months JIBAR + 2.96%	Floating	33 441	34 500	35 559	36 617	37 676	38 734	39 793
				30-Jun-16			33 468	34 478	35 488	36 498	37 507	38 517	39 527
				31-Dec-16			33 757	34 740	35 724	36 706	37 689	38 672	39 655
				31-Jun-17			33 307	34 236	35 166	36 096	37 026	37 956	38 885
						-	-	-	-	-	-	-	-
CALYON	CALYON	190 469	05-Sep-06	30-Sep-15	3 months JIBAR less 0.35%	Floating	10 385	10 522	10 659	10 796	10 933	10 933	11 288
				30-Dec-15			10 351	10 478	10 603	10 729	10 855	10 981	11 106
				31-Mar-16			10 263	10 377	10 489	10 602	10 715	10 829	10 942
				30-Jun-16			10 206	10 307	10 409	10 511	10 622	10 714	10 816

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand

52. RISK MANAGEMENT (continued)

							-	-	-	-	-	-	-	-
							-	-	-	-	-	-	-	-
							-	-	-	-	-	-	-	-
							-	-	-	-	-	-	-	-
							-	-	-	-	-	-	-	-
NEDBANK 1b	NEDBANK	1 000 000	04-Mar-10	30-Sep-15	3 months JIBAR + 2.8%	Floating	40 134	42 692	45 254	47 818	50 386	52 956	55 530	
		-		31-Mar-16			42 242	44 802	47 366	49 933	52 504	55 077	57 654	
		-		30-Sep-16			44 738	47 302	49 869	52 439	55 012	57 589	60 168	
		-		31-Mar-17			46 345	48 897	51 452	54 011	56 571	59 135	61 703	
		-					-	-	-	-	-	-	-	
SCMB 200m	SCMB	69 942	19-Sep-03	30-Sep-15	CPI plus Margin	Floating	3 300	3 317	3 333	3 350	3 367	3 383	3 400	
		-		31-Dec-15			3 300	3 317	3 333	3 350	3 367	3 383	3 400	
		-		31-Mar-15			3 300	3 317	3 333	3 350	3 367	3 383	3 400	
		-		30-Jun-16			3 300	3 317	3 333	3 350	3 367	3 383	3 400	
		-					-	-	-	-	-	-	-	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT (continued)

Hedging Interest Rate Risk

Testing Hedge Effectiveness by the City of Johannesburg

Dollar-Offset Method

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

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

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

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

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

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

If the hedge no longer meets the criteria for hedge accounting in paragraph 88, the COJ shall prospectively discontinue applying hedge accounting. The cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When the transaction occurs; amounts that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.

Hedge effectiveness measurement

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

Date	Swap Value	Hypothetical Swap Value	Cummulative Effectiveness Test	Per Period Effectiveness Test
31 March 2011	(23 701)	-	- %	- %
30 June 2011	(51 288)	(26 773)	103,00 %	103,04 %
30 June 2012	(117 932)	(95 323)	99,00 %	97,22 %
30 June 2013	(76 629)	(57 469)	93,00 %	109,11 %
30 June 2014	(54 113)	(38 470)	80,00 %	118,51 %
30 June 2015	(45 217)	(33 104)	66,00 %	165,00 %

Given that the effectiveness of the cash flow hedge is 165.78 percent which is not within the 80-125 percent effectiveness range, the hedge no longer meets the criteria for hedge accounting in IAS 39.88. Given the ineffectiveness of the cash flow hedge in the current period, the COJ will discontinue with hedge accounting. Thus the reserve of R38,469,561 shall be reclassified from equity to profit or loss when the forecast transaction occurs. During the current financial year R18,463,137 of the reserve was reclassified to profit/loss. The current movement on the swap liability of R8,896,143 was fully recognised directly in profit/loss due to the discontinuation of hedge accounting.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT (continued)

Swap Cashflow Sensitivity

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

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

Date	SWAP CASHFLOW SENSITIVITY ANALYSIS						
	-1%	-0.50%	0	0.50%	1%	1.50%	2%
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
30-Sep-15	(15 702)	(14 413)	(13 206)	(11 836)	(10 548)	(9 260)	(7 971)
31-Mar-16	(15 989)	(13 535)	(11 093)	(8 648)	(6 213)	(3 784)	(1 361)
30-Sep-16	(13 180)	(10 877)	(8 591)	(6 321)	(4 067)	(1 829)	392
31-Mar-17	(10 921)	(8 790)	(6 688)	(4 602)	(2 544)	(509)	1 503
29-Sep-17	(9 214)	(7 242)	(5 297)	(3 388)	(1 506)	348	2 174
29-Mar-18	(7 541)	(5 740)	(3 973)	(2 241)	(541)	1 127	2 764
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	(72 547)	(60 597)	(48 848)	(37 036)	(25 419)	(13 907)	(2 499)

From the above table we note that a 1 percentage point decrease in interest rates would increase swap cashflows by R23.7 million(48.51%). A 2 percentage point increase in interest rates will decrease the swap cash R46.4 million (94.88%).

Swap Fair Value Sensitivity

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

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

Instrument	Maturity date	Swap Fair Value Sensitivity						
		Fair value sensitivity to the interest rate shift						
		-1%	-0.50%	0%	0.50%	1%	1.5%	2%
Interest Rate Swap on R1BN loan	29-Mar-18	(67 343)	(56 115)	(45 217)	(34 383)	(23 863)	(13 565)	(3 481)

On the basis of the above assumptions, a 1 percentage point increase in interest rates will result in a 47% decrease in the value of the swap liability. There is a positive relationship between the swap value and interest rates, thus if interest rates increase, the value of the swap will increase.

Estimation of Fair Values

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT (continued)

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

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

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

Fair Value Hierarchy

In terms of GRAP 104.130 there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The fair value hierarchy applies to instruments reported at fair value on the statement of financial position. The interest rate swap is the only instrument reported at fair value and therefore needs to be classified as per fair value hierarchy. Level 2 Fair values are calculated using valuation techniques based on observable inputs either directly or indirectly other than level 1 inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data. The Level 2 all-inclusive fair value of the swap stood at -R45.2 million as at the end of 30 June 2014.

Credit/Counterparty Risk

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

The credit limit exposure table below depicts all investments with various counterparties as at the 30 June 2015. Total investments were R 3.2 billion. Treasury constantly monitors the percentage limit utilized.

COUNTERPARTY CLASS	Approved Limit	Operational		Ringfenced		Total Exposure	Available for use	Percentage Utilised
		Call Deposits	Term Deposits	Call Deposits	Term Deposits			
Domestic Banks	4 825	90	300	511	1 626	2 527	2 298	52 %
International Banks	1 050	16	-	-	242	258	792	24 %
Public Sector	1 200	3	-	-	-	3	1 197	- %
Asset management firms	2 850	486	-	-	-	486	2 364	17 %
	9 925	595	300	511	1 868	3 274	6 651	32 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT (continued)

Credit quality of Investments

The credit qualities of CJMM's counterparties as at 30 June 2015 are shown in the table below.

COUNTERPARTY CLASS	Long Term Rating										Short Term Rating						
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	Govt Guara nteed	Not Rated	F1+	F1	F2	F3	Govt Guara nteed	Not Rated
Domestic Banks	1		3		1							4	1				
International Banks				1		2						1	2				
Public Sector		2										2	0				
Asset management firms		1		1							3						5
Total	1	3	3	2	1	2	0	0	0	0	3	7	3	0	0	0	5

Portfolio 2

Introduction and overview

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

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

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

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

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

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

Risk Management Framework

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

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

Credit Risk

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT (continued)

Management of credit risk

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

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

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

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

Exposure to credit risk

The Fund's maximum credit risk at the reporting date is represented by the respective carrying amount of the relevant financial assets in the statement of financial position at 30 June 2015. The Fund was invested in securities the following credit quality:

Instrument Type	Fair Value
Bonds	(1 162 992)
Bond Repos	3 017 737
FRN	1 111 685
FRA	(1 826)
Bond options	(28 662)
Cash	374 618
Cash Collateral	27 364
"	309 073
Swaps	88 409
Amortisation Swaps	24 287
	-

Liquidity risk

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

Management of liquidity risk

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

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

Maturity analysis for financial instruments

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

Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Settled Bond Assets	1 538 510	343 914	41 748	171 704	86 591	-	894 553

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP			CJMM			
	2015	2014	2015	2014	2015	2014	
52. RISK MANAGEMENT (continued)							
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Settled Bond Liabilities	(2 704 406)	-	-	-	-	-	(2 704 406)
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRN Assets	1 336 212	-	-	472 541	558 057	305 614	-
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRN liabilities	(224 527)	-	-	(22 528)	-	-	-
Subtotal	(224 527)	-	-	(22 528)	-	-	-
	(224 527)	-	-	(22 528)	-	-	-
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRA Assets	17 596	17 596	-	-	-	-	-
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRA Liabilities	(19 421)	(14 095)	(5 327)	-	-	-	-
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Swap Assets	2 027 021	23 376	13 871	60 617	4 793	16 768	1 907 624
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Swap Liabilities	(1 914 325)	(33 620)	(25 101)	(23 287)	(4 280)	-	(1 828 037)
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Bond Repos Asset	3 018 257	3 018	-	-	-	-	-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM				
	2015	2014	2015	2014			
52. RISK MANAGEMENT (continued)							
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
NDCs Assets	-	-	-	-	-	-	-
	309 073	309 073	-	-	-	-	-
	309 073	309 073	-	-	-	-	-

Market Risk

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

Management of market risk

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

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

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

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

Interest rate risk sensitivity analysis

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT (continued)

Fair Value Sensitivity Analysis

Asset Class	Fair Value Sensitivity to the interest rate movement/shift						
	R'000s -1%	R'000s -0.5%	R'000s 0	R'000s 0.5%	R'000s 1%	R'000s 1.5%	R'000s 2%
Redemptions	(5 606 519)	(5 499 112)	(5 394 990)	(5 294 032)	(5 196 120)	(5 101 144)	(5 008 996)
Contributions	1 689 186	1 674 151	1 659 356	1 644 799	1 630 474	1 616 376	1 602 501
Bonds	(1 275 881)	(1 217 842)	(1 162 992)	(1 111 146)	(1 062 134)	(1 015 794)	(971 972)
Bonds Repos	3 018 332	3 018 034	3 017 737	3 017 439	3 017 142	3 016 845	3 016 549
FRN	1 112 921	1 112 302	1 111 685	1 111 069	1 110 455	1 109 843	1 109 232
FRA	3 237	704	(1 826)	(4 352)	(6 874)	(9 394)	(11 909)
IRS	259 471	183 977	112 696	45 313	(18 458)	(78 879)	(136 189)
ABSA Cal	374 618	374 618	374 618	374 618	374 618	374 618	374 618
Reg Sec Collateral	17 460	17 460	17 460	17 460	17 460	17 460	17 460
Nedbank Collateral	9 903	9 903	9 903	9 903	9 903	9 903	9 903
Bond options	6 188	(10 329)	(28 662)	(44 640)	(55 243)	(60 402)	(62 195)
NCD'S	309 241	309 157	309 073	308 989	308 905	308 821	308 737
Net	(81 843)	(26 977)	24 058	75 420	130 128	188 253	247 739

Operational risk

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

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

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

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

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

Valuation of financial instruments

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

52. RISK MANAGEMENT (continued)

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

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

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

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

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

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

30 June 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Bonds	(1 162 992)	-	-	(1 162 992)
Bond Repos	-	3 017 737	-	3 017 737
Floating Rate Notes	-	1 111 685	-	1 111 685
Forward Rate Agreements	-	(1 826)	-	(1 826)
Interest Rate Swaps	-	112 696	-	112 696
Bond options	-	-	(28 662)	(28 662)
	(1 162 992)	4 240 292	(28 662)	3 048 638

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
53. FRUITLESS AND WASTEFUL EXPENDITURE				
Reconciliation of fruitless and wasteful expenditure				
Opening balance	19 153	24 069	2 321	6 200
Fruitless and wasteful expenditure current year	1 099	2 536	45	19
Approved by Council or condoned	(23)	(3 987)	-	(648)
Transferred to Receivables/Reclassified	(361)	(3 465)	-	(3 250)
Transfer to other debtors for verification	19 868	19 153	2 366	2 321

GROUP - 2015

Johannesburg Development Agency (SOC) Ltd

The African Food Hub Project incurred standing costs that was paid to the contractor for standing time. The JDA Development Manager delayed to provide the project's professional team with the approval of the application for road closure for the African Food Hub Project. Consequently, the engineers could not obtain the final approval for the construction drawings. This resulted in the contractor charging and claiming standing time due to delays experienced. A disciplinary process pertaining to the responsible JDA employees is currently underway in this matter.

R859, 806

Interest and late payment of Telkom invoices

R662

Johannesburg Roads Agency SOC Limited

Interest charged on the Telkom account as at 30 June 2015 due to late payments.

R 9,038

The entity incurred legal fees and interest on the Scholtz Attorneys as at 30 June 2015 due to late payments.

R25,862

Interest on late payment of Fund contributions as at 30 June 2015 due to late application of contribution percentage increase.

R2,140

The entity is currently in the process of investigating the interest charges and once finalized, disciplinary action will be taken on individuals responsible for the fruitless expenditure.

City of Joburg Property Company (SOC) Limited

Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts in the 2014/15 financial year.

R156 813

GROUP - 2014

Johannesburg Roads Agency SOC Limited

Interest charged on the Telkom account as at 30 June 2015 due to late payments.

R22,932

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

53. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

2. City of Johannesburg Property Company (Proprietary) Limited

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

R594,507

Johannesburg City Parks NPC

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

R12,000

Pikitup Johannesburg SOC Limited

Catering for Employee Wellness department meeting was arranged and a supplier order was issued. The relevant official failed to timeously cancel the order with the supplier and resulting in the food being delivered and returned. Relevant disciplinary action was being taken in terms of MFMA.

R2,975

Payment for the supply and delivery of 240L bins- The service provider Phambili Services (Pty) Ltd was appointed in 2012/13 financial period to provide 240L bins to Pikitup. A fraudulent request to change banking details was processed and a payment made and it was subsequently established that payment was made into a fraudulent account. By the time the account was suspended by the bank, 5 days had lapsed and R1,261 960 of the original payment had been withdrawn or transferred. The service provider claimed this amount to be refunded. A subsequent forensic investigation cleared Pikitup staff of any involvement and recommended a review of internal controls and disciplinary action for possible negligence against applicable employees. The control environment regarding the changing of banking details have been reviewed and additional controls put in place and the disciplinary steps against three employees have been taken.

R1,261,960

Johannesburg Development Agency (SOC) Ltd

The interest and penalties paid relates sweeping interest and an amount charged by SARS on VAT return submissions. An objection was filed in dispute of this. A letter was received from SARS dated 9th September 2014, indicating that the interest and penalties previously charged had been waived. Total interest charged and recovered was - **R243,604**. The sweeping interest has since been reclassified as finance charges and taken out of the fruitless and wasteful expenditure line item.

R558,789

Fraud adjustment R20,485

City Power Johannesburg (SOC) Limited

Interest on late payments R44 000

CJMM - 2015

Rates and Taxes Department

An amount of **R2 748** relates to an incorrect advertisement placed on the newspaper.

City of Joburg Property Company (SOC) Limited

An amount of **R41 917** relates to interest charged on Eskom account.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

53. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

-

Revenue Department

The Fruitless and wasteful expenditure for **R18, 974** relates to interest charged for late payment.
Disciplinary steps / Criminal proceedings: None

EMS

An amount of **R647,758** was condoned during the year.

Reversal of Fruitless and Wasteful Expenditure

An amount of R3,250,000 was found to have been incorrectly classified as Fruitless and wasteful expenditure. This error was identified and corrected in the 2013/14 financial year; however, the prior financial years were not restated as the amount was of low materiality.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
54. UNAUTHORISED EXPENDITURE				
Reconciliation of unauthorised expenditure				
Opening balance	52 088	53 165	51 711	51 711
Transfer to receivables for recovery	(377)	(1 077)	-	-
	51 711	52 088	51 711	51 711

GROUP - 2015

Johannesburg Development Agency (SOC) Ltd

The unauthorised expenditure relates to 2012/13

Subsequent to the approval of the mid-year budget downward adjustment of 2012/13, it was evident that the JDA would report a deficit of approximately R4.1 million. The JDA Board approved the utilisation of reserves up to the value of R2.4 million with the balance of R1.7 million expected to be generated from interest revenue and other income to fund the deficit

The higher electricity costs incurred during the 2012/13 financial year as a result of the change in the method of calculating consumption, the higher recruitment costs as well as the fraud suffered in the current year resulted in the major over-expenditure in these line items.

Some of the electricity charges initially billed by City Power were reversed in the year under review.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
55. IRREGULAR EXPENDITURE				
Reconciliation of irregular expenditure				
Opening balance	1 378 117	1 069 915	1 009 018	726 043
Irregular expenditure current year	146 628	333 227	68 321	283 249
Approved by Council or condoned	(4 062)	(25 011)	-	(260)
Transfer to receivables for recovery	-	(14)	-	(14)
	1 520 683	1 378 117	1 077 339	1 009 018

GROUP - 2015

Johannesburg Development Agency SOC Limited:

Broll Property Management

The supplier's contract with the JDA has expired and is currently on a month-to-month basis. Broll Property Management manages the Bus Factory tenants and the collection of rental. The expenditure above relates to the management fee charged by and paid to Broll for the period July 2014 until March 2015. The management of tenants is now done internally.

R10,692

Makro Crown Mines

Office groceries were purchased from Makro without obtaining three quotations. The expenditure above relates to payments to Makro for the period July 2014 to November 2014. Office groceries are now procured through requests for quotations.

R26,180

Torque Technical Computer Training

Training for IT staff as per approved individual Learning Plans (ILP's). Only one quotation was sourced instead of the required three from the supplier database.

R6,150

City Power Johannesburg SOC Limited.

Services were procured without complying to company processes. No action is being taken as the procurement was not for personal gain

R382,000.

Johannesburg Roads Agency SOC Limited:

Ambassador Air - Expired contract

R91,310

Dakalo Cleaning Services - Services rendered with no contract in place

R81,904

Document Warehouse - Expired contract

R138,910

Rentokil - Expired contract

R316,279

Metrofile - Transgressions of SCM procedures

R31,053

Johannesburg Metropolitan Bus Services SOC Limited:

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

R40,411,350

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

55. IRREGULAR EXPENDITURE (continued)

Pikitup Johannesburg SOC Limited

The amount relates to the procurement of bulk containers, furniture and bin liners.
R23,423,993

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

55. IRREGULAR EXPENDITURE (continued)

Johannesburg Water (SOC) Limited:

The expenditure was incurred as a result of transactions that impacted some awards in the supply chain management processes in the previous financial year 2013/14, but payment was only made in the current financial year. The transactions are as a result of accepting B-BBEE certificates that were not in accordance with the requirements of the Preferential Procurement Regulations which provides that no points be awarded for B-BBEE status if a bidder did not submit a valid and original or certified B-BBEE certificate, as well as an original tax clearance certificate. To date all other non-compliant transactions have been rectified. National Treasury Guidelines on irregular expenditure provide that transactions corrected prior to any payment being made will not result in any irregular expenditure.

It is also noted that transactions or conditions which triggered the irregular expenditure resulted in the entity suffering no loss but value for money was derived from the use of the goods or services rendered.

R13,378,000

GROUP - 2014

Johannesburg Development Agency SOC Limited:

Yawee IT Solutions (Pty) Ltd

The supplier had previously declared in the initial supplier documentation that they were in the service of the state. The supplier was erroneously included in the panel of professional services and subsequently services were rendered from the supplier. Expenditure incurred with a service provider that is in service of the state in terms of the MFMA and Supply Chain processes of the JDA is considered irregular. To remedy the situation, the supplier was notified of their removal from the panel and any further interaction was cancelled. A disciplinary process was undertaken against the Supply Chain Manager for negligence and a warning letter issued. No loss was suffered by the JDA as the payment was for actual work performed.

R 89,532

Broll Property Management

The supplier's contract with the JDA has expired and is currently on a month-to-month basis. Broll Property Management manages the Bus Factory tenants and the collection of rental. The expenditure above relates to the management fee charged by and paid to Broll for the period July 2013 until June 2014. The management of tenants is now done internally.

R 50,884

Johannesburg Metropolitan Bus Services SOC Limited:

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

R 942,801

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

R23,974,734

Johannesburg Roads Agency SOC Limited:

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

55. IRREGULAR EXPENDITURE (continued)

Ambassador Air - Expired contract
R1,180,839

Dakalo Cleaning Services - Services rendered with no contract in place
R749,062

Document Warehouse - Expired contract
R404,099

Rentokil - Expired contract
R1,085,932

Metrofile - Transgressions of SCM procedures
R19,385.

Incident Prevention Solution
R197,220

Johannesburg Water (SOC) Limited

The amount comprised of transactions in respect of contractors who provided BBBEE certificates that were not certified and tax clearance certificates that were not original as required by the Preferential Procurement Regulations. Certified copies of the BBBEE certificates of these contractors were subsequently obtained and the original tax clearance certificates were also received. All other awards which potentially may also have been in a similar position, were reviewed and updated to ensure full compliance with the supply chain policy and regulations. The company did not suffer any financial loss and no person in the company benefitted unduly. Liability for this expenditure can therefore not be attributed to any person and recovery is not possible.

R12,238,000

Johannesburg City Parks NPC

Procurement without three quotations
R6,000

Award made on incorrect points.
R1,607,000

Advertisement for shorter period.
R1,051,000

Pikitup Johannesburg SOC Limited:

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

R2,184,544

City Power Johannesburg

Procurement of good and services without competitive bids and written price quotations.
R4,198,000

Joburg Theatre SOC Limited:

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

55. IRREGULAR EXPENDITURE (continued)

The Board of Directors minutes for the meeting that approved the payment of **R1,944,685** could not be located at the end of June 2013. The minutes were reconstructed to regularise the expenditure of R1,944,685 in line with GRAP 105 principles. On 27 November 2013 the RCT Board reconstructed the resolutions confirming that payments of R1,944,685 made by RCT during 2012/13 to Cut to Black Media and Danse LAfrique were approved at the Board meeting held on 23 November 2012. Reconstructed resolutions were submitted to Auditor - General SA for noting.

CJMM - 2015

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

55. IRREGULAR EXPENDITURE (continued)

The Irregular expenditure disclosed in the opening balance is currently under investigation pending the results of the investigation, therefore this figure could be condoned or recovered in the next financial year.

- CQS Technology Holdings (Pty) Ltd**
The audit command language (ACL) Software is a tool used by Internal Audit to perform various analytics on sets of data. The software was procured from Messrs CQS Technology Holdings (Pty) Ltd as the official sole distributor of ACL and support of ACL licences in South Africa, hence the request for a deviation.
Value: R 758 092
- Growthpoint Properties Limited**
The Housing Department Region A offices are located at Block L, 400 16th Road Central Park, Midrand, the public has been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
Value: R 553 818
- KPMG**
On 20 December 2011 KPMG was appointed to provide an Acting Group CFO and related services on a temporary basis for a period of nine months at a cost of R5 859 000. Subsequent to the appointment of KPMG CJMM commenced with the recruitment process of an appropriate Group CFO however no suitable candidate was found hence the request for a deviation to extend the original engagement of KPMG by six months.
Value: R 10 178 790
- Blend Property Group and Redefine Properties Limited**
The normal procurement processes were dispensed with on the basis that the procurement in question is regarded as an exceptional case where it is impractical to follow the normal procurement processes. These libraries have been established in these communities for a very long time and moving or relocating them might disadvantage the communities and will be costly.
Blend property group - Value: R 446 563
Redefine Properties Limited - Value: R 10 635 326
- JT Ross Property Services (Pty) Ltd**
The Health Department Region A offices are located at Unit 6, 7 and 8, Alphen Square North Randjespark, Midrand. The public has been using the premises to engage with the Department; hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
Value: R 2 705 042
- Universal Knowledge Software (UKS)**
The provision and support of the Library System and that of a new contract for the supply and maintenance of the Library System for a period of thirty six (36) months, starting on 01 February 2013.
Value: R 981 772
- LexisNexis**
In the past Group Central HR and Group Legal and Contracts solicited quotations from services that provide research engine licenses for law reports, cases, training etc., for HR related cases and ordinary cases. Three service providers Sabinet, Juta and LexisNexis submitted their products and were interviewed and presentations were held to determine which product best suits the requirements of CJMM. The product by LexisNexis proved to provide a reliable reference and research engine that can be used as a reference work. CJMM has been using the product by LexisNexis since then, hence the request to deviate from the normal procurement process and appoint LexisNexis to provide licenses and services to be used as a research engine for the CJMM
Value: R 2 019 106
- Liberty Life Properties (Pty) Ltd**
Economic Development is currently occupying Jorissen Place, and the contract expired.
R 12 010 522
- Axton Matrix Construction CC**
Tax clearance not submitted/No evidence that the municipal account statement was submitted
Value: R 1 093 036

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
55. IRREGULAR EXPENDITURE (continued)				
10. Vimtsiri Security and Protection Services				
Non Compliance with SCM regulation 28(1)(a)(ii) (Tenders not evaluated on preference point system)				
R 12 172 297				
11. KRB Law Firm (A466)				
Winning bidder's municipal accounts in arrears 90 days overdue Ramapala W L MJ46569.88 Issued on 02/05/2012, and Kunene 90 days overdue R5 204.26 02/04/2012				
Value: R 12 332 881				
12. Late Harvest Caterers and Events -Ratification: Reg. 36(1)(b)				
Authorisation for payment of Late Harvest Caterers and Events				
The Housing Department (Office of the MMC) requested catering for the launch of the allocation of units to the beneficiaries in Jabulani Extension 1 (Hostel) and Imbizo organized for 2000 people.				
The department followed the normal procurement process in terms of soliciting quotations from their panel (A473) but however their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.				
Value: R199 582.08				
13. Events Galore				
The Housing Department (Office of the MMC) requested catering for establishment of the steering committee in Princess plot and Thulamntwana the purpose of the event was to address the service delivery to avoid eruption of unrest as well as handing over projects to Ward Councillor and his team.				
The department followed the normal procurement process in terms of soliciting quotations from their panel (A473) but however their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.				
Value: R103 254.00				
14. Brandhead Strategic Marketing Communications				
The department followed the normal procurement process in terms of soliciting quotations from their panel (A471) but however their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.				
Value: R67 529.95				
15. Elphash Trading Enterprise				
The department followed the normal procurement process in terms of soliciting quotations but however their process was flawed in that they engaged the service provider outside contract 402/12 and without proper authorisation by the delegated authority for a threshold of R30 000 to R200 000, hence the ratification.				
Value: R23 721.12				
16. EMS Private Providers				
The Health Department request the approval of ratification of its actions for using services of EMS private providers while in process of appointing a contract for the EMS services for the 81 local government Primary Health Care (PHC) facilities. The EMS private ambulance service are used in the event of non-response by provincial ambulances in life threatening situations to prevent loss of life and avoid possible medico-legal implications for the Health facilities of the City of Johannesburg.				
Value R237 274.34				
17. Events Galore CC				
The department followed the normal procurement process in terms of soliciting quotations from their panel (A473) but however their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority and the threshold amount exceeded the delegation of the Group Head: Strategic Supply Chain Management and the report was referred to the EAC for approval, hence the ratification.				
Value: R295 223.42				

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

55. IRREGULAR EXPENDITURE (continued)

18. **Gourmet Food Services (Pty) Ltd**

The department followed the normal procurement process in terms of soliciting quotations from their panel (A473) but however their process was not completed as they did not comply with Practise Note 4 of 2011 (Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.

Value: R190 183.92

19. **Events Galore CC**

The department followed the normal procurement process in terms of soliciting quotations from their panel (A473) but however their process was not completed as they did not comply with Municipal Supply Chain Management Policy, in that they engaged the service provider without their report being signed and approved by the Central Adjudication Committee, hence the ratification.

Value: R1 230 367.58

20. **Seipelo Consulting Services, Mantshakala Catering and Mbedzi Events Management**

The Environmental And Infrastructure Services Section 79 Committee scheduled a Public Hearings for the Treated Effluent Draft By-Law in various regions on 14 March 2015 this event required catering and PA Systems. Quotations were sourced from suitably qualified service providers and while the department was still busy with the procurement process, they were advised that the Public Hearings were postponed (as per the decision made in the Programming Committee on 11 March 2015). On the day before the Public Hearings (13 March 2015), the department was advised that the public hearing were going through (as per the decision made by the By-Law Task Team on 12 March 2015) and that they should proceed with the procurement process. This left the department with no time to complete the procurement process, hence the ratification.
Seipelo Consulting Services

21. Mantshakala Catering

R29 200.00 (for catering)

22. Mbedzi Events Management

R29 000.00 (for catering)

-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

55. IRREGULAR EXPENDITURE (continued)

CJMM - 2014

1. Ratification of SCM processes Regarding the Appointment of Consultants, R 165,000

Reason

A request for quotations was placed on the board for a period of seven (7). Two service providers submitted quotations. The most suitable company with the lowest cost estimate, Media Tenor South Africa, was appointed to provide the media monitoring services for the amount of R165,000 (Excl VAT). A breach of practice of the SCM policy was incurred as the company selected by Group Head Communication & Tourism had not supplied rates and taxes for the directors and company and was not on the City's supplier database

2. Request to deviate from the Normal Procurement Processes to Re-Appoint Real Time Travel Connections (RTTC) to Host, Maintain and Support the Group Communications & Tourism's (Tourism) Websites and Travel Management Systems, R103,854

Reason

RTTS is the Sole Provider of Tourism and Travel Management System Website
Ratification of SCM processes regarding the Appointment of Catgraphics (Pty) Ltd from the Marketing Service Panel A459, R142,819

3. Ratification of SCM processes regarding the Appointment of Catgraphics (Pty) Ltd from the Marketing Service Panel A459, R142,819

Reason

An appointment of Catgraphics (Pty) Ltd was made in accordance with the City's Supply Chain Management policy and procedures as the supplier is on the approved panel. The purpose to request ratification is because of a minor breach as only 5 service providers were requested to submit quotations as opposed to all service providers on the panel.

4. Ratification of SCM processes regarding the Appointment of Zenone Production from the Marketing Services Panel A459, R40,453

Reason

An appointment of Zenone Productions was made in accordance with the City's Supply Chain Management policy and procedures as the supplier is on the approved panel. The purpose to request ratification is because of a minor breach as only 5 service providers were requested to submit quotations as opposed to all service providers on the panel.

5. Approval of payment of Mandisa Personnel for a Temporary Receptionist, R75,000

Reason

The department followed the normal procurement process in terms of advertising on the notice board for temporary Agencies to provide a resource for a period of three months. This was to facilitate that the position be advertised and filled within the period. However the position could not be filled and the department extended the contract without the service provider without authority.

6. Payment of Staffing Direct Training Academy for a Temporary Executive Secretary, R141,930

Reason

The Institutional Review has brought its own challenges, amongst others, transfer of the Executive Secretary to the Revenue Department. This movement crippled the office of the Group head to the extent that it became extremely difficult to complete some tasks and assignments on time and with good quality. Request to circulate the vacant position was sent to HR with an intention to fill with three months, the process took longer than expected and due to the complexity of the position, the department deemed it imperative to appoint a temporary Executive Secretary to assist in the office of the Group Head. In January 2013, however without following the normal procurement process.

7. Ratification of Actions of Officials from Budget Office for their failure to adhere to SCM Policy in engaging a Service Provider to Advertise for the Public Consultation process on the Proposed Tabled Tariffs for 2013/2014 without CAC Approval (Panel A459) , R378,743

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

55. IRREGULAR EXPENDITURE (continued)

Reason

The department solicited three quotations from the approved Panel A459, however proceeded to engage the service provider without following Practice Note 004/2011 with regards the utilisation of panels

8. Failure to comply with the Provisions of Supply Chain Management Policy and Approval of Payment of the Service Provider: Eletsanang Business Enterprise cc , R101,045

Reason

In the absence of a valid contract without and following the normal procurement process and in compliance to Occupational Health and Safety standards, Group Finance requested Eletsanang Business Enterprise cc was to continue to provide hygienic services from 01 February 2013 to 30 April 2013 at 28 Harrison (Technical Call Centre).

This service could not be discontinued as this was going to pose a health risk to call centre staff and management.

9. Failure to comply with the provisions of Supply Chain Management Policy and Approval of Payment of JMPD Uniform Embroidery, R395,826

Reason

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

However the quantity of uniform items to be embroid increased and such the price increased and the department continued to receive the services without obtaining proper authority for the increase in the contract price.

10. Ratification of GSPCR Officials for acting outside Delegated Authority in relation to the Quarterly Assurance of the 2013/2014 Institutional SDBIP, R50,726

Reason

The RFQ for the request for consultants to assist with the Institutional Services delivery and Budget Implementation Plan was solicited from the approved Panel A425 and only two service providers responded and Deloitte Consulting (Pty) Ltd was appointed.

Later on the extension of scope of work was done without obtaining the necessary approval and the additional work carried out by the service provider was authorised by GSPCR and was aimed at ensuring quality completion of the Institutional SDBIP, hence the ratification.

11. Extension of the Revenue Management Contract for Statement Printing and Distribution report for the City of Johannesburg: Contract C281/10, R4,100,000

Reason

The Revenue and Shared Services Centre (RSSC) is in the process of enhancing the distribution process and upgrading the Systems to ensure that the City improves the service delivery that will improve Revenue collection by adding MMS Statements as a going Green Campaign.

The current printing and posting Contract No. C281/10 with Mailtronics Direct Marketing cc as a service provider officially expired at the end of August 2013. Hence the request for extension for four months to facilitate the completion of the process for a new contract.

12. Extension of provision of GIS Enterprise License Agreement, Technical Support and Development for the City of Johannesburg, R5,000,000

Reason

The procurement for the new contract commenced in June 2013 and is to be replaced with contract 418/13, and due to delay in the procurement process it is envisaged that the new contract will only be awarded by mid December 2013.

Due to this there will be no GIS Enterprise Licence Agreement, technical support and development for the City in place if the current contract is not extended. for a period of approximately four (4) months to allow the conclusion of the tender process that is currently taking place to be concluded.

13. Ratification of Actions of Transport Rea Vaya in relation to Unauthorised Expenditure incurred for the provision of Financial Modelling and Advisory Service of Phase 1B, R793,921

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

55. IRREGULAR EXPENDITURE (continued)

Reason

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

The reason for the extension was due to fact that the Phase 1B negotiations were not finalised as well as the operational and business plans that were developed for Metrobus.

At the time when EAC approved the extension of BnP Capital contract, 20% of the budget was not spent. However after further investigation it was discovered that there were outstanding invoices which not submitted to the Department and resulted in unauthorised expenditure of R793,921, hence the ratification.

14. Authorisation for payment of suppliers appointed for repairs and maintenance outside the Panel 402/12, R167,530

Reason

Housing department has been sourcing three quotes from suppliers who are on COJ database for repairs and maintenance of Housing stock.

The regional officials only became aware of the existence of the panel when invoices were returned by Finance: Merchant Payment, informing 222 Smit finance officials that there is a panel for general repairs and maintenance. The invoices that were returned were for those of the contractors who were not in the panel of Contract 402/12, were the request for ratification of department has not used an established panel of service providers as approved by the City.

15. Payment of a Supplier BN Catering and Hospitality for Catering Services rendered for EMS, R27,000

Reason

The interview for fire-fighters position was held by the Human Resources division over a period of seventeen (17) days, due to the overwhelming response received for the advertisement.

Three (3) catering companies were telephonically contacted and only one (1) company BN Catering and Hospitality responded. The user department solicited the quotations telephonically and could not provide proof that they have solicited three quotations. The process followed was inadequate, hence the request for the ratification

16. Payment of a supplier Gourmet Food Services (Pty) Ltd for Catering rendered at EMS, R132,981

Reason

The quotations were solicited from the service provider in Contract A473: Panel of Service Providers for the Event Management Services for the City of Johannesburg. Out of twelve (12) service providers that were contacted telephonically only seven (7) responded.

The service provider scored the highest number of points and was awarded the quotation. EMS failed to ensure that the full Supply Chain Management process (That the submission be signed by the delegated authority) was followed and continued to engage the service provider without the necessary approval.

17. Payment of LexisNexis (IR Network Solution) as Sole Service Provider, R2,202,043

Reason

In the past Group Central HR and Group Legal and Contracts solicited quotations from services that provide research engine licenses for law reports, cases, training etc, for HR related cases and ordinary cases.

Three service providers Sabinet, Juta and LexisNexis submitted their products and were interviewed and presentations were held to determine which product best suits the requirements of the City.

The product by LexisNexis proved to provide a reliable reference and research engine that can be used as a reference work.

The City has been using the product by LexisNexis since then, hence the request to deviate from the normal procurement process and appoint LexisNexis to provide licenses and services to be used as a research engine for the City.

18. Deviation Report to Rescind the First Appointment of the Design Engineer in Terms of Contract A396 for the Design, Supply and Installation of Pedestrian Bridge at KYA Sands Informal Settlement and make new Appointment for same, R2,046,991

Reason

Extension of scope of work and value for Kya Sands Pedestrian Bridge from 30m to 69.9m to avoid having to apply for water license of which the approval of the license could take between 18 to 60 months to be granted.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
55. IRREGULAR EXPENDITURE (continued)				
19. Extension of Lease to Accommodate the Department of Economic Development at Jorissen Place, Braamfontein, Estimated amount of R7,7000.000				
Reason				
Economic Development is currently occupying Jorissen Place, and the contract expired. The department is currently residing in the same building and awaiting the Kine Centre Building Lease Agreement with Medical Empowerment Consortium (Pty) Ltd				
20. Regularisation of Service Agreement entered into with PanSolutions Pty, R41,945 & R33,754				
Reason				
During the 2012/13 financial year, the City instituted Institutional and Policy Programme changes that resulted in the Region performing increased functions of liaising and engaging with citizens through meeting and stakeholder forums. Also the Region has to embark on education and awareness campaigns as part of engaged citizenry trajectory. This in turn resulted in an increased need to duplicate copies of documents to be made available to citizens during public meetings. Hence the Ratification				
21. Payment of the Service Provider, R25,800				
Reason				
The service provider (Cardinal Stationers) that was initially awarded the translation services advised the City a day before the Council meeting that they were unable to provide the translation services. The department approached Village Exhibitions and Events to provide the translation and interpretation services as there was not enough time to follow the normal procurement process. Hence the ratification				
22. Payment of the service provider, R46,349 & R68,433				
Reason				
The department solicited three quotation from the panel of Recruitment Agencies, due to the delays in the approval of the department's organisational structure that resulted in the services and extension of contracts for a temporary Receptionist, Admin Officer and Personal Assistant to the Executive Director: Group Assurance Services, the department had to extend the contract of the temporary staff services with NT Ngidi.				
23. Ratification of the Actions of Group Human Capital Management in Relation to the over Expenditure on CEEF Breakaway R 5 738				
Reason				
The initial quotation for the CEEF Breakaway was R90,819. The Group Executive Director: Corporate Shared Services, later requested management representatives from different departments, be invited to attend the workshop. This, together with providing lunch for Guest Speakers and special dietary requirements for some of the attendees, resulted in an additional amount of R5,738 (VAT inclusive) being incurred, it was impractical at that stage and time to request new quotations for the additional requirement.				
24. Ratification of Actions of JMPD to pay Urban Brew for services rendered, R42 675				
Reason				
After hiring mobile toilets during Dec 2013 and Jan 2014 from Urban Brew for the Inner City Clean-up Project Hillbrow, an executive decision was taken to continue with the project. However, this resulted in the mobile toilets being retained for the month of Feb 2014, and we were only notified on the 03 February 2014 therefore it became impracticable and impossible to follow the normal procurement processes which then resulted in a deviation and thereafter ratification by the EAC.				
25. Appointment of a Service Provider to produce Squeeze and Stings Advertising Material for Joburg Open 2014, R103 254				
Reason				
The department followed the normal procurement process in terms of soliciting quotations from their panel (A474) but however their process was not completed as they did not comply with Practise Note 4 of 2011 (Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a				

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

55. IRREGULAR EXPENDITURE (continued)

threshold of R30 000 to R200 000 hence the ratification.

26. Extension of Joburg Tourism Rental Lease Agreement, R140 000

Reason

The Johannesburg Tourism Company (JTC) has been operating its head office at Ground Floor, Grosvenor Corner, Parktown North since its inception in 2005. Due to the incorporation of JTC to Group Communication and Tourism Department (GC&T), the rental agreement for the current lease expires at end May 2014. GC&T is currently finalising new Tourism office space with Joburg Property Company (JPC) at the Sandton Library (owned by the City of Johannesburg) Nelson Mandela Square. The process has not yet been finalised and is awaiting final signatures before a competitive bidding processes can proceed in order to undertake the necessary renovations required for tourism and for the relocation. Hence the deviation.

27. Failure to obtain the necessary Approval for Quotations sourced from Panel A471 to Secure Exhibition and Advertising Space at the International Tourism Bourse (ITB 2014), R124 993

Reason

The department followed the normal procurement process in terms of soliciting quotations from their panel (A471) but however their process was not completed as they did not comply with Practise Note 4 of 2011 (Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.

28. Professional Service Providers to Embark on the Consolidation, Subdivisions and Rezoning of the Existing Industrial Township of Rand Leases Extension 5 to a Residential Township, R641 256 & R363096

56. IN-KIND DONATIONS AND ASSISTANCE

The department of Environment and Infrastructure has received the following

To attend the International Symposium on Energy from biomass and Waste conference - R13 662 (AIR TICKET WAS SPONSORED)

To represent the City as participant at the C40 Climate Change Risk Assessment network works shop in Rio de Janeiro, Brazil 10-13 November 2014 - R18 207

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
57. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
Contributions to organised local government				
Council subscriptions	10 500	10 264	10 500	10 264
Amount paid - current year	(10 500)	(10 264)	(10 500)	(10 264)
	-	-	-	-
Audit fees				
Opening balance	4 528	2 699	1 912	1 639
Current year audit fee	49 202	43 007	21 333	20 639
Amount paid - current year	(50 537)	(36 814)	(20 954)	(20 366)
Amount paid - previous years	(333)	(4 364)	-	-
	2 860	4 528	2 291	1 912
PAYE and UIF				
Opening balance	75 354	64 403	61 294	56 104
Current year payroll deductions	1 218 367	963 566	788 003	723 929
Amount paid - current year	(1 136 273)	(888 212)	(722 241)	(662 635)
Amount paid - previous years	(70 455)	(64 403)	(61 294)	(56 104)
	86 993	75 354	65 762	61 294
Pension and Medical Aid Deductions				
Opening balance	107 135	99 751	106 706	99 751
Current year payroll deductions and council contributions	2 061 675	1 774 982	1 592 691	1 358 500
Amount paid - current year	(1 977 070)	(1 563 348)	(1 521 962)	(1 251 794)
Amount paid - previous years	(120 572)	(204 250)	(106 706)	(99 751)
	71 168	107 135	70 729	106 706

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2015	Outstanding less than 90 days Rands	Outstanding more than 90 days Rands	Total R
D Dewes	26 537	374 940	401 477
P Zitha	597	42 843	43 440
S Radebe	7 562	38 421	45 983
D JANE	7 946	20 407	28 353
F ABDULLAH	948	19 767	20 715
C RADEBE	2 470	16 616	19 086
D NETNOW	39 270	14 834	54 104
A MBINGELELI	907	14 385	15 292
P LEKGETHO	1 827	11 959	13 786
MATHEBULA & GWALA	635	11 616	12 251
A PUTSOA	1 566	8 125	9 691
P DYODO	987	5 502	6 489
M MALULEKE	1 268	5 430	6 698
	92 520	584 845	677 365

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

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

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2014. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

58. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

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

GROUP

Johannesburg City Parks NPC

1. Purchase order number REQ17749 for procurement of Website changes was made to Studio 63 for the amount of R16 500 as the Service Provider was being utilised by Johannesburg ZOO when the merger took place and therefore they had to continue to render the service as this was part of the SLA between Johannesburg ZOO and Studio 63.
2. Purchase order number REQ17625 for procurement of Tweet technology at Joburg ZOO was made to Candice Hellens for the amount of R13 158 as they are the sole provider of the service.
3. Purchase order number REQ18477 for procurement of frogs was made to WCB Imports for the amount of R111 189 as this is procurement of animals in terms of Section 36 (1) of the SCM regulations.
4. Purchase order number REQ18397 for procurement of tigers was made to Lory Park Zoo for the amount of R90 000 as this is procurement of animals in terms of Section 36 (1) of the SCM regulations.
5. Purchase order number REQ18293 for procurement of tigers was made to Wild Life Assignment International for the amount of R72 950 as this is procurement of animals in terms of Section 36 (1) of the SCM regulations.
6. Purchase order number REQ18561 for procurement of Cheetah was made to Chazen for the amount of R140 000 as the preferred supplier for the required service.
7. Purchase order number REQ18940 for procurement of the organisational structure review was made to Vortex Strategic Alignment for the amount of R107 800 as this was an emergency.
8. Purchase order number REQ18771 for procurement of Additional Catering was made to Gourmet Food Services for the amount of R 24 396 as original PO was for a total amount of R29 548 Excl. Vat but on the day the event the number of attendees exceeded and an additional amount of R24 396 was to paid.
9. Purchase order number REQ22396 for procurement of Wild African Dogs was made to Bester Birds and Animals for the amount of R42 000 as the preferred supplier for the required service.
10. Purchase order number REQ22002 for procurement of Male Cheeter was made to Jacobs Safaris for the amount of R114 000 as the preferred supplier for the required service.
11. Purchase order number REQ22773 for procurement of Female Cheetah was made to Jacobs Safaris for the amount of R150 000 as the preferred supplier for the required service.
12. Purchase order number REQ22829 for procurement of 702 Walk the Talk was made to Primedia/702 for the amount of R20 750 as they are sole provider for the required service.
13. Purchase order number REQ23060 for procurement of Birds was made to Bester Birds and Animals for the amount of R32 000 as the preferred supplier for the required service.
14. Purchase order number REQ23227 for procurement of White Pelicads was made to Bester Birds and Animals for the amount of R72 000 as the preferred supplier for the required service.
15. Purchase order number REQ23061 for procurement of Sable was made to Sable for the amount of R120 000 as the preferred supplier for the required service.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

58. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

16. Purchase order number REQ23577 for procurement of Impala was made to Sable for the amount of R7 500 as the preferred supplier for the required service.

Joburg Market SOC Limited

1. Sole supplier deviations
Value :R34 089
2. Extension of contracts
Value : R1 632 965
3. During the year under review the Board became aware of procurement irregularities. This necessitated investigations, which resulted in the appointment of forensic investigators and legal counsel.
Value: R6 548 224
4. Avoidable deviations
R297 300

Johannesburg Social Housing Company SOC Limited

1. Delta - Link 12 659 -
2. Stanford M Electrical 106 422 -
3. Akula Trading 211 210 972 526 -
4. Pitney Bowes S.A 5 408 -
5. CEO Global 6 500 -
6. Greg & Vermaak Attorneys 50 981 -
7. South African Housing Foundation 57 000 -
8. Otis Elevators 103 000 -
9. CGF Research 40 000 -
10. Cambridge Energy Efficiency Solution 1 572 447 -
11. Detalink Consulting 6 726 -
12. Calgro M3 (PTY) Ltd 26 570 718 -
13. Reabusa Construction And Suppliers 62 608 -
14. ETHIQS 259 319 -
15. Munyai Malaka 3 677 143 -
16. Work in Development 26 298 213 -
17. SIRAC Gauteng & North Region 112 860 -
18. Marcus Evans SA LTD 18 474 -
19. Government Printing Works 2 465 -
20. Dailtron 6 213 -

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

58. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

21. Nyoni Projects 2 941 398 -
22. Thembakele Consulting 468 534 -
23. MMQS 160 611 -
24. Motheo 2 461 105 -
25. Joe Malherbe Attorneys 189 074 -
26. Ezzy property Maintenance & Security 51 289 -
27. Lightyway Skylights 391 432 -
28. Stanford M Electrical 106 422 -

Johannesburg Roads Agency SOC Limited

1. AECOM SA - Professional Services for the M1 Double Decker Viaduct in Johannesburg
R 119 708 -
2. ARQ CONSULTING Engineers - Professional Services for the M1 Double Decker Viaduct in Johannesburg
R 100 161 -
3. Thembakele Consulting Engineers - Professional Services for the Design & Construction monitoring of stormwater management system at David Street, Olivedale
R 767 495 -
4. SNA Civil Structural Engineers - Professional Services for Urgent repair work on the M1 Double Decker Bridge
R 7 881 500 -
5. Otis Pty Ltd - The Upgrade of basement Elevator at JRA Head office
R 1 124 000
6. Egoli Gas - Bulk Gas Supply to the Asphalt Plant
R 550 741
7. Gillcels Construction & Projects cc - Repairs to a Burst Pipe at the Laboratory – Main Ablution Facilities
R4 200
8. Madisha and Associates cc - Emergency Appointment of Stormwater Project in Auckland Park Country Club, Culvert
R 825 203
9. Madisha and Associates cc - Emergency Appointment Stormwater Project in Auckland Park, BRT Wall
R 825 203
10. Lettam Building & Civils cc - Emergency Appointment – Remedial Interventions at Erven 98 & Rooiels Road, Sharonlea Extension 1
R 200 000
11. Molemo Consulting Engineers - Emergency Appointment – Stormwater Project in Surrey Road, Ferndale
R 959 955
12. Molemo Consulting Engineers - Emergency Appointment – Stormwater Project in Grosvenor Road, Bryanston
R 851 955
13. SAP - (Sole supplier - New accounting software)
R 17 414 232
14. Rodecon Engineering - Sole Supplier - Calibration of weighbridges at Asphalt Plant
R 148 392
15. AHI Carries SA - Emergency Appointment - Repairs of air-condition systems at JRA Head Office
R 10 436
16. Bizstrat Intelligent Business - Sole Supplier - Sole provider for the 5th Business continuity management disaster recovery and risk management conference
R 20 497
17. Document Warehouse - Sole Supplier - Storage facilities for JRA documents
R 411 064
18. Moodie & Robertson
R 50 0006

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

58. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

Pikitup Johannesburg SOC Limited

1. There were Supply chain management deviations during the year under review resulting from various services procured within the entity amounting to R101 350 322.

City Power Johannesburg SOC Limited

1. Emergency maintenance on Data centre and Disaster recovery Site R87 000.
2. Emergency procurement of a network core switch R3 200 000.
3. Emergency replacement of CT's at Multichoice R100 000.
4. Emergency repairs to restore supply at Ponorama sws R62 920.
5. Emergency procurement for transformer replacement services R381 544.
6. Emergency procurement of material for the installation of new meters R24 845 828.
7. Emergency repairs to 11kv feeder board for the recommissioned standby transformer R500 000.
8. Emergency repairs to restore Data Centre Firewall R105 923.
21. Emergency repairs to ABB panel which caused the shutdown of incomer number 3 board R261 679.
22. Emergency repairs to Roosevelt Park substation R283 575

Johannesburg Development Agency SOC Limited

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

58. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

- Design, manufacture and erection of a monumental bronze statue of the late former President Nelson Mandela for the City of Ramallah in Palestine.**
 The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(v) for the appointment of a service provider to design, manufacture and erect a monumental bronze statue of former President Nelson Mandela for the City of Ramallah in Palestine. The deviation was to shorten the tender advertising period from 14 days to 7 days. The reason for shortening the tender advertising period was due to the stringent time frames to deliver the project.
Koketso Growth (Pty)Ltd R5 974 551
- Appointment of a contractor for the construction of the Inner City Commuter Links Phases 5 and 6**
 The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(v) for the appointment of a contractor for the construction of the Inner City Commuter Links Phases 5 and 6. The deviation was to shorten the tender advertising period from 30 days to 21 days. The tender was initially advertised publicly for 30 days however all submissions were found to be non-compliant by the Bid Evaluation Committee. The tender was then readvertised and due to the stringent timeframes the tender advertising period was shortened.
GVK Siya Zama (Pty) Ltd R 126 095 085
- Emergency repairs to burst geyser in tenant's office space at the Bus Factory**
 The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(i) for the appointment of a service provider to undertake repairs to a burst geyser. The deviation was to request a quotation from one service provider instead of three quotations from three service providers in the JDA database. This was done to minimise further damage to property and goods as a result of the burst geyser.
MBP Earthworks R9340
- Appointment of service provider for Community Liaison services in Alexandra**
 The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(v) for the appointment of a service provider to manage Community Liaison Officers (CLOs) based in Alexandra. Since the beginning of the Alexandra Renewal Programme in 2001 the project has had the services of a group of CLOs. These CLO's were appointed by the Gauteng Department of Human Settlements through an independent service provider. The contract between the Gauteng Department of Human Settlements and the service provider came to an end on 31 March 2015. Replacing the group of CLOs through an open tender process would pose a serious threat to the delivery of projects in Alexandra. The deviation from normal supply chain processes was to enter into direct negotiations with the Cooperative formed by the CLOs with a view of appointing them to provide community liaison services for the Alexandra Renewal Programme.
Ditlodi Community Development Co-operative R968 604

Johannesburg Water SOC Limited

- Emergencies was procured via negotiations at bid committees R9,441,000 while those procured via written price quotations amounted to R10,505,000.
Total R 19,946,000.
- Sole suppliers: procured via negotiations at bid committees R49,456,000, while those procured via written price quotations amounted to R 1,748,000.
Total R 51,204,000.
- Impracticality represents exceptional cases where it was impractical or impossible to follow the official procurement process, procured via negotiations at bid committees R70,829,000, while those procured via written price quotations amounted to R50,697,000.
Total R 121,526,000.

Joburg Theatre SOC Limited

- Special Work of Art: Services and goods were procured during the financial year which are a special works of art
Total R 6,721,458

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

58. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

2. Emergency procurement of good and services
Total R 18,842
3. Procurement of goods and services under exceptional cases
Total R 573,202
4. Procurement of goods and services from a sole supplier
Total R 619,601

Johannesburg Metrobus Company (Pty) Ltd

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

Johannesburg Property Company

1. Contracted Cleaning - Contracts extended to allow for finalisation the tender process
Total R 1,817,650.
2. Operating lease rentals - Lease extended to finalise the Office Space Optimisation programme
Total R97,333,056
3. Other expenditures - Contracts extended to allow for finalisation the tender process
Total R 6,472,802
4. Sole Suppliers - procurement of goods and services from a sole supplier
Total R2,423,124.

CJMM

1. Extension of Joburg Tourism Rental Lease Agreement.

Reason

The Johannesburg Tourism Company (JTC) has been operating its head office at Ground Floor, Grosvenor Corner, Parktown North since its inception in 2005. Due to the incorporation of JTC to Group Communication and Tourism Department (GC&T), the rental agreement for the current lease expires at end May 2014. GC&T is currently finalising new Tourism office space with Joburg Property Company (JPC) at the Sandton Library (owned by the City of Johannesburg) Nelson Mandela Square. The process has not yet been finalised and is awaiting finalisation a competitive bidding processes for the necessary renovations required for tourism and for the relocation. Hence then deviationn.

Value: R397 125

2. Software Support for the Heritage Asset Management Software by the Sole Provider.

Reason

Glomas Africa, is the only company licenced to support the STAR system in South Africa.

Value: R505 644

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

58. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

3. Housing Department

Request for Approval to Purchase Approved Detailed Designs and Bill of Quantities from AS Nonyane Consortium for Driziek Extension 3 & 5.

Reason.

AS Nonyane Consortium were appointed as the lead consultant by CoJ Housing Department on 15th January 2012 to provide project management services for the Mayibuye Programme for Driziek Ext 3 & 5. The appointment of AS Nonyane Consortium was conducted through the competitive bidding process and it should be noted that the award was done prior promulgation of the SCM Policy Section 111 of the MFM Act 56 of 2003 and Supply Chain Management Regulations.

After completing activities on 26th July 2002, AS Nonyane Consortium were instructed to facilitate the construction of internal services i.e water and sewer, roads and stormwater to Driziek Ext 3 & 5, later were instructed to proceed with the procurement of contractors to construct the services. Subsequent to detailed design approval by JRA in 2004, construction of tarred roads and stormwater was delayed due to budget constraints. And changes of design standards introduced by JRA had a negative effect on time and cost for implementing this project.⁷

Value: DRIZIEK EXTENSION 3 R4 963 716 and DRIZIEK EXTENSION 5 R4 963 716

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

58. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

4. City Manager's office (Ombudsman's office)

Purchase of Antique Furniture pieces

Reason

Purchase of Antique furniture per regulation 36(1)(a)(iii)

Value: R140 799

5. GROUP CSS: GICT

Setting up of ICT infrastructure for the New office of the Ombudsman and its Business Operations

Reason

Due to the requirement to set up the office of the Ombudsman prior to establishing its formal procurement office. Due to the short time required to establish the Ombudsman Office it became impractical to follow procurement process

Value: Dimension Data R4 473 321 , EOH R887 479 and Yeo Technologies R887 479

6. Housing Department

Extension of Proposal A456: Panel of Service Providers for the Relocation of Families within the City of Johannesburg Municipality

Reason

The Housing Departments requests the extension of Proposal A456: Panel of Service Provides for the Relocation of Families within the City of Johannesburg, which has exhausted the approved amount of R10 million VAT inclusive within the period of twenty four (24) months instead of the approved thirty six (36) months.

The extension should be for a period of five (5) months and not exceeding R5 million VAT inclusive, in order to allow the Housing Department to follow procurement processes for a new panel of service providers.

Value: R5 000 000

7. Housing Department

Appointment of Valumax Northern Farms (Pty) Ltd Turnkey Developer as Implementing Agent of the remainder of Portion 1 Land Description) and Incorporation of the Remainder of Portion 1 as part of Diepsloot 388 JR Riverside Extension 28 Integrated Housing Development

Reason

The Housing Departments requests the authorisation of the EAC to incorporate the Remainder of Portion 1 of the Farm Diepsloot 388 with Riverside View Extension 28 which was approved by EAC in line with Mayoral approval report presented by JPC and also to appoint Valumax Northern Farm (Pty) Ltd to be turnkey developer for Riverside View Extension 28 and Remainder of Portion 1

Value: R294 780 000

8. Housing Department

Payment of the Service Provider

Reason

The Housing Departments requests the extension of the management contract held by MES of Linatex Building

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

58. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

and Ekuthuleni for emergencies and temporal accommodation for people who are either evicted or without accommodation within the Innercity.

The extension should be for a period of six (6) months and not exceeding R777 000 excluding VAT and operational charges such as municipal services.

Value:R777000

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

59. HEDGING ACTIVITIES

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for a 11.66% fixed interest rate.

Swap Details

Trade Date :	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1,000 (million)
Fixed Rate:	11.66%
Payable:	Semi- annual

Given that the effectiveness of the cash flow hedge is 165.78 percent which is not within the 80-125 percent effectiveness range, the hedge no longer meets the criteria for hedge accounting in IAS 39.88. Given the ineffectiveness of the cash flow hedge in the current period, the COJ will discontinue with hedge accounting. Thus the reserve of R 37,720,743 shall be reclassified from equity to profit or loss when the forecast transaction occurs. During the current financial year R 18,150,931 of the reserve was reclassified to profit/loss.

The hedge effectiveness was assessed using the following method:

- Dollar - Offset Method 118,51%

CASH FLOW RESERVE

Opening Balance	37 721	54 928	37 721	54 928
Fair value movement - SWAP	(18 151)	(17 207)	(18 151)	(17 207)
	19 570	37 721	19 570	37 721
Interest expense recognised in the statement of financial performance during the financial period	37 381	34 205	37 381	34 205

Additional text

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

60. RELATED PARTIES

Relationships

CORE

Other members of the group

The City of Johannesburg Metropolitan Municipality
 City of Johannesburg Metropolitan Municipality
 Johannesburg City Parks NPC
 Johannesburg Metropolitan Bus Services (SOC) Ltd
 Johannesburg Social Housing Company (SOC) Ltd
 City Power Johannesburg (SOC) Ltd
 Johannesburg Development Agency (SOC) Ltd
 Johannesburg Roads Agency (SOC) Ltd
 Johannesburg Water (SOC) Ltd
 The Johannesburg Civic Theatre (SOC) Ltd
 The Johannesburg Fresh Produce Market (SOC) Ltd
 Pikitup Johannesburg (SOC) Ltd
 City of Johannesburg Property Company (SOC) Ltd
 Golden Triangle Development Company (Pty) Ltd
 Joshco Madulamoho Joint Venture (JMJV)

Related party balances

Amounts included in Loans,

Trade and other receivables regarding related parties

City Power Johannesburg (SOC) Ltd	2 101 292	2 706 007
City of Johannesburg Property Company (SOC) Ltd	241 615	414 101
Johannesburg City Parks NPC	4 958	69 445
Johannesburg Development Agency (SOC) Ltd	877 029	11 503
Johannesburg Metropolitan Bus Services (SOC) Ltd	399 775	242 558
Johannesburg Roads Agency (SOC) Ltd	322 761	208 006
Johannesburg Social Housing Company (SOC) Ltd	16 435	36 586
Johannesburg Water (SOC) Ltd	4 368 275	3 921 665
Pikitup Johannesburg (SOC) Ltd	939 502	1 130 326
The Johannesburg Civic Theatre (SOC) Ltd	3 220	2 550
The Johannesburg Fresh Produce Market (SOC) Ltd	111 427	153 968
	9 386 289	8 896 715

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
60. RELATED PARTIES (continued)				
Amounts included in Loans,				
Trade and other payables regarding related parties				
City Power Johannesburg (SOC) Ltd			3 806 520	2 704 046
City of Johannesburg Property Company (SOC) Ltd			374 100	393 954
Johannesburg City Parks NPC			159 774	533 864
Johannesburg Development Agency (SOC) Ltd			194 346	493 165
Johannesburg Metropolitan Bus Services (SOC) Ltd			30 112	32 233
Johannesburg Roads Agency (SOC) Ltd			313 242	557 449
Johannesburg Social Housing Company (SOC) Ltd			246 214	141 786
Johannesburg Water (SOC) Ltd			645 027	688 680
Pikitup Johannesburg (SOC) Ltd			879 468	912 256
The Johannesburg Civic Theatre (SOC) Ltd			7 186	6 046
The Johannesburg Fresh Produce Market (SOC) Ltd			40 545	94 463
			6 696 534	6 557 942
Related party transactions				
Revenue from related parties				
City Power Johannesburg (SOC) Ltd			90 904	437 454
City of Johannesburg Property Company (SOC) Ltd			777 921	4 575
Johannesburg City Parks NPC			-	11 052
Johannesburg Development Agency (SOC) Ltd			26 855	1 466
Johannesburg Metropolitan Bus Services (SOC) Ltd			49 657	21 517
Johannesburg Roads Agency (SOC) Ltd			599 869	11 917
Johannesburg Social Housing Company (SOC) Ltd			2 637	-
Johannesburg Water (SOC) Ltd			576 851	565 205
Pikitup Johannesburg (SOC) Ltd			30 353	60 096
The Johannesburg Civic Theatre (SOC) Ltd			8 792	6 854
The Johannesburg Fresh Produce Market (SOC) Ltd			65 474	17 710
			2 229 313	1 137 846
Operating Expenditure				
City Power Johannesburg (SOC) Ltd			450 699	178 067
City of Johannesburg Property Company (SOC) Ltd			7 005	282 970
Johannesburg City Parks NPC			672 948	585 177
Johannesburg Development Agency (SOC) Ltd			9 027	27 380
Johannesburg Metropolitan Bus Services (SOC) Ltd			403 775	1 346
Johannesburg Roads Agency (SOC) Ltd			29 221	660 483
Johannesburg Social Housing Company (SOC) Ltd			19 970	1 761
Johannesburg Water (SOC) Ltd			1 256	12 531
Pikitup Johannesburg (SOC) Ltd			30 353	583 788
The Johannesburg Civic Theatre (SOC) Ltd			70 544	63 913
The Johannesburg Fresh Produce Market (SOC) Ltd			16 729	14 119
			1 711 527	2 411 535

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

61. CHANGE IN ESTIMATE

Allowance for debt impairment of consumer debtors

Management utilises judgement in evaluating credit risk related to customers. Judgement is based on various factors including, but not limited to, historical information available for different categories of consumer debtors.

Evidence of impairment may include indications that the debtors or group of debtors is experiencing significant financial difficulty, default of delinquency in interest or principal payments.

Management has revised its estimates on impairment of water consumer debtors:

62. SINKING FUND

The following table indicates the value of the sinking fund disclosed as other financial assets at fair value note 11 and other financial liabilities at fair value note 30.

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

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

Sinking Fund - Maturity - 05.06.2023

	GROUP	
Cash and Cash Equivalents	401 982	14 234
Current Assets at Fair Value	3 788 897	2 483 152
Non-Current Assets at Fair Value	4 588 635	2 245 558
Total Assets	8 779 514	4 742 944
Current Liabilities at Fair Value	(137 929)	(1 081 897)
Non-Current Liabilities at Fair Value	(4 881 892)	(413 553)
Total Value of Fund	3 759 693	3 247 494

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014
63. TAXATION				
Major components of the tax expense				
Current				
Local income tax - current period	26 992	30 649	-	-
Adjustment for over/under provision of prior year	(10 415)	365 843	-	-
	16 577	396 492	-	-
Deferred				
Originating and reversing temporary differences	273 524	(3 984)	-	-
Other deferred tax	(11 926)	(1 260)	-	-
	261 598	(5 244)	-	-
	278 175	391 248	-	-
Reconciliation of the tax expense				
Reconciliation between accounting surplus and tax expense.				
Accounting surplus	4 404 197	4 433 658	2 233 653	2 060 964
Tax at the applicable tax rate of 28% (2014: 28%)	1 230 285	1 428 505	624 460	575 347
Tax effect of adjustments on taxable income				
Exempt amount	(893 591)	(781 237)	(624 460)	(575 347)
Non taxable Income	186	(57 392)	-	-
Non- deductible expenditure	1 011	9 795	-	-
Under/ Over provision of prior years	(10 330)	9	-	-
tax effect of timing differences	(49 386)	(208 432)	-	-
	278 175	391 248	-	-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2015	2014	2015	2014

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

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

Name of the person (Service of the State)	Capacity	Name of the person/company award	Name of company	Amount in Rands
Sophie Novella Kotsedi	Perm Cashier (Community Development)	Johannes Pompom Kotsedi	Kited Medical CC	573 557
Fikile Dikolomela	Perm (Professional Nurse)	Emmanuel Tefo Lengene	Tefo Efithlile Trading	35 300
Vulani Nonchalant Maeko	Perm (Admin Assistant Stores)	Tshepo Joseph	Maeko Property Developments	623 754
Dr Matthews N Phosa	MEC Economic Development, Environment & Tourism in Mpumalanga Province	Ms Yvonne P Phosa	SMEC South Africa (Pty) Ltd	5 977 626