



Joburg

CITY OF JOHANNESBURG
METROPOLITAN MUNICIPALITY

GROUP FINANCIAL
STATEMENTS

for the year ended 30 June 2005



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ABBREVIATIONS	
CJMM	City of Johannesburg Metropolitan Municipality
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
IMFO	Institute of Municipal Finance Officers
MIG	Municipal Infrastructure Grant (previously CMIP)
UACs	Utilities, Agencies and Corporatised Entities

GENERAL INFORMATION

MAYORAL COMMITTEE

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

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

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

BANKERS ABSA Bank Limited

CITY MANAGER Pascal Moloji

**ACTING EXECUTIVE DIRECTOR:
FINANCE AND ECONOMIC DEVELOPMENT** Mankodi Moitse

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CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY

GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

I am responsible for the preparation of these annual financial statements, which are set out on pages 27 – 101, in terms of Section 126 (1) of the Municipal Finance Management Act, and which I have signed on behalf of the Municipality.

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

3 March 2006

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Pascal Moloi
City Manager

REVIEW OF GROUP OPERATING RESULTS

GROWTH AND VARIANCE ANALYSIS

Group statement of financial performance for the year ended 30 June 2005

	2004	2005	2005	2005	2004 to 2005	Proportion of total		Notes	
	Actual R000	Actual R000	Budget R000	Budget Variance	Growth	2004	2005	Variance	Growth
Revenue									
Property rates	2 416 541	2 698 218	2 695 183	0%	12%	21%	21%		N1
Services charges	5 730 533	6 333 985	6 257 519	1%	11%	51%	48%		N4
RSC levies	1 321 700	1 508 899	1 510 484	0%	14%	12%	11%		N5
Government grants and subsidies	565 501	1 045 638	964 831	8%	85%	5%	8%		N6
Interest earned	368 059	353 767	200 124	77%	-4%	3%	3%	N2	
Other	919 759	1 208 904	975 373	24%	31%	8%	9%	N3	N3
	11 322 093	13 149 411	12 603 514	4%	16%	100%	100%		
Expenses									
Employee related costs	3 132 998	3 038 816	3 265 689	7%	-3%	28%	26%	N7	
Bad debts	691 476	923 377	973 030	5%	34%	6%	8%		N8
Depreciation	790 958	828 396	916 137	10%	5%	7%	7%		
Interest on external borrowings	521 655	620 991	614 522	-1%	19%	5%	5%		N9
Bulk purchases	3 116 616	3 258 627	3 361 209	3%	5%	28%	27%		
Other	2 822 183	3 198 912	3 274 895	2%	13%	25%	27%		
	11 075 886	11 869 119	12 405 482	4%	7%	100%	100%		
Surplus before fair value adjustment	246 207	1 280 292	198 032						
Net fair value adjustment on derivative instrument	130 338	(46 430)							
Surplus before taxation	376 545	1 233 862	198 032						
Taxation	39 255	109 935	37 295						
Surplus after taxation	337 290	1 123 927	160 737						

REVIEW OF GROUP OPERATING RESULTS

NOTES TO GROWTH AND VARIANCE ANALYSIS

Variations (actual vs budget 2005)

- N2 The budget for interest income was conservative, and did not fully anticipate the improvement in overall cash position.
- N3 Acquisition of shares and loan account to the approximate value of R110m in Metropolitan Trading Company Pty (Ltd) from Blue IQ Pty (Ltd) for a nominal sum. Write-back of creditor balances older than three years in consumer debtors . Public contributions are not budgeted as they are difficult to determine in advance. These amounted to R197m in the current year.
- N7 Full amount of staff budget for Emergency Management Services was not spent as a result of the training period, during which recruits received lower remuneration than was budgeted. Excess staff from the Core Council were migrated to the UAC's for Billing purposes which removed the necessity for the filling vacancies in Water and Power.

Growth (actual 2004 to actual 2005)

- N1 Tariff increase of 8.5%, and new property development increased the base.
- N3 Acquisition of shares held by Blue IQ Pty (Ltd) in Metropolitan Trading Company Pty (Ltd) and the write-off of creditor balances older than three years in debtors
- N4 Johannesburg Water Pty (Ltd)'s service charges increased by 14,3% (9% tariff increase, and 5,3% attributable to economic growth and the data clean-up exercise). City Power Johannesburg Pty (Ltd)'s service charges increased by 12,8% (5,4% tariff increase, and 7,4% attributable to economic growth and the data clean-up exercise).
- N5 Economic growth and a data cleanup exercise has led to growth
- N6 Housing "top structures" was re-classified from the statement of financial position to operating budget in the current year. In the current year this amounts to R233m. In addition, the Equitable Share Grant from Government was increased in the current year.
- N8 A one-off adjustment in the previous year to bad debts to comply with the refined bad-debts policy implemented in that year.
- N9 Bonds issued in the current year, and late in the prior year

REVIEW OF GROUP OPERATING RESULTS

Statement of financial position at 30 June 2005

	2005 R000	2004 R000	Growth	Notes
Net assets and liabilities				
Net assets	7,586,008	1,957,667	288%	1
Non current liabilities	6,666,114	6,899,905	-3%	
Current liabilities	5,108,771	4,364,107	17%	2
	19,360,893	13,221,679	46%	
Assets				
Non-current assets	14,848,916	8,878,531	67%	3
Current assets	4,511,977	4,343,148	4%	
	19,360,893	13,221,679	46%	

NOTES

- 1 Included in fixed assets is a fair value adjustment to land in CJMM of R6,355m.
- 2 A significant portion of non current liabilities became current during the year, as a result of the maturity of loans.
- 3 Included in fixed assets is a fair value adjustment to land in CJMM of R6,355m.

REVIEW OF GROUP OPERATING RESULTS

CJMM

Description	2005 Actual R000	2005 Original Budget R000	2005 Revised Budget R000	2005 Variance R000	2004 Actual R000	Notes
Income	7 209 921	6 159 202	6 809 605	400 316	6 184 064	
Expenditure	6 537 332	6 058 033	6 605 081	67 749	5 898 331	
Surplus	672 589	101 169	204 524	468 065	285 733	

Description	2005 Actual R000	2005 Budget R000	2005 Revised Budget R000	2005 Variance R000	2005 Variance %	Notes
Government grants and subsidies	879 115	483 432	961 118	(82 003)	-9%	N1
Interest earned	892 229	750 031	755 441	136 788	18%	N2
Other income	5 438 577	4 925 739	5 093 046	345 531	7%	N3
Income	7 209 921	6 159 202	6 809 605	400 316	6%	
Depreciation	399 619	229 076	451 390	51 771	11%	N4
Grants and subsidies paid	1 774 817	1 631 730	1 759 281	(15 536)	-1%	
Bad debts	406 669	394 334	407 103	434	0%	N5
Other expenses	3 956 227	3 802 893	3 987 307	31 080	1%	
Expenditure	6 537 332	6 058 033	6 605 081	67 749	1%	

- N1 Housing, Johannesburg Roads Agency (Pty) Ltd and Johannesburg City Parks CMIP/MIG provincial capital grant budget not fully spent.
- N2 Conservative budgeting and improvement in overall cash position.
- N3 Acquisition of shares and loan account to the approximate value of R110m in Metropolitan Trading Company Pty (Ltd) from Blue IQ Pty (Ltd) for a nominal sum. Write-back of creditor balances older than three years in consumer debtors . Public contributions are not budgeted as they are difficult to determine in advance. These amounted to R197m in the current year.
- N4 Work in progress is not depreciated until transferred to the fixed asset register whereas the budget took into account depreciation on this amount
- N5 Improved collection levels and the application of new bad-debt-provision policy implemented during the prior year.

REVIEW OF GROUP OPERATING RESULTS

UACs

UACs - aggregated profit/surplus and (loss)/(deficit) before tax

Description	2005	2005	2005	2004
	Actual R000	Budget R000	Variance R000	Actual R000
Aggregate profit/surplus	365 611	(93 935)	459 546	215 958
Aggregate loss/deficit	(52 340)	145	(52 485)	(121 415)
Net result	313 271	(93 790)	407 061	94 543

An adjustment of R294m was made to these numbers as a result of normal consolidation process and ensuring all subsidiaries apply the same accounting practices

City Power Johannesburg

Description	2005	2005	2005	2004
	Actual R000	Budget R000	Variance R000	Actual R000
Income	3 402 888	3 455 502	(52 614)	3 058 161
Expenditure	3 232 631	3 367 215	134 584	2 895 095
Profit before taxation	170 257	88 287	81 970	163 066

Negative variance on income is due mainly to the change in accounting treatment of connection fees, which are now amortised over the life of the asset as opposed to being recognised when work is completed.

Positive variance on expenses is due to savings on bulk service purchases from Eskom and Kelvin Power Station.

Pikitup Johannesburg

Description	2005	2005	2005	2004
	Actual R000	Budget R000	Variance R000	Actual R000
Income	601 274	597 693	3 581	555 132
Expenditure	618 457	597 665	(20 792)	530 745
Profit / (loss) before tax	(17 183)	28	24 373	24 387

The negative variance on expenses is due to increased utilisation of vehicles and the increase in fuel prices not anticipated in the budget. Fleet service costs were over budget due to the increase in service-delivery requirements at garden sites. The bulk revenue project and bin census was not included in budget.

Johannesburg Water

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	3 033 292	2 838 981	194 311	2 646 928
Expenditure	2 877 116	2 966 639	89 523	2 765 005
Profit / (Loss) before taxation	156 176	(127 658)	283 834	(118 077)

The positive income variance results from data clean-up of accounts taken over from CJMM and operational efficiencies achieved in billing as well as a project to curtail technical losses.

Savings in expenditure are due largely to postponed employment of staff to meet migrated customer data needs.

Johannesburg Roads Agency

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	385 660	365 142	20 518	357 101
Expenditure	378 821	364 142	(14 679)	356 733
Profit before taxation	6 839	1 000	5 839	368

The positive income variance is largely due to CJMM using JRA for more capital expenditure projects than anticipated in the budget.

The negative expenditure variance is mainly as a result of certain contracted services and general expenses not provided for in the budget.

Johannesburg City Parks

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	336 435	314 762	21 673	299 693
Expenditure	332 673	314 762	(17 911)	292 654
Surplus	3 762		3 762	7 039

The positive income variance arose as result of an expansion of capacity to meet increased demand.

The negative expenditure variance is due to a provision for charges from CJMM for water and electricity not in the budget, as well as the cost of expanded capacity.

Johannesburg Metropolitan Bus Services

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	289 537	283 640	5 897	280 081
Expenditure	287 187	283 640	(3 547)	278 800
Profit before taxation	2 350		2 350	1 281

The positive income variance is due to additional income generated by the Eldorado Park routes not being in the budget.

Negative expenditure variance is due to additional running costs for buses on the new Eldorado Park routes and the increases in the fuel price being greater than anticipated.

Johannesburg Fresh Produce Market

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	106 046	126 682	(20 636)	108 756
Expenditure	88 830	97 257	8 427	91 061
Profit before taxation	17 216	29 425	(12 209)	17 695

The negative income variance is due to commission revenue being below budget because planned increased capacity created by cold storage and ripening rooms was not implemented. Lower rand-per-ton commission was received because of over-supply in the fresh produce market.

Positive expenditure variance is a result of depreciation being below budget by R7 million due to delayed Capex expenditure.

Johannesburg Zoo

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	35 311	35 388	(77)	34 747
Expenditure	34 622	35 388	766	34 702
Surplus	689		689	45

There are no significant variances.

The Johannesburg Civic Theatre

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	31 792	28 716	3 076	28 192
Expenditure	29 410	28 716	(694)	28 706
Profit/(loss) before taxation	2 382		2 382	(514)

Positive variance on income is due to very successful productions which far exceeded what was budgeted in the last quarter at the theatre.

Johannesburg Property Company

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	25 372	23 221	2 151	20 149
Expenditure	20 309	21 279	970	19 166
Profit before taxation	5 063	1 942	3 121	983

Positive variance in income due to commission on Hurlingham and Martindale erven sales not anticipated in budget.

Johannesburg Development Agency

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	23 797	28 674	(4 877)	24 007
Expenditure	50 017	28 615	(21 402)	23 245
(Loss)/profit before taxation	(26 220)	59	(26 279)	762

A resolution was passed by the Board of Directors in July 2005 to subordinate loans to Constitution Hill and Greater Newtown Development Companies in favour of the creditors of these companies. In line with this resolution and in order to reflect the fair value of loans, the loans to the two companies were written down by R5 million and R19 million respectively. This write-down, together with accounting for the loss in these associates has resulted in a charge of R24 million being taken to the income statement.

Metropolitan Trading Company

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	24 629	20 913	3 716	24 497
Expenditure	25 936	20 855	(5 081)	27 167
Profit / (loss) before taxation	(1 307)	58	(1 365)	(2 670)

The negative variance on expenses is due to the increase in bad debt provision as a result of a lower collection rate on debtors than anticipated in the budget.

Johannesburg Tourism Company

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	7 358	8 700	(1 342)	5 645
Expenditure	7 346	8 685	1 339	5 707
Surplus/(Deficit) before taxation	12	15	(3)	(62)

Negative variance on income is due to private-sector support that did not materialise as expected.

The positive expenditure variance was due to salaries being below budget (In particular, the CEO position was vacant for half the year).

Johannesburg Social Housing Company

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	10 221	7 000	3 221	3 013
Expenditure	9 964	6 992	(2 972)	3 105
Profit before taxation	257	8	249	(92)

The positive income variance was mainly due to an additional R1,8m subsidy received from CJMM.

Roodepoort City Theatre

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	5 738	5 751	(13)	4 751
Expenditure	5 130	4 418	(712)	4 419
Surplus	608	1 333	(725)	332

Negative expenditure variance was due to turnaround-strategy costs not anticipated in budget.

Johannesburg City Housing Company (unaudited)

Description	2005 Actual R000	2005 Budget R000	2005 Variance R000	2004 Actual R000
Income	2 551			
Expenditure	10 181			
Loss before taxation	(7 630)			

JHC did not form part of the City's budget process for the current year.

REPORT OF THE AUDITOR GENERAL

REPORT OF THE ACTING EXECUTIVE DIRECTOR: FINANCE AND ECONOMIC DEVELOPMENT

This review should be read in conjunction with the attached group financial statements for the City of Johannesburg set out on pages 38 to 101. The consolidated results of the municipality incorporate the results and operations of its 16 operating companies as detailed in the annual report.

For the second consecutive financial year, the City has prepared consolidated annual financial statements in compliance with Generally Accepted Municipal Accounting Practice. The City believes that a firm foundation has been laid, which will enhance the timeliness and value of the statements to users over future years. This early adoption of GAMAP and the preparation of consolidated annual financial statements is taking place earlier than the prescribed implementation dates of National Treasury.

This year the City of Johannesburg formally functioned under the new Municipal Finance Management Act (MFMA), which took effect from 01 July 2004. However, as a pilot municipality the City of Johannesburg has been working since 2001 to modernise its financial governance systems in preparation for operating even more openly, effectively and efficiently under the MFMA. The City is proud of its record of compliance with the MFMA, particularly in respect of public consultation on the budget and integrated development plan, and of meeting the deadlines for the Act's voluminous reporting requirements. The City remains fully committed to implementing both the letter and the spirit of the Act.

TOTAL REVENUE

The group experienced total revenue growth of 16% this year (from R11,3bn to R13,2bn). This is approximately 4% above budget, which is a significant achievement.

Group service income and property rates income has increased from R8,2bn to R9,0bn in 2005, an increase of approximately 10%. The most significant contributors to the increase, by service, are as follows:

- The growth in electricity service revenue is 12,8%, resulting from a 5,4% price increase as well as 7,4% to volume growth.
- Service revenue for water has increased by 14,3%, (9% relates to tariff increase and 5,3% is attributable to volume growth and reduction in commercial losses).

The municipal ratable land value has increased from R45,7bn to R45,8bn during the year under review. The number of accounts levied for rates increased from 281,000 in July 2004 to 288,000 by June 2005. Additional recurring income is estimated at R13,4m. Collection levels as a percentage of monthly billings have stabilised above the 90% mark for the major part of the year. As at June 2005 the moving annual average was 93.3%.

NET SURPLUS BEFORE TAXATION

The City has achieved a positive return against target, from a budgeted surplus of R198m to an achieved surplus of approximately R1,2bn. Previously, the City recognised capital and operating grants, and public contributions as part of capital funding. The treatment this year has been amended to comply with GAMAP, whereby the City is required to recognise these grants and contributions as income. The related expenditure will be recognised in the statement of financial performance over the life of the related assets, resulting in a timing difference. In addition the deferred income balance in the UAC's balance sheets amounting to R248 million was recognised in the group statement of financial performance as stipulated in the specimen municipal annual financial statements issued by National Treasury as part of MFMA circular 18. The prior year adjustment consists mainly of the write-off of goodwill in the group accounts and the post employment liability reflected in the actuarial valuation report.

The financial plan forecasts indicate that sustained prudent financial discipline will, over time, produce an even more solid financial base, which will support the much needed services required for the "City 2030" vision.

It has always been important to first ensure that the financial base is solid, and this is now evident in the net surplus after tax of approximately R1,2bn. In the future, the City intends to carefully commit these resources in a balanced manner to ensure sustainable service delivery.

Expenditure has grown by 7% from last year (4% below budget), the major contributors to this being the increase in depreciation cost due to the continued clean up of the fixed asset register, lower contracted services and grants and subsidies paid. In addition, as part of the City's refinement of its bad-debt policy, a one-off adjustment of R258m was expensed.

The savings against budget are a combination of timing of expenditure in relation to employee costs, and bulk-purchases savings experienced in chemical purchases, partly due to stocks carried over from the previous financial year and a relatively favorable foreign exchange rate.

BALANCE SHEET

An increase in accumulated surplus resulted from the restatement of land and other assets at fair value by a net R5,06bn. The overall cash position of the City has improved by R440m.

COMPLETENESS OF REVENUE

The City is undertaking a number of processes to ensure that all revenue due to the City is being billed. In particular reconciliation between the billing system and the valuation system has been undertaken. To date the city has been able to match 66% of properties in both systems. The exercise is continuing to resolve the identified differences.

PROGRAMME PHAKAMA

The billing system has been one of our major challenges for some time. Nevertheless the concerns have not resulted in under-recoveries of income compared to budget, and our collection rates are steadily improving. The City has implemented corrective measures to address the billing issues. The aim is to improve both revenue and service by generating economies of scale and developing a customer-oriented culture.

REPORT OF THE ACTING EXECUTIVE DIRECTOR: FINANCE AND ECONOMIC DEVELOPMENT

The City has performed an overall assessment of the billing processes, resulting in the introduction of Programme Phakhama, which will also address the customer-relation management process. In May 2005 the Mayoral Committee approved Programme Phakhama. The Programme is mandated to establish a new service utility that will perform the customer and revenue billing functions for the City. This includes the implementation of SAP CRM and SAP IS-U 4.7. The benefits expected to flow from this will be seamless revenue management and customer-interface business processes.

APPLICATION OF INDIGENT DEBTOR POLICY

An indigency program was introduced. Although certain matters have been raised by the auditors in relation to the indigent-registration process, the City is proud to have eased the debt burden of so many of its citizens by launching this program, resulting, for the year under review, in the extinguishing of arrears for qualifying account holders in the amount of R695m. An exercise to ensure that all the documentation is ready for the 05/06 financial year is under way. The registration process was scheduled to end on 31 January 2006, and will result in further arrears being written off.

RETIREMENT BENEFITS FUNDING

The City has identified and ring-fenced its legacy debt in respect of employee benefits, and is managing the liability to ensure future financial sustainability and equity. An agreement has been reached with the two major pension funds, which will now be taken through to the members in March 2006. It is therefore expected that the matter will be finalized by the end of the 05/06 financial year. While the City has not been able to secure the actuarial valuation reports to assess any possible liability (if any) of the remainder of the small funds, the city will continue to pursue the funds for these reports.

CONTINGENT LIABILITIES

The City's contingent liabilities are not material, with the exception of R1,179bn in terms of employee claims. As noted in the preceding paragraph, settlements have been negotiated that, upon approval in March 2006, would be resolve, this contingent liability.

STRUCTURED LOANS

Included in the City's outstanding debt are structured loans, term loans and project linked funding. The Treasury unit in the Department of Finance and Economic Development is constantly analysing the entire book to assess the risk and the cost of funding associated with all loan transactions with a view to reducing the weighted-average cost of borrowing of the entire loan book.

In previous financial years the City has settled or prepaid expensive and badly structured loans as a consequence of the assessment carried out above. The ultimate objective is to establish a sustainable funding cost in the market so that future-funding cost can be appropriately established. There are currently 5 structured loans under review by the Treasury. Going forward, further advice will be provided to Council on how best to deal with such loans.

WATER LOSSES

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

ELECTRICITY LOSSES

Unaccounted electricity losses have increased by 0,7% from a base of 12,9% to 13,6% of bulk purchases compared year-on-year. The City is implementing a plan to reduce non-technical losses such as illegal connection and inadequate meter reading.

AGEING INFRASTRUCTURE / CUSTOMER ORIENTATION

The City is focusing on improving service delivery to all our customers. In addressing service delivery, the City is dealing with the capital investment backlog, which is a high priority as the future cost of replacement or maintenance increases substantially the longer such work is deferred. An estimate of R2 billion per year has been earmarked for capital projects over the next 3 years.

IMMOVABLE ASSETS

As reported last year management embarked on a land-register project to update the municipal records with correct information. The City of Joburg is pleased that the time consuming and complex exercise led to the value of the immovable assets being reflected at their fair value in the financial statements for the first time since the new City of Joburg was created. The City looks forward to this item not being included in the audit report in the near future.

IMPAIRMENT OF ASSETS IN THE UTILITIES

It is acknowledged that an impairment assessment must be carried out every year in line with International Accounting Statement 36. The City has created municipal utilities to enhance service delivery and accountability, which has occurred. These utilities operate within a National framework that provides, through legislation, that certain services are basic and have to be provided for all to ensure a dignified life. Government is aware of the social and economic challenges within which some communities live and has adopted policies to alleviate poverty through basic services grants. Lastly the municipalities provide a basket of goods that are funded within a cross-subsidisation framework. At no point will a utility's service be left solely to the income generated by that utility

SUBORDINATION OF LOANS TO UACs

In the sale-of-business agreements transacted between the City and its UACs, a clause is included to the effect that, should the UAC be deemed by its auditors to require the subordination of its loan account with the City, the municipality will be obligated to subordinate such loan for as long as, in the opinion of the auditor, it is considered necessary. Council has approved subordinations as follows:

- Pikitup - R60m
- Johannesburg Development Agency – R9,7m
- Johannesburg Water – R677m
- Johannesburg Tourism Company – R1,5m
- Johannesburg Zoo – R1m
- Metropolitan Trading Company – R22m

REPORT OF THE ACTING EXECUTIVE DIRECTOR: FINANCE AND ECONOMIC DEVELOPMENT

- Johannesburg Fresh Produce Market – R14m

IMPAIRMENT OF INVESTMENTS AND LOANS

In line with the decision to subordinate certain UAC loans, a review was performed of the carrying value of all UACs and their loans. Several of the loans were subsequently impaired in order to more realistically reflect their economic value. In addition, the investments in Pikitup, J.D.A. and M.T.C. were impaired.

REGIONAL ELECTRICITY DISTRIBUTION SERVICES (REDS)

In accordance with the Cabinet's recent decision, the restructuring of South Africa's Electricity Distribution Industry (EDI) envisages the formation of REDs, each of which will operate as an independent electricity distribution company, responsible for providing power within its region. These REDs will incorporate all electricity distribution businesses currently owned by both municipalities or Eskom, including their maintenance, billing, human resources, finances, etc. Municipalities are expected to 'ring-fence' and transfer their electricity distribution activities to the new REDs.

In terms of the policy adopted on the EDI restructuring, it is envisaged that municipalities shall not suffer a financial loss as a result of the restructuring. Municipalities will have a shareholding in the respective REDs in line with the proportion of assets the municipality contributed to the REDs.

REGIONAL SERVICE LEVIES

National Treasury Circular no. 27 states that an amount of R20bn has been set aside as a replacement grant for RSC levies nationwide. The minister of finance in his 2006 budget speech announced that the removal of the RSC levies as a municipal revenue source will be compensated through increased equitable shares.

The City started to pilot the preparation of financial statements in line with GAMAP two years ago. It was during this time that the idea of the discontinuation of RSC as a tax was introduced by National Treasury. The City of Joburg, since inception, has always been on a memorandum system for RSC levies and therefore recognizing revenue on the receipt basis. In terms of GAMAP, RSC income must be recognized as revenue when it is probable that future economic benefits or service potential will flow to the entity and it can be measured reliably. Management took a view that because there are only a few months left, and that to comply with the above would mean investing in an integrated RSC levies accounting system, which in our view, with the remaining lifespan of the RSC levies, does not justify such an investment. (Currently there is only six months left.)

REPORT OF THE ACTING EXECUTIVE DIRECTOR: FINANCE AND ECONOMIC DEVELOPMENT

INVESTOR RELATIONS

The City of Joburg established an Investor Relations Desk within the Department of Finance and Economic Development in the Treasury section during the financial year ended 30 June 2005. The Investor Relations mandate includes the continual dissemination of relevant, timeous and accurate information about the City's financial performance and future prospects to its investors, guarantors, credit agencies and other market participants to facilitate their investment decisions. As the City of Joburg plans to re-enter the debt capital market, it was necessary to establish this unit as investors' demand information, transparency and accountability from corporate issuers. The City of Joburg needs to respond and adhere to good corporate governance and local and international Investor Relations practice.

The City of Joburg has used various financial instruments to finance its public borrowing requirements:

- ❑ Municipal bonds
- ❑ Domestic Medium Term Note Programme (DMTNP)
- ❑ Loans (vanilla and structured)

MUNICIPAL BONDS

CITY OF JOBURG METROPOLITAN MUNICIPALITY ON BESA

In a ground breaking and innovative move, the City of Joburg launched its first bond (COJ1), listed on the Bond Exchange of South Africa (BESA), in April 2004. Since the first issue, a further R1,7bn has been raised in the capital markets. The City of Joburg currently has R2,7bn outstanding on BESA; the breakdown of the bonds is detailed in the table below. The rationale behind going into the capital markets was to finance the City's infrastructure with a cheaper cost of capital, through access to a larger investor base and to match asset and liability maturity profiles.

Bond Code	Nominal Amount R'm)	Maturity	Coupon	Comparison	Original Credit spread	BP spread	MTM	Year high Yield	Year low Yield
COJ1	1000	13 April 2010	11.95	R153	R153+230bps	130	8.87	9.74	8.8
COJ2	1000	15 March 2016	11.90	R157	R157+164bps	145	9.45	10.245	9.12
COJ3	700	26 April 2013	9.70	R157	R157+154bps	152	9.52	10.01	9.46

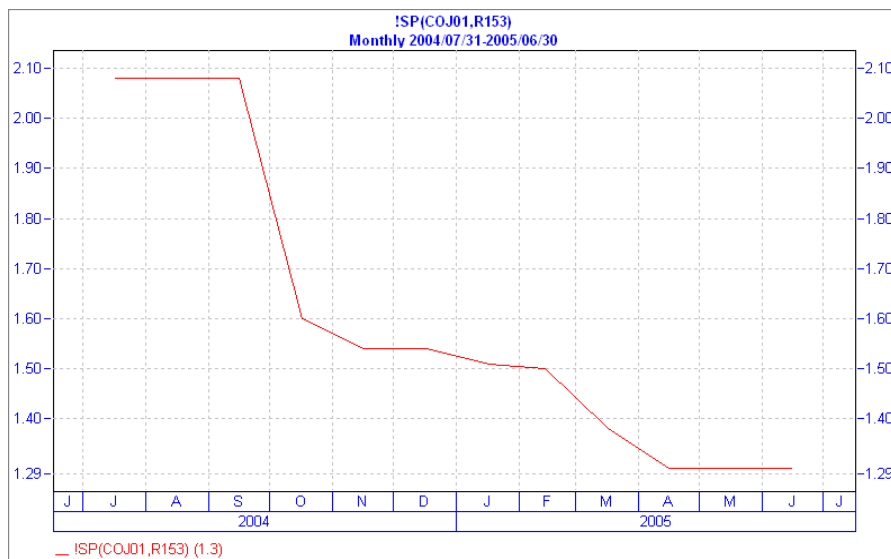
Source: Bond Exchange of South Africa (BESA) at 30 June 2005

COJ 1

Since the first date of issue on 13 April 2004, COJ1's spread has narrowed from 230bps above the government benchmark R153 to 130 basis points as at 30 June 2005. As illustrated in the graph below, spreads have narrowed significantly, reflecting more liquidity of the bond and improved investor confidence. Fitch Ratings had rated the City A-; the first issue was 2.5 times over-subscribed. The majority of the subscribers were institutional investors and fund managers. Of the three bonds issued, COJ1 has the shortest maturity of 6 years, and has the highest coupon rate of 11.95%. COJ1 was not guaranteed by the a third party, explaining the A- rating, and the largest spread of 230 basis points above the government benchmark R153.

REPORT OF THE ACTING EXECUTIVE DIRECTOR: FINANCE AND ECONOMIC DEVELOPMENT

This graph illustrates COJ1 spread against the R153 government benchmark.

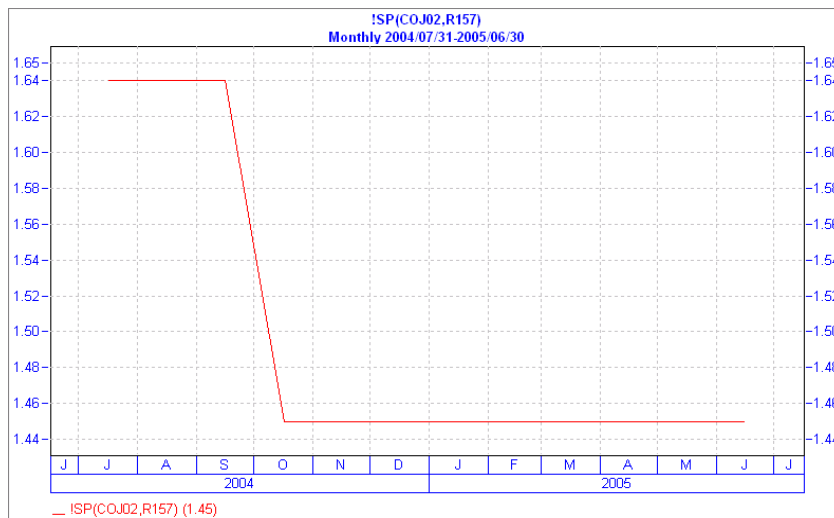


Source: I-Net Bridge 30 June 2005.

COJ 2

The City of Joburg's second bond (COJ2) was first issued on 30 June 2004. This bond is not as liquid as the other two due to its complex redemption structure, and its longer maturity of 12 years. As demonstrated in the graph below, the spread has narrowed from 164 basis points above the government benchmark R157 to 145 basis points as at 30 June 2005. There was a significant narrowing of the spread from September to October 2004; the spread has remained flat since then. COJ2 was 40% guaranteed by the Development Bank of Southern Africa (DBSA) and the International Finance Corporation (IFC). Third party credit enhancements strengthen credit ratings, which was reflected in an AA-rating by Fitch Ratings.

This graph illustrates COJ2 spread against the R157 government benchmark.



Source: I-Net Bridge 30 June 2005.

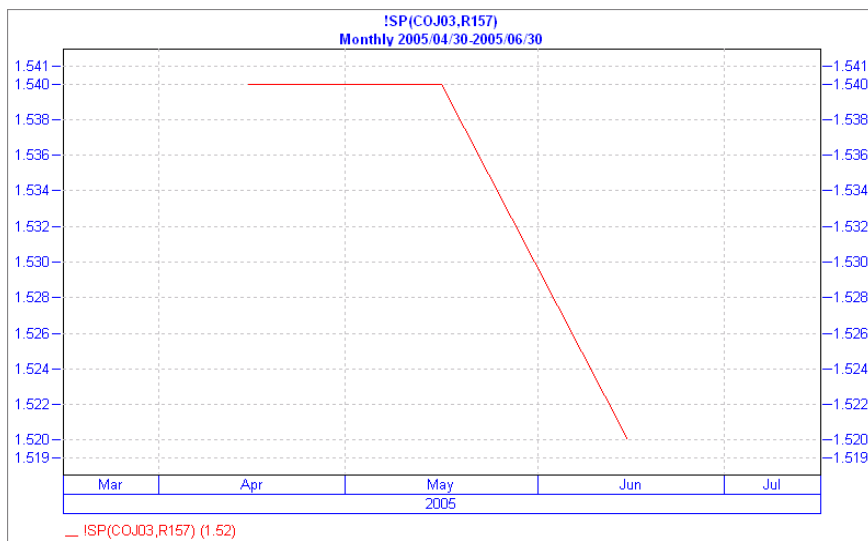
DOMESTIC MEDIUM-TERM NOTE PROGRAMME (DMTNP)

INAUGURAL ISSUE: COJ 3

The City of Joburg pioneered its first Domestic Medium-Term Note Programme (DMTNP), whereby R6000 million will be raised in the next five years. The advantage of DMTNP is that it allows the issuer to issue notes on an on-going basis subject to terms and conditions set out. A consortium comprising of several local and international financial institutions was appointed to manage and arrange the DMTNP. The City of Joburg launched its first R700 million tranche under the DMTNP in April 2005. The bond was over-subscribed 3.8 times and traded at 154 basis points above the R157 government benchmark. The City of Joburg is investigating a possible incorporation of COJ1 and COJ2 into the DMTNP.

REPORT OF THE ACTING EXECUTIVE DIRECTOR: FINANCE AND ECONOMIC DEVELOPMENT

The graph illustrates COJ3 against the R157 government benchmark



Source: I-Net Bridge

LONG-TERM PUBLIC BORROWING PROGRAM

The City of Joburg adjusted its borrowing requirements in order to reduce the infrastructure backlog and accelerate service delivery. The City of Joburg's original capital expenditure budget was R1,9bn for the year ending 30 June 2005; adjustments were made during the financial year to increase it to R2,025bn.

ADJUSTED CAPITAL EXPENDITURE REQUIREMENTS

Original Capital budget	R1,972bn
Revised Capital budget	R2,024bn

Source: Budget and financial planning

The City of Joburg borrowed only R700m in the financial year under review due to sustainable revenue flows, which allowed the City to finance initiatives using its own source of revenue

PROSPECTS

The City of Joburg intends to explore alternative capital-raising vehicles such as retail bonds, Public-Private Partnerships (PPPs) and other project-finance opportunities to finance its infrastructure and reduce the cost of borrowing. As infrastructural and developmental projects are identified, the City of Joburg will select the best possible financing alternative to match its economic life with the term of the loan and the most optimal and cheapest conduit will be used. The City of Joburg is committed to finding the most cost effective capital raising method when financing its assets. As economic growth improves, increased local tax base and rising real estate values over the last few years have had the effect of increasing local tax revenue. All these factors have an impact on the City as a whole. The City of Joburg will continue to re-enter the debt-capital market as part of its DMTNP to raise capital for infrastructure in order to improve its service delivery mandate to its community.

A MORE VIBRANT MUNICIPAL BOND MARKET

The introduction of new legislation governing municipalities (the Municipal Finance Management Act) has resulted in municipalities being more financially prudent and accountable and has standardised financial reporting, making municipalities more financially viable and attractive to both financial institutions and capital markets. Many metropolitan municipalities have approached local and international rating agencies to solicit ratings.

REPORT OF THE ACTING EXECUTIVE DIRECTOR: FINANCE AND ECONOMIC DEVELOPMENT

More and more banks are extending credit to municipalities for their borrowing requirements. As credit lines are exhausted, and borrowing requirements become larger, many municipalities will see the advantages of entering the debt capital market. This alternative financing method will allow them to have access to a cheaper source of funding, broaden their investment base and lengthen maturity profiles to meet the economic life of assets being financed. Let us hope that the next financial year will witness at least one of the other Metros entering the debt capital market.

Other key drivers and economic indicators that drove the City of Joburg's pricing strategy, setting of tariffs and long-term public borrowing strategies are outlined below.

South Africa's fiscal and monetary policies have been remarkably strong and sustainable in 2005, reflected in the strong Rand exchange rate against other major currencies such as the Euro and the US Dollar, low consumer inflation, and historically low interest rates.

The City was in a favourable position to tackle unemployment, spend on infrastructure and social ills such as HIV/AIDS.

INFLATION

Inflation remained well within the South African Reserve Bank's (SARB) target range of 3-6%; the CPIX figure for 2005 was recorded at 3,7%. There were some risks from the oil price and the continued increase in domestic expenditure. Global oil prices were above US\$60/bbl, leaving Brent crude oil at record highs as investors anticipated that refiners and producers will struggle to meet peak winter demand in the US. The rise in petrol prices resulted in a 0,2% contribution from fuel component. The exchange rate has a major impact on the CPIX, due the Rand appreciation against major currencies; the current currency levels were not inflationary. As inflation measured by the CPIX reached record lows in May 2005, this favourably impacted the tariff setting for our municipal entities, as CPIX is one of the major components in the setting of tariffs.

The economy grew at approximately 4,5% this year. These figures will have an impact on job creation in the country and more especially, the City of Joburg.

INTEREST RATES

As the Rand continued to strengthen against other major currencies, the first 2-quarter Monetary Policy Council meetings left the prime overdraft rate at 10,5% and the repo rate at 7%. The level of interest rates was conducive to the raising of the R700m.

RSA GOVERNMENT BENCHMARK YIELDS

The lower inflation, low interest rates and investors' search for higher yields resulted in the RSA bond yields strengthening, in particular, the R153 and R157, against which our bonds are compared.

PROPERTY MARKET

In the 2004-2005 financial year, nominal year-on-year growth of 32,2% in house prices was recorded (ABSA fourth quarter 2005 Residential Property Perspective); the highest national average since 1981. This strong performance caused the average price of houses to rise from R232 000 in 1999 to R575 000 in 2004. The growth in house prices since 2000 has been driven by several factors, and these continued to have an impact in 2005.

REPORT OF THE ACTING EXECUTIVE DIRECTOR: FINANCE AND ECONOMIC DEVELOPMENT

- ❑ A strong domestic demand for housing mostly driven by previously disadvantaged communities emerging as the new middle class;
- ❑ The abolition of stamp duty on mortgage bonds since 1 March 2004;
- ❑ Lower levels of household debt to disposable income;
- ❑ Relatively low CPIX inflation figures;
- ❑ Personal tax relief.

The continual and steady growth in the property market impacts City of Joburg favourably. As property values increase, the City of Joburg's rates and taxes revenue stream should increase, impacting cash flow and ultimately its ability to service debt, which have an impact on the City of Joburg's credit rating.

AUDIT COMMITTEE

The City's independent Audit Committee, reconstituted under the MFMA and chaired by Mr Brian Hawksworth, was an important contributor to the City of Joburg's financial improvement during the year. The Audit Committee closely monitored management's progress in addressing the audit findings of the Auditor-General, and held to account individual managers in the few cases where there was no progress. The Committee also confronted the Office of the Auditor-General with important questions regarding disparities between audit rulings for different municipal entities facing identical circumstances.

Finally, the Committee's individual and collective professional expertise contributed significantly to operational improvement in Johannesburg Risk Assurance Services, the Department of Finance and Economic Development and the financial functions throughout the core administration, and utilities, agencies and corporatised entities

EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, Mayoral Committee, Municipal Manager, Councillors, Executive Directors and Directors for the support they have given my personnel and me during the 2004/2005 financial year. A special word of gratitude is extended to all financial staff and others for their contribution, and to the office of the Auditor-General, the auditors appointed by him, and their staff, for conducting the external audits, as well as for their assistance, support and co-operation during the year.

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

MANKODI MOITSE

Acting Executive Director: Finance and Economic Development

City of Johannesburg Metropolitan Municipality

Johannesburg

3 March 2006

STATEMENT OF FINANCIAL POSITION

as at 30 June 2005

	Notes	Group		CJMM	
		2005 R000s	2004 R000s	2005 R000s	2004 R000s
NET ASSETS AND LIABILITIES					
Net Assets		7 586 008	1 957 667	6 895 772	1 702 962
Housing Development Fund	2	106 178	106 178	106 178	106 178
Capital Replacement Reserve		94 358	50 713	94 358	50 713
Capitalisation Reserve		497 781	1 105 886	497 781	1 105 886
Government Grant Reserve		791 236	444 731	291 114	237 009
Donations and public contribution Reserves		365 853	600 059	212 368	334 315
COVID reserve		29 935	20 661	29 935	20 661
Revaluation Reserve		226	1 198		
Accumulated Surplus/ (Deficit)		5 700 441	(371 759)	5 664 038	(151 800)
Non Current Liabilities		6 666 114	6 899 905	5 960 018	6 048 556
Non current liabilities	3	4 536 874	4 729 701	4 335 473	4 402 113
Non Current Provisions	4	1 677 524	1 677 074	1 624 545	1 646 443
Deferred tax liability	5	451 716	493 130		
Current Liabilities		5 108 771	4 364 107	4 980 840	4 588 866
Consumer deposits	6	310 720	251 799	203 940	167 622
Current provisions	7	60 967	53 141		
Creditors	8	3 760 214	3 491 221	3 978 289	3 883 124
Unspent conditional grants and receipts	9	286 737	303 800	167 050	303 800
VAT	10	3 823	15 095		13 735
Taxation		14 462	4 334		
Current portion of non current liabilities	3	671 848	244 717	631 561	220 585
Total Net Assets and Liabilities		19 360 893	13 221 679	17 836 630	12 340 384
ASSETS					
Non-Current Assets		14 848 916	8 878 531	14 581 053	8 374 337
Property, plant and equipment	11	13 320 228	7 014 102	9 191 041	3 494 314
Intangible assets	12	75 420	363 204		
Investments	13	1 089 738	1 036 332	1 223 105	1 181 622
Derivative financial assets	14		13 557		-
Deferred tax asset	15	186 675	315 236		
Non current receivables	16	176 855	136 100	4 166 907	3 698 401
Current Assets		4 511 977	4 343 148	3 255 577	3 966 047
Inventory	17	85 619	73 619	20 220	24 792
Accounts receivable	18	1 872 751	1 856 083	564 741	735 184
VAT	10			610	
Other debtors	19	897 927	1 096 397	723 084	1 704 457
Current portion of non current receivables	16			276 854	243 569
Call deposits	20	1 585 003	1 149 630	1 584 344	1 149 630
Derivative financial assets	14		32 873		-
Bank balances and cash	21	70 677	134 546	85 724	108 415
Total Assets		19 360 893	13 221 679	17 836 630	12 340 384

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2005

BUDGET GROUP			Notes	ACTUAL GROUP		ACTUAL CJMM		
2004	2005	2005		2005	2004	2005	2004	
R000	Original R000	Revised R000		R000	R000	R000	R000	
Revenue								
2 518 272	2 626 994	2 695 183	Property rates	24	2 698 218	2 416 541	2 720 505	2 497 831
5 887 583	6 257 139	6 257 519	Service charges	25	6 333 985	5 730 533	275 128	320 397
1 403 302	1 480 484	1 510 484	Regional Service Council levies		1 508 899	1 321 700	1 531 571	1 339 391
59 231	67 163	81 747	Rental facilities and equipment		78 639	103 039	65 452	63 708
38 052	136 007	142 446	Interest earned - external investments and UAC loans		292 488	177 468	853 768	713 794
33 252	57 678	57 678	Interest earned - outstanding debtors		61 279	190 591	38 461	128 979
91 177	171 628	191 000	Fines		167 363	169 176	167 363	169 176
110	152	152	Licences and permits		557	352	557	352
96 612	101 926	125 879	Income from agency services		141 085	105 361	141 085	103 668
308 654	486 432	964 831	Government grants and subsidies	26	1 045 638	565 501	879 115	486 526
547 988	532 447	539 595	Other income	27	679 000	519 864	482 687	343 191
			Public contributions, donated and contributed property, plant and equipment		88 529	1 125	1 204	596
	37 000	37 000	Gains on disposal of property, plant and equipment		53 731	20 842	53 025	16 455
10 984 233	11 955 050	12 603 514	Total revenue		13 149 411	11 322 093	7 209 921	6 184 064
Expenditure								
2 921 901	3 267 136	3 265 689	Employee-related costs	28	3 038 816	3 132 998	1 447 009	1 636 113
43 551	45 222	50 100	Remuneration of councillors	29	45 180	42 649	45 180	42 649
994 236	970 341	973 030	Bad debts	30	923 377	691 476	406 669	63 160
			Collection costs		753	440		
610 625	695 803	916 137	Depreciation		828 396	790 958	399 619	392 591
196 673	181 978	194 339	Repairs and maintenance		175 576	152 395	46 526	38 950
602 764	570 556	614 522	Interest on external borrowings	31	620 991	521 655	594 457	543 021
3 143 081	3 424 857	3 361 209	Bulk purchases	32	3 258 627	3 116 616		
1 071 306	1 225 872	1 500 104	Contracted services	33	1 457 783	1 283 402	785 995	718 797
47 945	69 364	167 251	Grants and subsidies paid	34	183 104	63 179	1 774 817	1 511 975
1 416 295	1 409 583	1 363 096	General expenses	35	1 333 081	1 279 992	1 037 060	951 075
	5	5	Loss on disposal of property, plant and equipment		3 435	126		
11 048 377	11 860 717	12 405 482	Total expenditure		11 869 119	11 075 886	6 537 332	5 898 331
(64 144)	94 333	198 032	Surplus (deficit) before fair value adjustment		1 280 292	246 207	672 589	285 733
			Impairment of UAC loans	36			(216 804)	
			Impairment of UAC investments	36			(31 701)	
			Fair value adjustment on derivative instrument		(46 430)	130 338		
(64 144)	94 333	198 032	Surplus (deficit) before taxation		1 233 862	376 545	424 084	285 733
24 654	37 461	37 295	Taxation	37	109 935	39 255		
(88 798)	56 872	160 737	Surplus (deficit) after taxation		1 123 927	337 290	424 084	285 733

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 30 June 2005

Group	Housing Development Fund R000	Capital Replacement Reserve R000	Capitalisation Reserve R000	Government Grants Reserve R000	Donations and Public Contribution Reserve R000	COID reserve R000	Revaluation reserve (NDR) R000	Accumulated surplus / (deficit) R000	Total R000
Balance at 1 July 2003	106 178	42 496	1 367 584	304 949	464 601	12 991	2 170	(677 473)	1 623 496
Operating surplus for the year								337 290	337 290
Prior year adjustment								(3 119)	(3 119)
Revaluation of property, plant and equipment							(972)	972	
Transfer to CRR		32 293						(32 293)	
Property, plant and equipment purchased		(24 076)	24 076						
Capital grants used to purchase property, plant and equipment				2 314				(2 314)	
Donated/contributed property, plant and equipment					283 102			(283 102)	
Contribution to COID reserve						16 703		(16 703)	
Insurance claims processed						(9 033)		9 033	
Off-setting of depreciation			(193 184)	(19 805)	(82 961)			295 950	
Refinancing of assets			(92 590)	157 273	(64 683)				
Balance at 30 June 2004 as previously stated	106 178	50 713	1 105 886	444 731	600 059	20 661	1 198	(371 759)	1 957 667
Land audit								6 354 647	6 354 647
Assets at fair value (depreciation)								(1 290 115)	(1 290 115)
Correction of errors (note 45)				169 754	(193 152)			(550 805)	(574 203)
Balance at 1 July 2004 (restated)	106 178	50 713	1 105 886	614 485	406 907	20 661	1 198	4 141 968	6 447 996
Operating surplus for the year								1 123 927	1 123 927
Revaluation property, plant and equipment							(972)	972	
Transfer to CRR		75 392						(75 392)	
Property, plant and equipment purchased		(31 963)	31 963						
Capitalisation adjustment		216						13 869	14 085
Capital grants used to purchase property, plant and equipment				450 300				(450 300)	
Donated/contributed property, plant and equipment					84 529			(84 529)	
Contribution to COID reserve						18 985		(18 985)	
COID claims processed						(9 711)		9 711	
Off-setting of depreciation			(640 068)	(273 549)	(125 583)			1 039 200	
Balance at 30 June 2005	106 178	94 358	497 781	791 236	365 853	29 935	226	5 700 441	7 586 008

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2005

CJMM	Housing Development Fund	Capital Replacement Reserve R000	Capitalisation Reserve R000	Government Grants Reserve R000	Donations and Public Contribution Reserve R000	COID reserve R000	Accumulated Surplus / (Deficit) R000	Total R000
2004								0
Balance at 1 July 2003	106 178	42 496	1 367 584	97 227	268 480	12 991	(477 727)	1 417 229
Operating Surplus for the year							285 733	285 733
Transfer to CRR		32 293					(32 293)	
Property, plant and equipment purchased		(24 076)	24 076					
Capital grants used to purchase PPE				2 314			(2 314)	
Donated/contributed PPE					160 605		(160 605)	
Contribution to COID Reserve						16 703	(16 703)	
COID claims processed						(9 033)	9 033	
Refinancing of assets			(92 590)	157 273	(64 683)			
Off-setting of depreciation			(193 184)	(19 805)	(30 087)		243 076	
Balance at 30 June 2004	106 178	50 713	1 105 886	237 009	334 315	20 661	(151 800)	1 702 962
2005								
Land audit							6 354 647	6 354 647
Assets at fair value (depreciation)							(1 290 115)	(1 290 115)
Correction of errors (Note 45)							(309 891)	(309 891)
Restated balance	106 178	50 713	1 105 886	237 009	334 315	20 661	4 602 841	6 457 603
Operating surplus for the year							424 084	424 084
Transfer to CRR		75 392					(75 392)	
Property, plant and equipment purchased		(31 963)	31 963					
Capitalisation adjustment		216					13 869	14 085
Capital grants used to purchase PPE				285 041			(285 041)	
Donated/contributed PPE					1 204		(1 204)	
Contribution to COID Reserve						18 985	(18 985)	
COID claims processed						(9 711)	9 711	
Off-setting of depreciation			(640 068)	(230 936)	(123 151)		994 155	
Balance at 30 June 2005	106 178	94 358	497 781	291 114	212 368	29 935	5 664 038	6 895 772

CASH FLOW STATEMENT

for year ended 30 June 2005

	Notes	Group		CJMM	
		2005 R000	2004 R000	2005 R000	2004 R000
Cash flows from operating activities					
Cash receipts from ratepayers, government and other		11 976 940	9 197 655	6 858 719	4 572 735
Cash paid to suppliers, employees and grants paid		(9 482 793)	(8 247 977)	(5 354 554)	(4 367 821)
	38	2 494 147	949 678	1 504 165	204 914
Interest received		353 767	368 060	892 229	842 774
Interest paid		(620 991)	(521 655)	(594 457)	(543 021)
Taxation paid	39	(12 660)	(14 274)		
Net cash from operating activities		2 214 263	781 809	1 801 937	504 667
Cash flows from investing activities					
Purchase of property, plant and equipment		(2 073 649)	(1 040 639)	(1 031 902)	(547 320)
Proceeds on disposal of property, plant and equipment		53 955	34 488	53 113	16 455
Acquisition of intangible assets		(22 129)	(44 470)		
Increase in non current investments		(53 406)	(553 574)	(73 184)	(556 369)
Increase in call investment deposits		(435 373)	(216 168)	(434 714)	(216 168)
(Increase) / decrease non-current receivables		(40 755)	15 271	(718 595)	(97 085)
Net cash from investing activities		(2 571 357)	(1 805 092)	(2 205 282)	(1 400 487)
Cash flows from financing activities					
(Decrease) / Increase Non current liabilities	41	(192 827)	1 043 172	(66 640)	1 065 313
Increase / (decrease) in consumer deposits		58 921	(17 579)	36 318	(87 130)
Increase / (decrease) current portion of non current liabilities	41	427 131	(126 260)	410 976	(126 941)
Net cash from financing activities		293 225	899 333	380 654	851 242
Net decrease in cash and cash equivalents		(63 869)	(123 950)	(22 691)	(44 578)
Bank and cash equivalents					
Cash and cash equivalents at beginning of year		134 546	258 496	108 415	152 993
Cash and cash equivalents at end of year	21	70 677	134 546	85 724	108 415

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

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

These group annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practice (GAMAP) and Generally Recognised Accounting Practice (GRAP), as issued by the Accounting Standards Board in accordance with Section 55(1)(b), 89 and 91(1)(b) of the Public Finance Management Act (Act No.1 of 1999) and Section 122 of the Municipal Finance Management Act, (Act No. 56 of 2003). These accounting policies are consistent with those of the previous financial year, except where otherwise stated.

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

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

The group annual financial statements represent the consolidated financial position, operating results, and cash flow information of CJMM and its Municipal Controlled Entities (Utilities, Agencies and Corporatised Entities – UACs). UACs are companies over which the Group exercises control. The share of net assets and results of these UACs are included from the effective date of control, until the effective date of cessation of control.

BASIS OF CONSOLIDATION

Investment in Municipal Controlled Entities (Utilities, Agencies and Corporatised Entities – UACs)

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

The group annual financial statements incorporate the assets, liabilities and results of the operations of the CJMM and its UACs. The results of the UACs acquired and disposed of during the financial year are, respectively, included from the effective dates of acquisition, and to the effective dates of disposal. Where necessary, the accounting policies of UACs are changed to ensure consistency with the policies adopted by the Group.

Transactions eliminated on consolidation

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

PRESENTATION CURRENCY

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

GOING CONCERN ASSUMPTION

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

HOUSING DEVELOPMENT FUND

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

RESERVES

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the unappropriated surplus to the CRR in terms of a Council resolution (Item 22 dated 23 June 2004). A corresponding amount has been ring-fenced against call investment deposits. The ring-fenced cash can be utilised only to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/deficit is credited by a corresponding amount when the CRR is utilised.

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

Capitalisation Reserve

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

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

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

Government Grant Reserve

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

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

Donations and Public Contributions Reserve

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

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

Compensation for Occupational Injuries and Diseases (COID) reserve

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

Revaluation Reserve

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

PROPERTY, PLANT AND EQUIPMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Infrastructure assets		Other assets	Years
Roads and paving	30	Buildings	30
Pedestrian malls	30	Specialist vehicles	10
Electricity	20 – 30	Other vehicles	5
Water infrastructure	15 – 20	Office equipment	3 – 7
Sewerage infrastructure	15 – 20	Furniture and fittings	7 – 10
Housing	30	Watercraft	15
		Bins and containers	5
		Specialised plant and equipment	10 – 15
		Other items of plant and equipment	2 – 5

Community assets	Years
Buildings	30
Recreational Facilities	20 – 30
Security	5

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

IMPAIRMENT OF ASSETS

Carrying amounts of assets are reviewed at each statement of financial position date to determine whether they should be impaired. Assets are shown at recoverable amount, which is the higher of net selling price or value in use.

An impairment loss is recognised when the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The impairment loss is not reversed to an amount higher than the carrying amount at which it would have been shown (net of depreciation) had no impairment been recognised.

INTANGIBLE ASSETS

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

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

Servitudes are not amortised.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

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

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

Research and development expenditure is written off as incurred.

TAXATION

Income tax

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the taxation rates applicable at the statement of financial position date, and any adjustment of taxation payable for previous years. Taxation is provided for only in the UACs to whom the Income Tax Act is applicable.

Deferred taxation

Deferred taxation is accounted for on the comprehensive basis in respect of all material temporary differences arising between the accounting and taxation treatment of income and expenditure items. Account is taken of deferred taxation arising from taxation losses only where the recovery of such losses, in the opinion of senior management, is assured beyond reasonable doubt.

INVESTMENTS

Financial Instruments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

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

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

Investment in UACs

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

LEASES

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Leases of assets under which the lessor effectively retains all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. Cost of inventories includes costs of purchase, conversion and other costs.

ACCOUNTS RECEIVABLE

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

TRADE CREDITORS

Trade creditors are stated at their nominal value.

REVENUE RECOGNITION

Revenue from exchange transactions

Service charges relating to electricity and water are based on consumption. Meter readings are made on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly where meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

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

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

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

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

Revenue from non-exchange transactions

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

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

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

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

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

CONDITIONAL GRANTS AND RECEIPTS

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

PROVISIONS

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

CASH AND CASH EQUIVALENTS

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

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

UNAUTHORISED EXPENDITURE

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

IRREGULAR EXPENDITURE

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

FRUITLESS AND WASTEFUL EXPENDITURE

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

SEGMENTAL INFORMATION

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The group operates solely in its area of jurisdiction as determined by the Demarcation Board.

COMPARATIVE INFORMATION

Current year comparatives:

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

Prior year comparatives:

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

POST-EMPLOYMENT BENEFITS

Pension funds

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

Defined contribution plans

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

Defined benefit plans

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

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

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

Post-retirement medical benefits

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

HOUSING SUBSIDIES

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

PURCHASE OF SERVICE

Certain pension funds allow members to purchase additional service in terms of the fund's rules. This is reflected in the statement of financial performance when the expense is incurred.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

GRATUITIES

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

BONUS PENSIONABLE SERVICE AND MEDICAL BOARDINGS

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

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the statement of financial position when the group has become party to the contractual provisions of the instruments.

Measurement

Financial instruments reflected on the statement of financial position include embedded derivatives, cash and bank balances, accounts receivables, interest-bearing borrowings and provisions for financial liabilities. These instruments are generally carried at their estimated values. The particular recognition methods are disclosed in the individual policy statements associated with each item.

Trade and other receivables.

Trade and other receivables are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

Derivative instruments

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

BORROWING COSTS

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
2 HOUSING DEVELOPMENT FUND				
The Housing Development Fund encompasses the following assets:				
Property, plant and equipment	49 608	49 608	49 608	49 608
Other debtors	56 570	56 570	56 570	56 570
Unappropriated surplus	106 178	106 178	106 178	106 178
3 NON CURRENT LIABILITIES				
Local registered stock loans	330 400	540 401	330 400	540 401
Funding facility	60 155	71 372	60 155	71 372
Structured loans	1 439 508	1 411 176	1 439 508	1 411 176
Development Bank of SA	625 541	678 189	625 541	678 189
Listed bonds	2 510 000	1 920 000	2 510 000	1 920 000
Capitalised leases	24 319	37 021		
Other	218 799	316 259	1 430	1 560
	5 208 722	4 974 418	4 967 034	4 622 698
Less: Current portion transferred to current liabilities				
Local registered stock loans	300 399	90 001	300 399	90 001
Funding facility	12 734	10 682	12 734	10 682
Structured loans	263 336	67 289	263 336	67 289
Development Bank of SA	54 962	52 613	54 962	52 613
Listed bonds				
Capitalised leases	24 372	24 132		
Other	16 045		130	
	671 848	244 717	631 561	220 585
	4 536 874	4 729 701	4 335 473	4 402 113

Refer to Appendix A for details of non current liabilities.

The capitalised lease liabilities are secured by the underlying assets.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
4 NON-CURRENT PROVISIONS				
Post-retirement purchase of service	27 421	32 000	27 421	32 000
Pensionable bonus and medical boarding	66 858	135 173	66 858	135 173
Post-retirement medical aid	1 155 477	1 025 106	1 116 828	1 005 940
Post-retirement housing subsidies	10 699	10 893	10 439	10 739
Post-retirement gratuities	417 069	473 902	402 999	462 591
	1 677 524	1 677 074	1 624 545	1 646 443
The movement in provisions is reconciled as follows:				
Balance at beginning of year	1 677 074	1 595 205	1 646 443	1 595 205
Reallocation from/(to) trade and sundry creditors		18 093		(5 095)
Transfer to sundry creditors (not a post-retirement benefit)		(42 982)		(42 982)
Prior-year liability for housing post-retirement housing and gratuities subsidies		29 536		9 522
New liability created during the financial period	34 026			
Net expense recognised in the statement of financial performance	155 580	219 905	157 412	192 474
Benefit payments	(189 156)	(142 683)	(179 310)	(102 681)
Balance at end of year	1 677 524	1 677 074	1 624 545	1 646 443

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
5 DEFERRED TAXATION LIABILITY				
Balance at beginning of year	493 130	392 563		
Prior year adjustment				
Net arising and reversing	(41 414)	100 567		
Balance at end of year	451 716	493 130		
Deferred taxation liability comprises:				
Property, plant and equipment	173 123	163 654		
Financial instruments		13 928		
Intangible assets	74 599	228 001		
Provisions	20 132	16 898		
Impairments	205 389			
Prepaid Expenses	1 088	7 965		
Other	(22 615)	62 684		
	451 716	493 130		
6 CONSUMER DEPOSITS				
Electricity and water deposits	261 240	203 350	200 507	119 173
Other deposits	49 480	48 449	3 433	48 449
	310 720	251 799	203 940	167 622
No interest accrues on consumer deposits as the CJMM is not a deposits-taking organisation in terms of the Banking Act.				
7 CURRENT PROVISIONS				
Performance bonus	31 401	27 739		
Staff 13th cheque	25 198	25 359		
Other	4 368	43		
	60 967	53 141		
The movement in provisions is reconciled as follows:				
Balance at beginning of year	53 141	57 343		
Contributions to provision	71 584	16 131		
Expenditure incurred	(63 758)	(20 333)		
Balance at end of year	60 967	53 141		
8 CREDITORS				
Trade and sundry creditors	2 509 365	2 410 968	762 538	985 286
Payments received in advance	111 926	117 022	111 926	7 888
Credit balances in consumer debtors	744 111	559 000	510 205	464 000
Project funds	47 472	72 667		
Staff leave	347 340	331 564	270 003	237 260
UACs current loans			2 323 617	2 188 690
	3 760 214	3 491 221	3 978 289	3 883 124
9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
Conditional grants from National and Provincial Government -				
Provincial capital grants	197 432	216 414	77 745	216 414
MIG Grants				
Restructuring grant	73 623	68 567	73 623	68 567
Financial management grant	5 817	4 406	5 817	4 406
Other conditional receipts -				
Public contributions	9 865	14 413	9 865	14 413
	286 737	303 800	167 050	303 800

See note 26 for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
10 VAT				
VAT payable/(receivable)	3 823	15 095	(610)	13 735
VAT is payable on the receipt basis. Only once payment is received from Debtors is VAT remitted to SARS.				

11 PROPERTY PLANT AND EQUIPMENT

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

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

Consequent to the above decisions, the City re-valued its land and movable assets at their fair values, and wrote off assets containing insufficient data and global amounts with a cost of R4,612bn and a net book value of R1,290bn and replaced them with assets with a fair value of R6,355bn. The net adjustment was made against accumulated surplus in the Statement of Changes in Net Assets as per GAMAP 17.

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

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

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

In terms of the conditions of the bonds issued during the year and as detailed in note 3 to these financial statements, the municipality and its UAC's are required to maintain unencumbered assets with a book value of R3,75bn for CJMM and R8bn for the group.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Total	Infrastructure	Community assets	Heritage assets	Specialised vehicles	Other assets
Carrying value 1 July 2004	7 014 102	3 623 855	177 286	57 391	250 782	2 904 788
Cost	12 802 885	7 108 433	415 337	89 890	413 770	4 775 455
Accumulated depreciation	(5 788 783)	(3 484 578)	(238 051)	(32 499)	(162 988)	(1 870 667)
Accumulated depreciation	(5 788 783)	(3 484 578)	(238 051)	(32 499)	(162 988)	(1 870 667)
Acquisitions	1 310 036	831 381	84 678	19 597	62	374 318
Under construction	753 292					753 292
Fair value of land adjustment	6 354 647	2	795	78		6 353 772
Depreciation	(2 118 511)	(1 121 595)	(43 740)	(3 904)	(31 696)	(917 576)
- Based on cost	(2 118 511)	(1 121 595)	(43 740)	(3 904)	(31 696)	(917 576)
Carrying value of disposals	(3 659)	(453)	(1)	(1)	(1)	(3 203)
Cost / revaluation	(4 619 467)	(3 350 312)	(208 107)	(3 442)	(28)	(1 057 578)
Accumulated depreciation	4 615 808	3 349 859	208 106	3 441	27	1 054 375
Take on of new corporatised entity	10 321					10 321
Cost / revaluation	11 518					11 518
Accumulated depreciation	(1 197)					(1 197)
Other movements		364 646	(19 864)			(344 782)
Cost / revaluation		364 866	(22 141)			(342 725)
Accumulated depreciation		(220)	2 277			(2 057)
Carrying value 30 June 2005	13 320 228	3 697 836	199 154	73 161	219 147	9 130 930
Cost	16 612 911	4 954 370	270 562	106 123	413 804	10 868 052
Accumulated depreciation	(3 292 683)	(1 256 534)	(71 408)	(32 962)	(194 657)	(1 737 122)
- Cost	(3 292 683)	(1 256 534)	(71 408)	(32 962)	(194 657)	(1 737 122)

Group	Total	Infrastructure	Community assets	Heritage assets	Specialised vehicles	Other assets
Carrying value 1 July 2003	6 728 836	3 367 811	182 154	11 602	282 618	2 884 651
Cost	11 753 413	6 434 326	399 394	11 602	451 748	4 456 343
Revaluation						
Accumulated depreciation	(5 024 577)	(3 066 515)	(217 240)		(169 130)	(1 571 692)
- Cost	(5 024 577)	(3 066 515)	(217 240)		(169 130)	(1 571 692)
- Revaluation						
Acquisitions	803 822	349 402	12 857	966		440 597
Under construction	356 894	293 176	1 745			61 973
Depreciation	(866 816)	(386 537)	(19 509)	(158)	(31 836)	(428 776)
- Based on cost	(866 816)	(386 537)	(19 509)	(158)	(31 836)	(428 776)
Carrying value of disposals	(8 634)	5				(8 639)
Cost / Revaluation	(155 654)	(7 465)	(104)	(146)	(37 978)	(109 961)
Accumulated depreciation	147 020	7 470	104	146	37 978	101 322
Movements						
Cost / Revaluation	44 410	38 994	1 445	77 468		(73 497)
Accumulated depreciation	(44 410)	(38 996)	(1 406)	(32 487)		28 479
Carrying value 30 June 2004	7 014 102	3 623 855	177 286	57 391	250 782	2 904 788
Cost	12 802 885	7 108 433	415 337	89 890	413 770	4 775 455
Accumulated depreciation	(5 788 783)	(3 484 578)	(238 051)	(32 499)	(162 988)	(1 870 667)

Notes to Financial Statements for year ended 30 June 2005

PROPERTY, PLANT AND EQUIPMENT (continued)

CJMM	Total R000	Land and Buildings R000	Infrastructure R000	Community R000	Heritage R000	Other R000
Carrying values at at 1 July 2004	3 494 314	1 711 246	1 397 072	177 286	57 391	151 319
Cost	7 938 649	2 612 806	4 189 332	415 337	89 890	631 284
Accumulated depreciation	(4 444 335)	(901 560)	(2 792 260)	(238 051)	(32 499)	(479 965)
Acquisitions	606 167	142 495	313 134	83 758	19 597	47 183
Capital under construction	412 587					412 587
Increase/decreases in fair land value	6 354 647	6 162 679	2	795	78	191 093
Capitalisation adjustment	13 148		12 228	920		
Depreciation	(1 689 734)	(646 143)	(890 666)	(43 740)	(3 905)	(105 280)
- based on cost	(399 619)	(67 111)	(233 693)	(17 239)	(3 395)	(78 181)
- based on cost accelerated	(1 290 115)	(579 032)	(656 973)	(26 501)	(510)	(27 099)
Carrying value of disposals	(88)	2	(19 954)	19 864		
Cost/revaluation	4 611 910	790 629	3 327 681	230 247	3 441	259 912
Accumulated depreciation	(4 611 998)	(790 627)	(3 347 635)	(210 383)	(3 441)	(259 912)
Impairment losses						
Other movements			39 729	(39 729)		
Carrying values at at 30 June 2005	9 191 041	7 370 279	851 545	199 154	73 161	696 902
Cost	10 713 201	8 127 355	1 186 925	270 562	106 123	1 022 236
Accumulated depreciation	(1 522 160)	(757 076)	(335 380)	(71 408)	(32 962)	(325 334)
- Cost	(1 522 160)	(757 076)	(335 380)	(71 408)	(32 962)	(325 334)

30 June 2004

Reconciliation of Carrying Value	Total R000	Land and Buildings R000	Infra- structure R000	Community R000	Heritage R000	Other R000
Carrying values at at 1 July 2003	3 301 344	1 718 712	1 236 213	182 154	11 602	152 663
Cost	7 339 507	2 585 890	3 753 912	399 394	11 602	588 709
Accumulated depreciation	(4 038 163)	(867 178)	(2 517 699)	(217 240)		(436 046)
- Cost	(4 038 163)	(867 178)	(2 517 699)	(217 240)		(436 046)
Acquisitions	304 525	124 972	110 720	12 857	966	55 010
Capital under construction	356 894	61 582	293 176	1 745		391
Depreciation	(468 449)	(149 002)	(243 035)	(19 509)	(158)	(56 745)
- based on cost	(468 449)	(149 002)	(243 035)	(19 509)	(158)	(56 745)
Carrying value of disposals						
Cost/revaluation	(106 687)	(86 053)	(7 470)	(104)	(146)	(12 914)
Accumulated depreciation	106 687	86 053	7 470	104	146	12 914
Other movements		(45 018)	(2)	39	44 981	
Cost/revaluation	44 410	(73 585)	38 994	1 445	77 468	88
Accumulated depreciation	(44 410)	28 567	(38 996)	(1 406)	(32 487)	(88)
Carrying values at at 30 June 2004	3 494 314	1 711 246	1 397 072	177 286	57 391	151 319
Cost	7 537 345	2 547 303	3 857 161	412 185	89 890	630 806
Correction of error (note 44)	401 304	65 503	332 171	3 152		478
Accumulated depreciation	(4 444 335)	(901 560)	(2 792 260)	(238 051)	(32 499)	(479 965)
- Cost	(4 399 925)	(897 639)	(2 753 265)	(236 644)	(32 499)	(479 878)
Correction of error (note 44)	(44 410)	(3 921)	(38 995)	(1 407)		(87)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	Total R000	Software and other R000	Goodwill R000	Other R000
12 INTANGIBLE ASSETS				
Group 2005				
Opening balance	363 204	54 291	286 417	22 496
Correcting acquisition/ impairment of goodwill in the accounts of UAC's	(287 678)		(287 678)	
Additions	22 129	22 129		
Amortisation charge	(22 235)	(21 355)	1 261	(2 141)
Closing balance	75 420	55 065	286 417	20 355
			363 098	
Group 2004				
Opening balance	385 913	51 877	330 498	3 538
Additions	40 932	21 262	-	19 670
Amortisation charge	(63 641)	(18 848)	(44 081)	(712)
Closing balance	363 204	54 291	286 417	22 496

	2005 R000	2004 R000	2005 R000	2004 R000
13 INVESTMENTS (AT COST)				
Listed				
Rand Water Board	100	100	100	100
Eskom	86	86	86	86
	186	186	186	186
Unlisted				
Investment in UACs			183 117	145 294
Constitution Hill Development Company (Pty) Ltd	30 000			
Greater Newtown Development Company (Pty) Ltd	19 750			
	49 750		183 117	145 294
Financial instruments				
Long-term deposits	522 280	721 346	522 280	721 342
Short-term deposits	517 522	314 800	517 522	314 800
	1 039 802	1 036 146	1 039 802	1 036 142
Non current portion of investments	1 089 738	1 036 332	1 223 105	1 181 622
Market valuation of investments	1 117 941	1 036 917	1 251 308	1 182 211

The prior year comparatives have been reclassified to include short term investments to ensure compliance with Circular 18 issued by National Treasury. The financial instruments are linked to specific long term liabilities for the financing of their redemption.

	2005 Share capital and premium R000	2004 Share capital and premium R000	2005 Percentage owned R000	2004 Percentage owned R000
Investment in UACs				
The Johannesburg Fresh Produce Market (Pty) Ltd	20 000	20 000	100%	100%
The Johannesburg Civic Theatre (Pty) Ltd	*	*	100%	100%
The Johannesburg Zoo	*	*	100%	100%
City of Johannesburg Property Company (Pty) Ltd	1	1	100%	100%
Johannesburg Development Agency (Pty) Ltd	6 623	12 824	100%	100%
Metropolitan Trading Company (Pty) Ltd	2 977	*	100%	64%
City Power Johannesburg (Pty) Ltd	112 466	112 466	100%	100%
Johannesburg Water (Pty) Ltd	1	1	100%	100%
Pikitup Johannesburg (Pty) Ltd	*	*	100%	100%
Johannesburg Roads Agency (Pty) Ltd	1	1	100%	100%
Johannesburg City Parks	*	*	100%	100%
Johannesburg Social Housing Company	*	*	100%	100%
Johannesburg Tourism Company	*	*	100%	100%
Johannesburg Metropolitan Bus Services (Pty) Ltd	41 048	*	100%	100%
Roodepoort City Theatre	*	*	100%	100%
Johannesburg City Housing Company	*	*	100%	100%
	183 117	145 294		

* Nominal value

Note 36 details the investments which have been impaired.

During the current year, Gauteng Province donated their shares in MTC to CJMM

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	2005 R000	2004 R000	2005 R000	2004 R000
14 DERIVATIVE FINANCIAL INSTRUMENTS				
Non-current asset		13 557		-
Current asset		32 873		-
		46 430		

City Power entered into a 20-year power purchasing agreement with CDC Globeleq during 2001 for the supply of electricity, wherein the price is influenced by foreign exchange rates and United States and South African production price indices (PPI). The contract has been renegotiated to exclude exposure to foreign exchange rates and both United States and South African producer price indices.

Rates	2005 Year end	2004 Year end	2005 Average	2004 Average
Rand/Dollar – year end		6.24		6.77
RSA PPI%		6.59		6.59
USA PPI %		1.34		1.34

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
15 DEFERRED TAXATION ASSET				
Balance at beginning of year	315 236	245 489		
Prior year adjustment	3 579			
Net (reversing)/arising balances	(132 140)	69 747		
Balance at end of year	186 675	315 236		
Deferred taxation asset comprises:				
Property, plant and equipment and inventory	156 727	50 280		
Intangible asset		75 705		
Assessed losses	5 424	141 130		
Provisions	16 556	46 977		
Accrual for leave pay and bonuses	7 830			
Other	138	1 144		
	186 675	315 236		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
16 NON-CURRENT LOANS				
Loans to controlled Municipal Entities (UACs)			4 266 906	3 805 870
Fleet Africa	108 141	90 656	108 141	90 656
Housing Selling Scheme loans	40 003	41 222	40 003	41 222
Other	28 711	4 222	28 711	4 222
	176 855	136 100	4 443 761	3 941 970
Less: Current portion transferred to current receivables			276 854	243 569
Total non-current loans	176 855	136 100	4 166 907	3 698 401

LOANS TO UACs COMPRISE

Shareholder loans

	CJMM			
	2005 SUBORDINATED R000	2004 SUBORDINATED R000		
The Johannesburg Fresh Produce Market (Pty) Ltd**	14 082		36 000	50 000
The Johannesburg Zoo*	988		988	988
City of Joburg Property Company (Pty) Ltd*			1 752	1 095
Johannesburg Development Agency (Pty) Ltd*	9 700			56 500
Metropolitan Trading Company (Pty) Ltd*	22 000			10 440
City Power Johannesburg (Pty) Ltd**			624 793	624 793
Johannesburg Water (Pty) Ltd**	649 922	649 922	649 922	649 922
Pikitup Johannesburg (Pty) Ltd*			10 000	10 000
Johannesburg Roads Agency (Pty) Ltd*			37 033	13 768
Johannesburg City Parks*				19 902
Johannesburg Tourism Company*	1 500			1 002
Johannesburg Metropolitan Bus Services (Pty) Ltd*				2 000
Roodepoort City Theatre*				
	698 192	649 922	1 360 488	1 440 410

Conduit and additional loans

The Johannesburg Fresh Produce Market (Pty) Ltd**			65 157	36 653
City Power Johannesburg (Pty) Ltd**			1 304 715	1 038 983
Johannesburg Water (Pty) Ltd**	27 600		1 445 180	1 208 633
Pikitup Johannesburg (Pty) Ltd**	60 000	60 000	91 366	81 191
	87 600	60 000	2 906 418	2 365 460
Total loans to controlled Municipal Entities (UAC's)	785 792	709 922	4 266 906	3 805 870

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

**These loans bear interest at a fixed rate of between 14.15% and 17.5% NACM and are repayable quarterly, or in full on maturity.

Note 36 details the loans which have been impaired.

Fleet Africa

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

Housing Selling Scheme loans

This represents the outstanding balance owing on rental stock sold.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
17 INVENTORY				
Consumable stores	86 449	72 509	20 220	24 792
Spare parts	7 654	7 682		-
Biological assets	1 563	1 603		
Other	1 588	5 201		
Less: Provision for obsolescence	(11 635)	(13 376)		-
	85 619	73 619	20 220	24 792
18 ACCOUNTS RECEIVABLE				
Rates	2 578 538	2 591 881	2 578 538	2 591 881
Electricity	1 563 375	1 423 388		
Water	3 606 927	3 663 744		
Refuse	678 060	713 019	571 877	604 562
Regional Service Levies	155 408	148 789	155 408	148 789
Housing rentals	388 152	345 397	388 152	345 397
	8 970 460	8 886 218	3 693 975	3 690 629
Less: Provision for bad debts	(7 097 709)	(7 030 135)	(3 129 234)	(2 955 445)
	1 872 751	1 856 083	564 741	735 184
Rates - Ageing				
Current (0-30days)	318 534	354 055	318 534	354 055
31-60 days	99 288	92 312	99 288	92 312
61-90 days	80 035	64 843	80 035	64 843
91-120 days	69 960	55 647	69 960	55 647
121-365 days	314 892	88 308	314 892	88 308
>365 days	1 695 829	1 936 716	1 695 829	1 936 716
Total	2 578 538	2 591 881	2 578 538	2 591 881
Electricity, water- ageing				
Current (0-30days)	723 942	721 318		
31-60 days	185 558	195 457		
61-90 days	154 622	138 469		
91-120 days	148 283	133 042		
121-365 days	798 085	722 461		
>365 days	3 159 813	3 176 385		
Total	5 170 302	5 087 132		
Refuse - ageing				
Current (0-30days)	43 007	34 874	28 081	19 963
31-60 days	20 837	23 135	11 454	13 731
61-90 days	16 198	18 202	9 939	10 955
91-120 days	13 775	17 086	9 495	9 931
121-365 days	62 782	47 583	57 854	9 536
.+365 days	521 461	572 139	455 054	540 446
Total	678 060	713 019	571 877	604 562

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
Regional Service Council levies - ageing				
Current (0-30 days)	155 408	148 789	155 408	148 789
Total	155 408	148 789	155 408	148 789
Housing rentals - ageing				
Current (0-30days)	3 257	2 557	3 257	2 557
31-60 days	13 214	6 068	13 214	6 068
61-90 days	4 834	6 510	4 834	6 510
91-120 days	4 969	330 262	4 969	330 262
121-365 days	4 991		4 991	
+.365 days	356 887		356 887	
Total	388 152	345 397	388 152	345 397

Prior year comparatives have been restated to include Regional Services Council levies and housing rentals under consumer debtors to ensure compliance with Circular 18 issued by National Treasury. The age analysis for housing rentals for 2004 is only available up to 120 days.

Summary of debtors by customer classification

	GROUP			National and Provincial Government
	Total	Consumer	Industrial / commercial	
Group 2005				
Current (0-30days)	1 244 148	650 816	567 249	26 083
31-60 days	318 897	185 737	113 350	19 810
61-90 days	255 689	144 031	95 152	16 506
91-120 days	236 987	130 222	91 203	15 562
121-365 days	1 180 750	656 998	434 850	88 902
+.365 days	5 733 990	4 054 293	1 331 076	348 621
Less: Provision for bad debts	(7 097 709)	(4 916 492)	(1 817 513)	(363 704)
Total	1 872 751	905 605	815 366	151 780

	GROUP			National and Provincial Government
	Total	Consumer	Industrial / commercial	
Group 2004				
Current (0-30days)	1 261 593	665 438	549 168	46 987
31-60 days	316 972	178 729	110 069	28 174
61-90 days	228 024	128 988	80 399	18 637
91-120 days	536 037	444 901	73 431	17 706
121-365 days	858 352	474 532	303 780	80 040
+.365 days	5 685 240	3 840 308	1 443 048	401 884
Less: Provision for bad debts	(7 030 135)	(4 710 176)	(1 995 186)	(324 773)
Total	1 856 083	1 022 720	564 709	268 655

	CJMM			National and Provincial Government
	Total	Consumer	Industrial / commercial	
CJMM 2005				
Current (0-30days)	505 280	200 714	286 366	18 200
31-60 days	123 956	64 658	50 198	9 100
61-90 days	94 808	44 062	42 508	8 238
91-120 days	84 424	41 462	35 733	7 229
121-365 days	377 737	182 446	154 491	40 800
+.365 days	2 507 770	1 649 683	651 455	206 632
Less: Provision for bad debts	(3 129 234)	(1 846 248)	(1 032 647)	(250 339)
Total	564 741	336 777	188 104	39 860

	CJMM			National and Provincial Government
	Total	Consumer	Industrial / commercial	
CJMM 2004				
Current (0-30days)	525 364	236 166	271 026	18 172
31-60 days	112 111	58 192	44 833	9 086
61-90 days	82 308	42 121	32 233	7 954
91-120 days	395 840	361 708	27 048	7 084
121-365 days	97 844	21 514	54 961	21 369
+.365 days	2 477 162	1 529 530	739 700	207 932
Less: Provision for bad debts	(2 955 445)	(1 802 821)	(945 742)	(206 882)
Total	735 184	446 410	224 059	64 715

An adjustment to consumer debtors was made, transferring credit balances in the debtors' book to sundry creditors. This amounted to an increase of R744 million (2004: R559 million) in the Group balance which includes CJMM:R510 million (2004: R464 million) and UACs: R234 million (2004: R95 million).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
19 OTHER DEBTORS				
Payments in advance	8 887	3 152	2 176	-
Insurance debtors	72 795	58 240	72 795	58 240
Housing debtors	182 626	80 518	182 626	80 518
Sundry debtors	633 619	954 487	313 805	758 501
UAC loans			151 682	807 198
	897 927	1 096 397	723 084	1 704 457
20 CALL INVESTMENT DEPOSITS				
Deposits	1 585 003	1 149 630	1 584 344	1 149 630
<p>Deposits of R338 million (2004: R225 million) are ring-fenced in anticipation of future expenditure relating to post-retirement liabilities, and R20 million (2004: R19 million) to underwrite the COID reserve. Other deposits of R 94,4 million (2004: R 57.5 million) are set aside for the Capital Replacement Reserve. Fixed deposits amounting to R167 million (2004:R nil) have also been set aside for the purpose of repaying long-term liabilities.</p> <p>Prior year comparatives have been restated to ensure compliance with the Specimen Financial Statements issued by National Treasury.</p>				
21 BANK, CASH AND OVERDRAFT BALANCES				
<p>The Municipality has the following primary bank account:</p> <p>Current account ABSA Bank: Sandton branch Account number: 4054394859 Cash book and bank statement balance at end of the year was R67 million (2004: R102 million)</p>				
Bank and cash on hand at year end	70 677	134 546	85 724	108 415
<p>See Appendix I For additional CJMM bank accounts. Prior year comparatives have been restated to ensure compliance with the Specimen Financial Statements issued by National Treasury.</p>				

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
22 TRUST FUNDS				
Inner-city projects and other				
Balance at beginning of year		3 333		3 333
GAMAP compliance (transferred to current liabilities)		(3 333)		(3 333)
Balance at end of year				
23 DEFERRED INCOME				
Opening balance		403 843		
GAMAP-compliance impact (transfer to net assets)		(403 843)		
Balance at end of year				
24 PROPERTY RATES				
Rates received				
Residential	1 157 658	921 571	1 157 658	921 571
Commercial	1 426 970	1 243 470	1 426 970	1 243 470
State	113 590	251 500	135 877	332 790
	2 698 218	2 416 541	2 720 505	2 497 831
Valuations				
Total valuations	45 972 000	45 702 000	45 972 000	45 702 000
<p>These amounts include the General and Supplementary Valuation Rolls (site value only) for Johannesburg, Midrand and Modderfontein. As a result of system constraints, a breakdown into the various categories is not possible.</p> <p>Prior year comparatives have been restated to ensure compliance with Circular 18 issued by National Treasury.</p>				
25 SERVICE CHARGES				
Sale of electricity	3 272 703	2 852 079		
Sale of water	1 726 789	1 513 866		
Refuse removal	347 070	413 885	210 066	208 369
Sewerage and sanitation charges	902 651	838 675		
Other services	84 772	112 028	65 062	112 028
	6 333 985	5 730 533	275 128	320 397

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
26 GOVERNMENT GRANTS AND SUBSIDIES				
Equitable share	380 545	206 105	380 545	206 105
Provincial health subsidies	40 893	85 347	40 893	85 347
Provincial grants: capital projects	330 608	64 042	164 085	64 042
Municipal infrastructure grant	96 776	199 948	96 776	120 973
Financial management grant	1 589		1 589	
Restructuring grant	34 944	10 059	34 944	10 059
Ambulance subsidy	44 615		44 615	
Provincial grants: other	46 354		46 354	
Provincial grant: top structure of houses	69 314		69 314	
	1 045 638	565 501	879 115	486 526
Equitable share				
This grant is used to subsidise the provision of basic services to indigent community members				
Provincial health subsidies				
Balance unspent at beginning of the year		-		-
Current-year receipts	40 893	85 347	40 893	85 347
Conditions met-transferred to revenue	(40 893)	(85 347)	(40 893)	(85 347)
Conditions still to be met-transferred to conditional grants and subsidies (note 9)				
The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 20% of total expenditure incurred. These funds have been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.				
Provincial Grants: Capital Projects				
Balance unspent at beginning of the year	216 414	186 035	216 414	186 035
Repaid to National Treasury	(110 000)		(110 000)	
Current-year receipts	421 626	94 421	135 416	94 421
Conditions met-transferred to revenue	(330 608)	(64 042)	(164 085)	(64 042)
Conditions still to be met-transferred to conditional grants and subsidies (note 9)	197 432	216 414	77 745	216 414
These grants are provided to finance capital projects in respect of Social Services and Housing.				
Municipal infrastructure Grant (MIG)				
Balance unspent at beginning of the year		-		-
Current-year receipts	96 776	199 948	96 776	120 973
Conditions met-transferred to revenue	(96 776)	(199 948)	(96 776)	(120 973)
Conditions still to be met-transferred to conditional grants and subsidies (note 9)				
This grant is made available to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households.				
Financial Management Grant				
Balance unspent at beginning of the year	4 406		4 406	
Current-year receipts	3 000	4 406	3 000	4 406
Conditions met-transferred to revenue	(1 589)		(1 589)	
Conditions still to be met-transferred to conditional grants and subsidies (note 9)	5 817	4 406	5 817	4 406

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
Restructuring Grant				
Balance unspent at beginning of the year	68 567	37 625	68 567	37 625
Current-year receipts	40 000	41 001	40 000	41 001
Conditions met-transferred to revenue	(34 944)	(10 059)	(34 944)	(10 059)
Conditions still to be met-transferred to conditional grants and subsidies (note 9)	73 623	68 567	73 623	68 567
Changes in levels of government grants				
Based on the allocations set out in the Division of Revenue Act (Act 1 of 2005), no significant changes in the level of government grant funding is anticipated over the forthcoming three financial years				
27 OTHER INCOME				
Internal recoveries - UAC's			125 769	123 546
Water meter readings	9 706	9 617		
Commission on fresh produce sales	89 929	92 738		
Bus fares	83 795	76 248		
New connections for electricity and water	28 565			
Sundry revenue	467 005	341 261	356 918	219 645
	679 000	519 864	482 687	343 191
Prior year comparatives have been restated to ensure compliance with Circular 18 issued by National Treasury.				
28 EMPLOYEE-RELATED COSTS				
Employee-related costs-salaries and wages	2 208 655	2 119 399	1 184 552	1 188 150
Employee-related costs-social contributions	341 154	483 364	91 692	233 417
Travel, motor car, accommodation, subsistence, and other allowances	280 551	280 853	125 374	113 492
Housing benefits and allowances	50 244	55 044	19 399	25 705
Overtime payments	145 228	137 611	60 911	63 074
Performance bonus	85 062	52 058	15 516	6 520
Long service awards	503	15		
Less employee costs capitalised to PPE	(22 212)	(1 102)	(67)	
Less employee costs included in general expenses	(50 368)	5 755	(50 368)	5 755
	3 038 816	3 132 998	1 447 009	1 636 113

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
Remuneration of the City Manager				
Annual remuneration	790	744		
Performance bonus	61	64		
Car allowance	125	124		
Contributions to UIF, medical and pension funds	24	1		
	1 000	933		
Remuneration of the Chief Operations Officer				
Annual remuneration	598	514		
Performance bonus	159	58		
Car allowance	282	282		
Contributions to UIF, medical and pension funds	1	1		
	1 040	855		
Remuneration of Acting Executive Director: Finance and Economic Development				
Annual remuneration	701	628		
Performance bonus	97	85		
Car allowance	72	72		
Contributions to UIF, medical and pension funds	1	1		
	871	786		
Remuneration of the Executive Director: Planning, Transport and Environmental Affairs				
Annual remuneration	669	600		
Performance bonus	91	52		
Car allowance	108	108		
Contributions to UIF, medical and pension funds	1	1		
	869	761		
Remuneration of the Executive Director: Corporate Services				
Annual remuneration	602	558		
Performance bonus	141	52		
Car allowance	144	144		
Contributions to UIF, medical and pension funds	31	1		
	918	755		
Remuneration of the Chief of Police				
Annual remuneration	602	660		
Performance bonus	53	48		
Car allowance	102	102		
Contributions to UIF, medical and pension funds	120	1		
	877	811		
Remuneration of the Director: Office of City Manager - (currently vacant)				
Annual remuneration		590		
Performance bonus	140	214		
Car allowance		108		
Contributions to UIF, medical and pension funds		1		
	140	913		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
Remuneration of the Executive Head:				
Emergency Management Services				
Annual remuneration	600			
Performance bonus				
Car allowance				
Contributions to UIF, medical and pension funds				
	600			
Remuneration of the Director:				
Joburg Risk Assurance Services				
Annual remuneration	519	519		
Performance bonus	128	113		
Car allowance	120	120		
Contributions to UIF, medical and pension funds	1	1		
	768	753		
Remuneration of the Executive Director:				
Contract Management Unit				
Annual remuneration	697	618		
Performance bonus	113	94		
Car allowance	131	132		
Contributions to UIF, medical and pension funds	1	1		
	942	845		
Remuneration of the Director:				
Shareholders Unit				
Annual remuneration	508			
Performance bonus	57			
Car allowance	116			
Contributions to UIF, medical and pension funds	1			
	682			
Prior year comparatives have been restarted to ensure compliance with Circular 18 issued by National Treasury.				
<hr/>				
29 REMUNERATION OF COUNCILLORS				
Executive Mayor	621	528	621	528
Speaker	533	449	533	449
Mayoral Committee members	4 801	4 278	4 801	4 278
Councillors	34 856	32 960	34 856	32 960
Councillors' pension contribution	4 369	4 434	4 369	4 434
	45 180	42 649	45 180	42 649

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

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

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

The Executive Mayor has two full-time bodyguards.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
30 BAD DEBTS				
Contributions to bad-debt provision	362 456	628 316	292 578	-
Bad debts written off	560 921	63 160	114 091	63 160
	923 377	691 476	406 669	63 160
31 INTEREST ON EXTERNAL BORROWINGS				
Loans	603 427	479 695	594 457	542 401
Finance leases	382	41 340		-
Bank overdraft	17 182	620		620
	620 991	521 655	594 457	543 021
32 BULK PURCHASES				
Electricity	1 996 646	1 921 551		-
Water	1 261 981	1 195 065		-
	3 258 627	3 116 616		
33 CONTRACTED SERVICES				
Information technology services	199 590	168 665	176 588	168 665
Fleet services	341 930	53 405	47 082	53 405
Operating leases	186 943	259 639	170 051	162 236
Specialist services	237 099	257 165	237 099	257 165
Other contractors	492 221	544 528	155 175	77 326
	1 457 783	1 283 402	785 995	718 797
34 GRANTS AND SUBSIDIES PAID				
The Johannesburg Civic Theatre (Pty) Ltd			13 300	13 000
The Johannesburg Zoo			22 150	22 007
City of Joburg Property Company (Pty) Ltd			9 465	8 977
Johannesburg Development Agency (Pty) Ltd			7 100	4 387
Metropolitan Trading Company (Pty) Ltd			16 243	11 600
Johannesburg Water (Pty) Ltd			240 000	200 000
Pikitup Johannesburg (Pty) Ltd			459 800	416 212
Johannesburg Roads Agency (Pty) Ltd			309 200	294 500
Johannesburg City Parks			293 055	279 000
Johannesburg Housing Company			8 800	3 113
Johannesburg Tourism Company			7 000	5 000
Johannesburg Metropolitan Bus Services (Pty) Ltd			202 300	191 000
Grants paid to UACs			1 588 413	1 448 796
Grants paid to UACs are utilised to fund capital and operational expenditure.				
Free electricity	46 253	43 402	46 253	43 402
Publicity Association		4 560		
Marks Park Sports Club	818	790	818	790
Roodepoort City Theatre		2 000	3 300	1 169
Housing top structures	122 518		122 518	
Other	13 515	12 427	13 515	17 818
Other subsidies	183 104	63 179	186 404	63 179
	183 104	63 179	1 774 817	1 511 975

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
35 GENERAL EXPENSES				
Early settlement costs	11 141	50 609	11 141	50 609
Guarding of municipality property	133 372	57 388	75 695	57 388
Hiring and maintenance of equipment	27 370	30 736	24 585	30 736
Insurance	95 409	74 638	51 091	74 638
Post-retirement expenses	155 580	219 905	157 412	192 474
Bin rentals	9 467	8 969		
Telephone	76 647	71 778	38 899	43 615
Bus diesel	31 102	28 163		
Water purification	18 254	20 047		
UAC -Charges			93 742	72 537
Amortisation of intangible assets	22 235	63 641		
Sundry expenses	752 504	654 118	584 495	429 078
	1 333 081	1 279 992	1 037 060	951 075
36 Impairment of Loans and investments in UACs				
Loans to UACs impaired				
Johannesburg City Parks			22 858	
Roodepoort City Theatre			500	
Johannesburg Development Agency (Pty) Ltd			81 250	
Metropolitan Trading Company (Pty) Ltd			95 857	
Johannesburg Metropolitan Bus Services (Pty) Ltd			13 726	
Johannesburg Social Housing Company (Pty) Ltd			1 140	
Johannesburg Tourism Company			1 473	
			216 804	
Investment in UACs impaired				
Pikitup Johannesburg (Pty) Ltd			1	
Johannesburg Development Agency (Pty) Ltd			9 700	
Metropolitan Trading Company (Pty) Ltd			22 000	
			31 701	
On formation, each of the UACs entered into a Service Level Agreement between themselves and the City. In order to enable certain of the UACs to continue to operate and thus fulfil their obligations in terms of these agreements, the City has agreed to subordinate, in favour of other creditors, certain debts owed by the relevant UACs to the City. The City has impaired such debts to the extent of their subordination, and will reverse each impairment only when the affairs of the relevant UAC indicate the probable recoverability of it's affected debt. In addition, the carrying value of investment in the UACs listed above was impaired.				
37 TAXATION				
South African normal taxation				
Current taxation	21 314	8 435		
Deferred Taxation	71 820	30 820		
	93 134	39 255		
Prior-year adjustment	16 801			
Current taxation	16 801			
Deferred taxation	16 801			
	109 935	39 255		
Reconciliation of statutory to effective rate:				
Surplus before taxation	1 233 862	376 545		
Taxation calculated at the rate of 29%	357 820	112 963		
Impact of CJMM not being a taxable entity	(122 984)	(85 720)		
Adjustment due to change in tax rate	(5 930)			
Impact of Section 21 Companies not being taxable entities	(2 154)	(23 331)		
Expenses not deductible and exempt income	(133 618)	35 343		
	(264 686)	(73 708)		
Taxation charge	93 134	39 255		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
38 RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS				
Surplus before taxation per statement of financial performance	1 233 862	246 207	424 084	285 733
Prior-year adjustment	(550 805)	(3 119)	(309 891)	(124 099)
Capitalisation adjustment	13 869		13 869	
	696 926	243 088	128 062	161 634
Adjustments				
Provisions	923 377	691 476	406 669	63 160
Impairments			248 505	
Depreciation	828 396	790 958	399 619	392 591
Correcting acquisition goodwill in UACs	287 678			
Gains on disposal of fixed assets	(53 731)		(53 025)	
Correction of Conditional grant allocation	(23 398)			
Non cash derivative financial assets	46 430			
Correction made to reserves	216		216	
Amortisation of intangible assets	22 235	63 641		
Loss on sale of fixed assets	3 435	55 143		59 404
Investment income	(353 767)	(368 060)	(892 229)	(842 774)
Interest paid	620 991	521 655	594 457	543 021
Operating surplus before working capital changes:	2 301 862	1 754 813	704 212	215 402
(Decrease)/Increase in conditional grants	(17 063)	80 140	(136 750)	80 140
Increase/(decrease) in provisions	8 276	99 335	(21 898)	(15 255)
Increase in creditors	268 993	528 616	95 165	631 238
(Decrease)/Increase in VAT	(11 272)	15 095	(14 345)	(13 735)
Decrease/(increase) in inventory	(12 000)	8 827	4 572	(2 760)
Increase in consumer debtors	(940 045)	(1 303 645)	(236 226)	(676 815)
(Increase)/Decrease in other debtors	198 470	(476 591)	981 373	(174 935)
	1 797 221	706 590	1 376 103	43 280
Net cash flow from operating activities	2 494 147	949 678	1 504 165	204 914
39 TAXATION PAID				
Opening balance-SA normal taxation	(4 334)	(10 173)		
Opening balance- deferred taxation	(177 894)	(147 074)		
Charge for the year-SA normal taxation	(21 314)	(8 436)		
Charge for the year- deferred taxation	(88 621)	(30 819)		
Closing balance-SA normal taxation	14 462	4 334		
Closing balance- deferred taxation	265 041	177 894		
	(12 660)	(14 274)		
40 UTILISATION OF NON CURRENT LIABILITIES				
Non current liabilities	5 208 722	4 974 418	4 967 034	4 622 698
Used to finance property, plant and equipment - at cost	5 028 474	4 045 563	4 786 786	3 693 843
	180 248	928 855	180 248	928 855
Cash set aside for repayment of non current liabilities	1 026 180	51 715	1 026 180	51 715
Cash invested for repayment of non current liabilities	1 206 428	980 570	1 206 428	980 570
Non current liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that the non current liabilities can be repaid on redemption date.				
41 MOVEMENT IN NON CURRENT LIABILITIES				
Raised during the period	795 491	2 398 308	795 491	2 396 805
Redeemed during the period	(561 187)	(1 481 396)	(451 155)	(1 458 433)
	234 304	916 912	344 336	938 372
Current portion	(192 827)	1 043 172	(66 640)	1 065 313
Non-current portion	427 131	(126 260)	410 976	(126 941)
	234 304	916 912	344 336	938 372

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
42 MOVEMENT IN FUNDS AND RESERVES				
Opening balance	2 329 426	4 688 870	1 854 762	4 686 700
Elimination of IMFO funds as per GAMAP		(4 477 471)		(4 477 471)
Creation of GAMAP funds		1 685 727		1 685 727
Transfer to revaluation reserve		(972)		
Deferred income transferred to funds		403 843		
Correction of conditional grants previous included in reserves	(23 398)			
Funds set aside during the year	618 739	334 412	371 127	211 915
Funds released during the year	(1 039 200)	(304 983)	(994 155)	(252 109)
Non-cash movements during the year	(443 859)	(2 359 444)	(623 028)	(2 831 938)
Closing balance	1 885 567	2 329 426	1 231 734	1 854 762
43 MOVEMENT IN UNAPPROPRIATED RESERVES				
Opening balance	(371 759)	(4 188 823)	(151 800)	(3 864 978)
Non-cash GAMAP adjustment		3 511 350		3 511 350
Revaluation	6 354 647	972	6 354 647	
Assets at fair value depreciation	(1 290 115)		(1 290 115)	
Capitalisation adjustment	13 869		13 869	
Funds set aside during the year	(618 523)	(334 412)	(370 911)	(211 915)
Funds released during the year	1 039 200	304 983	994 155	252 109
	5 127 319	(705 930)	5 549 845	(313 434)
Surplus before taxation per statement of financial performance	1 233 862	376 545	424 084	285 733
Taxation as per statement of financial performance	(109 935)	(39 255)		-
Correction of errors (note45)	(550 805)	(3 119)	(309 891)	(124 099)
	5 700 441	(371 759)	5 664 038	(151 800)
44 OPERATING LEASE COMMITMENTS				
Due in the next 12 months:				
Computers	258	1 556		
Copiers	2 493	142		-
Equipment rental	13 219	3 028		-
Fleet	133 891	168 111	179 850	195 600
Buildings	31 797	28 659	31 797	28 659
Office rental	12 093	2 857		-
PABX	1 157	1 008		-
Other	664	2 268		-
	195 572	207 629	211 647	224 259
Due in the following four years:				
Computers		258		
Copiers	7 811	75		-
Equipment rental	58 023	14 928		-
Fleet	330 587	374 474	813 935	409 700
Buildings	161 868	147 303	161 868	147 303
Office rental	33 127	21 098		-
PABX	1 281	2 185		-
Other	1 268	4 789		-
	593 965	565 110	975 803	557 003
	789 537	772 739	1 187 450	781 262

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
45 CORRECTION OF ERRORS				
Kelvin Power Station debtor incorrectly raised		(36 445)		(36 445)
The City of Joburg Property Company debtor written off in error		14 939		14 939
Change in bad-debt provision policy		(43 677)		(43 677)
Adjustment to self-insurance investment		55 862		55 862
Johannesburg Athletics Stadium interest incorrectly capitalised		(70 925)		(70 925)
Johannesburg Water back-dated expenses				(123 148)
Correcting acquisition/ impairment of goodwill in the accounts of UAC's	287 678			
Depreciations on assets not done previously	44 409		44 409	
Regional services levies VAT adjustment	(18 673)		(18 673)	
Billing error corrections	(58 094)			
Correction of share premium :Metrobus	(41 048)		(41 048)	
Post employment benefit funds liabilities	176 000		176 000	
Disputed departmental settlement charges	51 619		51 619	
Departmental assessment rates adjustment	14 670		14 670	
Adjustment gratuity to payments	6 700		6 700	
JDA investment incorrectly raised	(3 497)		(3 497)	
Leave accruals for UAC'S	7 247		7 247	
Correction of portfolio accounts	67 346		67 346	
Correction of bin rental debtors	9 553			
Other	6 895	77 127	5 118	79 295
	550 805	(3 119)	309 891	(124 099)

Group

a) Correction acquisition/ impairment of goodwill in the accounts of the UAC's

Goodwill relating to the formation of City Power Johannesburg (R 252, 350 million) and the Johannesburg Fresh Produce Market (R 35,328 million) resulted in unrealised gains and are eliminated in full on consolidation.

CJMM

a) Depreciations on assets not done previously

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

b) Regional services levies VAT adjustment

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

c) Correction of share premium :Metrobus

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

d) Post employment benefit funds liabilities

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

e) Disputed departmental settlement charges

Revenue Departmental Charges disputed by City Power for prior years adjusted.

f) Departmental assessment rates adjustment

Inter departmental assessment rates for prior years brought into account.

g) Adjustment gratuity to payments

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

h) JDA investment incorrectly raised

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

i) Leave accruals for UAC'S

Leave accruals for UAC's not raised in prior years brought into account.

j) Correction of portfolio accounts

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Johannesburg Water

a) Billing error corrections

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

Pikitup Johannesburg

a) Correction of bin rental debtors

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

46 Conversion to GAMAP

In the year ended June 2003, CJMM reported in terms of the Code of Practice (1992) issued by IMFO. With effect from the 2004 financial year, GAMAP has been applied. The UACs report in compliance with GAAP. The necessary adjustments have been made to ensure the UACs' financial results have been consolidated in compliance with GAMAP.

As a result of the adoption of compliance with The Municipal Finance Management Act, which requires that financial statements be reported utilising GAMAP, the basis of reporting has been altered fundamentally. In terms of the transitional provisions, referred to in the Standard of Generally Recognised Accounting Practice 3, the changes in policy have been implemented prospectively, with effect from 1 July 2003. The most important changes in policy are:

a) In the June 2003 year ended, the loans redeemed and other capital receipts were not allocated to specific assets. The net book value of fixed assets has been predetermined, based on the dates of acquisition of the assets and their estimated useful lives in line with GAMAP 17. This predetermination resulted in the net book value and unappropriated reserves increasing by R582 million. This adjustment takes into account the costs of assets funded out of the Municipality's own resources, government grants and public contributions and which were previously fully redeemed/written-off on acquisition and which now have to be restated at their book values in terms of GAMAP 17.

The source of funding has been allocated on a judgemental basis for each asset on the asset register based on available information. Reserves (equal to net book value of the respective assets) were created for assets financed from the Municipality's own resources (R1.367 billion), government grants (R97 million) and public contributions (R268 million). These Future Depreciation Reserves will be released to offset the depreciation impact on the statement of financial performance, in order to achieve a zero impact on the increase in assessment rates for the municipality.

b) Amounts received as advance grant funding for assets by the group subsidiaries were reported as deferred income, and transferred to income over the life of the asset in compliance with GAAP. Compliance with GAMAP requires that the balances be reported as part of the reserves; and

c) The original reserves related to the funding of fixed assets required by previous statutes have been replaced to comply with GAMAP

47 OUTSIDE SHAREHOLDER'S INTEREST

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

48 POST-EMPLOYMENT BENEFIT FUNDS

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

Defined Contribution Funds

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

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

Defined Benefit Funds

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

City of Johannesburg Pension Fund

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

	GROUP		CJMM	
	2005 R million	2004 R million	2005 R million	2004 R million
Amounts recognised in the statement of financial position				
Present value of funded obligation	2 200	1 853	2 200	1 853
Fair value of plan assets	(2 232)	(1 751)	(2 232)	(1 751)
Net obligation recognised in the statement of financial position	(32)	102	(32)	102
Amounts recognised in the statement of financial performance				
Current service cost	87	76	87	76
Interest cost	183	158	183	158
Expected return on plan assets	(170)	(143)	(170)	(143)
Actuarial gain	(116)	(18)	(116)	(18)
Change in unrecognised asset in terms of s59 of AC116	31		31	
Members contributions	(32)	(36)	(32)	(36)
Total included in employee remuneration costs	(17)	37	(17)	37
Actual return on plan assets	585	226	585	226
Movement in net liability recognised in the statement of financial position				
Net liability at the beginning of the year	102	126	102	126
Net expense recognised in the statement of financial performance	(17)	37	(17)	37
Employee contributions	(85)	(61)	(85)	(61)
Net liability at the end of the year		102		102
	GROUP		CJMM	
	2005	2004	2005	2004
Principal actuarial assumptions				
Discount rate	8,50%	10,00%	8,50%	10,00%
Expected return on plan assets	8,50%	10,00%	8,50%	10,00%
Future salary inflation	5,50%	6,50%	5,50%	6,50%
Future pension contribution increases	4,00%	4,80%	4,00%	4,80%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Johannesburg Municipal Pension Fund

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

	GROUP		CJMM	
	2005 R million	2004 R million	2005 R million	2004 R million
Amounts recognized in the statement of financial position				
Present value of funded obligation	3 449	3 121	3 449	3 121
Fair value of plan assets	(4 286)	(3 649)	(4 286)	(3 649)
Net asset	(837)	(528)	(837)	(528)
AC 116 limit	837	528	837	528
Amount recognized in statement of financial position				
Amounts recognized in the statement of financial performance				
Current service cost	55	48	55	48
Interest cost	299	279	299	279
Expected return on plan assets	(350)	(313)	(350)	(313)
Actuarial gain	(235)	(90)	(235)	(90)
AC 116 limit	308	146	308	146
Members' contributions	(21)	(23)	(21)	(23)
Total included in employee remuneration costs	56	47	56	47
Actual return on plan assets	926	423	926	423
Movement in net liability recognized in the statement of financial position				
Net liability at the beginning of the year	-	-	-	-
Net expense recognized in the statement of financial performance	56	47	56	47
Members' contributions	(56)	(47)	(56)	(47)
Net liability at the end of the year				
Principal actuarial assumptions				
Discount rate	8,50%	10,00%	8,50%	10,00%
Expected return on plan assets	8,50%	10,00%	8,50%	10,00%
Future salary inflation	5,50%	6,50%	5,50%	6,50%
Future pension contribution increases	4,00%	4,80%	4,00%	4,80%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Joint Municipal Pension Fund

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

	GROUP		CJMM	
	2 005 R million	2 004 R million	2 005 R million	2 004 R million
Amounts recognized in the statement of financial position				
Present value of funded obligation	290	272	290	272
Fair value of plan assets	(297)	(246)	(297)	(246)
Net asset	(7)	26	(7)	26
AC 116 limit	7		7	
Amount recognized in statement of financial position		26		26
Amounts recognized in the statement of financial performance				
Current service cost	5		5	
Interest cost	26		26	
Expected return on plan assets	(23)		(23)	
Actuarial gain	(32)		(32)	
AC 116 limit	7		7	
Members' contributions	(2)		(2)	
Total included in employee remuneration costs	(19)		(19)	
Actual return on plan assets	77		77	
Movement in net liability recognized in the statement of financial position				
Net liability at the beginning of the year	23	-	23	-
Net expense recognized in the statement of financial performance	(19)	47	(19)	47
Members' contributions	(4)	(47)	(4)	(47)
Net liability at the end of the year				
Principal actuarial assumptions				
	2005	2004	2005	2004
Discount rate	8,50%	10,00%	8,50%	10,00%
Expected return on plan assets	8,50%	10,00%	8,50%	10,00%
Future salary inflation	5,50%	6,50%	5,50%	6,50%
Future pension contribution increases	4,00%	4,80%	4,00%	4,80%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Municipal Employee Pension Fund

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

	GROUP		CJMM	
	2005 R million	2004 R million	2005 R million	2004 R million
Amounts recognized in the statement of financial position				
Present value of funded obligation	250	190	250	190
Fair value of plan assets	(289)	(230)	(289)	(230)
Net asset	(39)	(40)	(39)	(40)
IAS 19 / AC116 limit	39	40	39	40
Amount recognized in statement of financial position				
Amounts recognized in the statement of financial performance				
Current service cost	20		20	
Interest cost	22		22	
Expected return on plan assets	(22)		(22)	
Actuarial gain	(35)		(35)	
IAS 19 / AC116 limit	32		32	
Members' contributions	(4)		(4)	
Total included in employee remuneration costs	13		13	
Actual return on plan assets	71		71	
Movement in net liability recognized in the statement of financial position				
Net liability at the beginning of the year	-	-	-	-
Net expense recognized in the statement of financial performance	13	47	13	47
Members' contributions	(13)	(47)	(13)	(47)
Net liability at the end of the year				
Principal actuarial assumptions				
Discount rate	8,50%	10,00%	8,50%	10,00%
Expected return on plan assets	8,50%	10,00%	8,50%	10,00%
Future salary inflation	5,50%	6,50%	5,50%	6,50%
Future pension contribution increases	4,00%	4,80%	4,00%	4,80%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

South African Local Authorities Pension Fund

The South African Local Authorities Pension Fund is a hybrid defined benefit fund registered in 1985 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of IAS 19 (AC116) (Employee Benefits) has been performed as at 30 June 2005, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116).

	GROUP		CJMM	
	2005 R million	2004 R million	2005 R million	2004 R million
Amounts recognized in the statement of financial position				
Present value of funded obligation	51	40	51	40
Fair value of plan assets	(42)	(32)	(42)	(32)
Net asset	9	8	9	8
IAS 19 / AC116 limit				
Amount recognized in statement of financial position	9	8	9	8
Amounts recognized in the statement of financial performance				
Current service cost	1		1	
Interest cost	4		4	
Expected return on plan assets	(3)		(3)	
Actuarial loss	1		1	
IAS 19 / AC116 limit	-		-	
Members' contributions	(1)		(1)	
Total included in employee remuneration costs	2		2	
Actual return on plan assets	9		9	
Movement in net liability recognized in the statement of financial position				
Net liability at the beginning of the year	11	-	11	-
Net expense recognized in the statement of financial performance		47		47
Members' contributions	(2)	(47)	(2)	(47)
Net liability at the end of the year	9		9	
Principal actuarial assumptions				
Discount rate	8,50%	10,00%	8,50%	10,00%
Expected return on plan assets	8,50%	10,00%	8,50%	10,00%
Future salary inflation	5,50%	6,50%	5,50%	6,50%
Future pension contribution increases	4,00%	4,80%	4,00%	4,80%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Soweto City Council Pension Fund

The Soweto City Council Pension Fund is a hybrid defined benefit fund registered in 1987 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of AC116 has been performed as at 30 June 2005, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116).

	GROUP		CJMM	
	2005 R million	2004 R million	2005 R million	2004 R million
Amounts recognized in the statement of financial position				
Present value of funded obligation	612	501	612	501
Fair value of plan assets	(595)	(444)	(595)	(444)
Net asset	17	57	17	57
IAS 19 / AC116 limit				
Amount recognized in statement of financial position	17	57	17	57
Amounts recognized in the statement of financial performance				
Current service cost	24		24	
Interest cost	52		52	
Expected return on plan assets	(45)		(45)	
Actuarial gain	(46)		(46)	
IAS 19 / AC116 limit	-		-	
Members' contributions	(8)		(8)	
Total included in employee-remuneration costs	(23)		(23)	
Actual return on plan assets	126		126	
Movement in net liability recognized in the statement of financial position				
Net liability at the beginning of the year	57	-	57	-
Net expense recognized in the statement of financial performance	(23)	47	(23)	47
Members' contributions	(17)	(47)	(17)	(47)
Net liability at the end of the year	17		17	
Principal actuarial assumptions				
Discount rate	8,50%	10,00%	8,50%	10,00%
Expected return on plan assets	8,50%	10,00%	8,50%	10,00%
Future salary inflation	5,50%	6,50%	5,50%	6,50%
Future pension contribution increases	4,00%	4,80%	4,00%	4,80%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Post-employment medical aid liabilities

The group has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Only pensioners and employees who were aged 50 or over and were members of Lamaf (previously called Jomed) and Munimed medical schemes on 1 July 2003 are eligible for benefits. The amount of the subsidy is 60% for pensioners and members older than 55 on 1 July 2003 and 50% for other qualifying employees and is subject to a maximum of R1 953 per month. The maximum increases annually on 1 July in accordance with the general 'cost of living' salary increase in the group

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

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

	GROUP		CJMM	
	2005 R million	2004 R million	2005 R million	2004 R million
Amounts recognised in the statement of financial position				
Present value of unfunded obligation in respect of CJMM employees	1 155 477	1 025 106	1 032 927	929 666
In respect of notional accounts for employees of UACs			83 901	76 274
	1 155 477	1 025 106	1 116 828	1 005 940
Amounts recognised in the statement of financial performance				
In respect of employees of CJMM				
Interest cost	101 098	88 736	89 899	80 674
Current service cost	8 910	7 680	4 584	4 280
Actuarial loss	78 814	80 531	79 296	72 174
Total included in employee remuneration costs	188 822	176 947	173 779	157 128
In respect of employees of UACs				
Interest cost			7 627	6 397
New notional accounts created				1 761
Total included in employee remuneration costs			7 627	8 158
Movements in amount recognised in the statement of financial position				
In respect of CJMM employees				
Liability at start of the year	1 025 106	924 844	929 666	849 200
Correction for additional liability not previously raised	12 858			
Net expense recognised in the statement of financial performance	188 822	176 947	173 779	157 128
Benefit payments	(71 309)	(76 685)	(70 518)	(76 662)
	1 155 477	1 025 106	1 032 927	929 666
In respect of employees of UACs				
Liability at start of the year			76 274	67 822
Interest charge included in the statement of financial performance			7 627	6 397
Additional liability created				2 055
Benefits payments				-
Liability at end of the year			83 901	76 274
Key assumptions				
Discount rate	8.5%	10,0%	8.5%	10,0%
Medical inflation	8.5%	6,0%	8.5%	6,0%
Salary Inflation	6.0%	6,5%	6.0%	6,5%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Housing subsidies after retirement

The Group provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan to which the subsidy relates is not fully repaid at retirement date, the subsidy will continue in the member's retirement. The subsidy amount is based on the subsidy being received at the date of the valuation, is assumed to remain constant and to continue for a period of 10 years after retirement.

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

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

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
Amounts recognised in the statement of financial position				
Present value of unfunded obligation in respect of CJMM employees	10 699	10 893	9 130	9 477
In respect of notional accounts for employees of UACs			1 309	1 262
	10 699	10 893	10 439	10 739
Amounts recognised in the statement of financial performance				
In respect of employees of CJMM				
Interest cost	1 043	1 033	902	903
Current service cost	93	107	68	79
Actuarial (loss)/gain	404	(21)	384	52
Total included in employee-remuneration costs	1 540	1 119	1 354	1 034
In respect of employees of UACs				
Interest cost				
New notional accounts created			300	1 162
Total included in employee-remuneration costs			300	1 162
Movements in amount recognised in the statement of financial position				
In respect of CJMM employees				
Liability created at start of year	10 893	10 753	9 477	9 422
Correction liability incorrectly raised	(33)			
Net expense recognised in the statement of financial performance	1 540	1 119	1 354	1 034
Benefit payments	(1 701)	(979)	(1 701)	(979)
Liability at the end of the year	10 699	10 893	9 130	9 477
In respect of employees of UACs				
Liability at start of the year			1 262	100
Interest charge included in the statement of financial performance				
Additional liability created			47	1 162
Benefits payments				
Liability at end of the year			1 309	1 262
Key assumptions				
Discount rate	8,5%	10,0%	8,5%	10,0%
Expected return on asset	8,5%	10,0%	8,5%	10,0%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Post-retirement gratuities

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

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

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

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
Amounts recognised in the statement of financial position				
Present value of unfunded obligation in respect of CJMM employees	417 069	473 902	121 567	225 000
In respect of notional accounts for employees of UACs			281 432	237 591
	417 069	473 902	402 999	462 591
Amounts recognised in the statement of financial performance				
In respect of employees of CJMM				
Interest cost	45 700	45 600	21 924	20 884
Current service cost	(1 987)			
Actuarial (loss)/gain	(67 058)	(5 761)	(113 266)	11 428
Total included in employee-remuneration costs	(23 345)	39 839	(91 342)	32 312
In respect of employees of UACs				
Interest cost			63 432	24 970
New notional accounts created				
Total included in employee-remuneration costs			63 432	24 970
Movements in amount recognised in the statement of financial position				
In respect of CJMM employees				
Liability at start of the year	473 902	479 999	225 000	217 728
Additional liability created		16 083		
Net expense recognised in the statement of financial performance	(23 345)	39 839	(91 342)	32 312
Benefit payments	(33 488)	(62 019)	(12 091)	(25 040)
	417 069	473 902	121 567	225 000
In respect of employees of UACs				
Liability at start of the year			237 591	252 300
Interest charge included in the statement of financial performance			24 815	24 970
Additional liability created			34 949	
Benefits payments			(15 923)	(39 679)
Liability at end of the year			281 432	237 591
Key assumptions				
Discount rate	8,5%	10,0%	8,5%	10,0%
Expected return on notional account	8,5%	10,0%	8,5%	10,0%
Benefit increase rate	5,5%	6,5%	5,5%	6,5%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
49 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT				
Contributions to South African Local Government Association				
Opening balance				
Council contributions	5 944	3 100	5 944	3 100
Amount paid-current year	(5 944)	(3 100)	(5 944)	(3 100)
Audit fees				
Opening balance	2 665	6 185	320	2 804
Current year audit fee	12 632	4 764	7 628	570
Amount paid -current year	(8 136)	(2 873)	(5 467)	(250)
Amount paid -previous year	(3 488)	(5 411)	(320)	(2 804)
Balance unpaid (included in sundry creditors)	3 673	2 665	2 161	320
<p>The balance unpaid represents the audit fee for an interim audit conducted during May and June 2005 and is payable by 31 July 2005.</p>				
Value Added Tax (VAT)				
<p>VAT receivables and VAT payable is shown in note 10. All VAT returns have been submitted by the due date throughout the year.</p>				
PAYE and UIF				
Opening balance	22 468	25 833	18 900	18 852
Current-year payroll deductions	461 602	441 155	282 759	268 981
Amount paid -current year	(420 996)	(418 684)	(264 201)	(250 081)
Amount paid -previous year	(22 492)	(25 836)	(18 900)	(18 852)
Balance unpaid (included in sundry creditors)	40 582	22 468	18 558	18 900
<p>The balance represents PAYE and UIF deducted from the June 2005 payroll. These amounts were paid during July 2005.</p>				
Pension and medical aid deductions				
Opening balance	58 051	47 929	52 463	38 281
Current-year payroll deductions and Council contributions	722 811	749 224	455 765	493 435
Amount paid-current year	(675 902)	(691 173)	(428 816)	(440 972)
Amount paid-previous year	(58 120)	(47 929)	(52 464)	(38 281)
Balance unpaid (included in sundry creditors)	46 840	58 051	26 948	52 463
<p>The balance represents pension and medical aid contributions deducted from employees in the June 2005 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2005.</p>				

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Councillor's arrear consumer accounts

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

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

In addition:

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

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

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

For administrative reasons comparative figures for June 2004 are not available.

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
50 CAPITAL COMMITMENTS				
Commitments in respect of capital expenditure				
Authorised and contracted for:				
Infrastructure	543 287	177 566	388 261	-
Community	49 018	-	49 018	-
Heritage		-		-
Housing Development Fund		53 874	223 478	53 874
Other	273 093	4 704		450
	865 398	236 144	660 757	54 324
Authorised and not yet contracted for:				
Infrastructure	1 542 525	466 238	108 802	-
Community	102 681	18 268	102 681	18 268
Heritage	3 433	1 000	3 433	1 000
Housing Development Fund		48	42 391	48
Other	294 070	43 245		3 195
	1 942 709	528 799	257 307	22 511
Total	2 808 107	764 943	918 064	76 835
This expenditure will be financed from:				
External loans	1 931 760	30 654	631 400	23 913
Capital Replacement Reserve	25 490	-	19 490	-
Government grants	650 857	734 289	267 174	52 922
Internal cash	200 000	-		-
District Council grants				
	2 808 107	764 943	918 064	76 835

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

51 CONTINGENT LIABILITIES

Insured claims and litigation

GROUP

a) Based on an actuarial valuation, an estimated contingent liability amounting to R1,179 billion in terms of employee claims. The amount is contingent on: the outcome of litigation (actual and threatened) relating to the enforcement of claims to certain employee benefits; and the possible rationalisation of employee benefits to a standard basis or bases.

CJMM

a) 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 temporarily in terms of Section 76 of the Local Government Ordinance 1939 (TVL) instead of permanent closure in terms of Section 67. The claims total R8,6 million plus interest at 15,5%. The Plaintiffs have not yet provided security for costs for the matter to proceed but have through their new attorney indicated that they will be proceeding with the case.

b) Court actions against the City with a total value of R4 million in respect of services alleged to have been rendered to the City.

c) Court action emanating from the termination of an insurance agreement for an amount of R23 million.

d) Court action emanating from an alleged breach of contract of lease by the City for an amount of R15 million.

e) Court action emanating from a road widening by the City. The amount claimed for compensation is R11 million.

f) A court action for compensation in respect of expropriation in terms of the Better Building Programme. The claim amounts to R1 million.

g) A court action for damages against the City totalling R7 million for allegedly failing to execute its duties. The matter is ongoing.

h) A claim for R28 million in respect of RSC levies. A part of the claim has prescribed, and the claim should be settled for far less. The matter is ongoing.

i) A claim for damages was instituted as a result of the Grayston fly-over for loss of income. The total claim is in excess of R10 million and is not insured. This matter has proceeded slowly since 1995, but it now appears that the plaintiff may set the matter down for trial.

j) A claim for damages and compensation resulting from a road constructed. The total claim is R11,9 million. Although settlement negotiations are ongoing, chances of settling the matter amicably appear remote.

Johannesburg Metropolitan Bus Services

a) Claims to the value of R2,5m as a result of disputed invoice, maintenance fees payable and route disputes. In opinion of legal counsel no additional payments are anticipated.

b) An amount of R0,4m is in dispute with relation to outstanding licenses on old busses sold.

Johannesburg Water

a) A claim against Johannesburg Water for R17,6m. The service provide claim is based on loss of profit due to delays in the implementation of SAP caused by Johannesburg Water. A joint committee is has been established to determine the merits of the claim.

b) Johannesburg Water has claims totalling R18,1 million by customers, not resolved by year-end.

Johannesburg Fresh Produce Market

a) Private arbitration between the company and an ex-employee regarding a claim for unlawful termination of employment - the claim totals R2,304 million. A ruling is expected by November 2005.

b) A possible liability exists, estimated at R3,8 million, relating to post-retirement medical aid liabilities resulting from the allegation of "age-based discrimination".

Johannesburg Roads Agency

a) Johannesburg Roads Agency has claims arising in the normal course of business and not yet resolved, estimated at R1,1 million.

b) A possible liability exists against JRA, estimated at R11,9 million, relating to post-retirement medical aid liabilities resulting from the allegation of "age-based discrimination".

Pikitup Johannesburg

a) A claim against Pikitup for R0,650m regarding non-adherence to tender procedures and an industrial relations dispute for R0,110m.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

INSURED CLAIMS

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

GUARANTEES

Guarantees exist amounting to some R 150 million issued to CDC Globeleq in terms of the power purchasing agreement, entered into by City Power, by CJMM on behalf of the company.

Johannesburg Water has a bank guarantee to the South African Post Office for R0.2m

Guarantees amounting to R 874 520 have been issued to various companies and R 15 million to the Compensation Commissioner.

RE-INSTATEMENT OF CONTRACTS

A declaratory order states that a contract in respect of security services for the Alexander Renewal Project (ARP) is still valid.

52 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance :

The Libraries received books from various sources.

The rental of a Convention Centre was made available to the City at a reduced rate.

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

53 POST BALANCE SHEET EVENTS

There are no significant post balance sheet events

54 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

	GROUP		CJMM	
	2005 R000	2004 R000	2005 R000	2004 R000
Reconciliation of unauthorised expenditure				
Opening balance				
Unauthorised expenditure current year			23 123	
Approved by Council or condoned				
Transfer to other debtors for recovery (note 19)				
Unauthorised expenditure awaiting authorisation			23 123	

Incident

Legitimate over expenditure on budget

Disciplinary steps/criminal proceedings

Disciplinary steps are not applicable

Fraud loss of R41 000 at Johannesburg fresh produce relating to proceeds on sale of fixed assets not banked. Disciplinary steps were taken as a result of the fraud.

Appendix A

EXTERNAL LOANS at 30 June 2005

EXTERNAL LOANS	Loan number	Redeemable	Balance at 30/06/04 R000	Received during the period R000	Redeemed and written off R000	Balance at 30/06/05 R000	Carrying value of property plant and equipment		Other costs in accordance with MFMA	
							R000	R000	R000	R000
LONG-TERM LOANS										
Loan stock @ 9.70%	743	31-Dec-05	400			400		111		
Loan stock @ 9.33%	100	31-Jul-02	1		(1)					
Loan stock @ 14.70%	121	31-Aug-13	30 000			30 000		253		2 537
Loan stock @ 17.25%	123	30-Apr-09	120 000		(120 000)					
Loan stock @ 13.50%	901	31-Dec-04	15 000		(15 000)			151		
Loan stock @ 15.75%	003	31-Dec-04	75 000		(75 000)					
Loan stock @ 15.55%	007	01-Nov-05	50 000			50 000				
Loan stock @ 15.55%	008	01-Nov-05	50 000			50 000				
Loan stock @ 16.07%	009	30-Jun-06	200 000			200 000		197 458		
Total loan stock			540 401		(210 001)	330 400		197 973		2 537
STRUCTURED LOANS										
ABSA @ 15.00%	MLS6	15-Dec-05	189 103	30 400		219 503		18 588		
ABSA @ 15.00%	MLS7	15-Dec-05	5 853		(3 247)	2 606		2 269		
ABSA @ 15.00%	MLS8	15-Dec-05	46 943		(26 043)	20 900		441		
ABSA @ 16.22%	ABSA Midrand	30-Nov-11	53 895		(230)	53 665		34 866		4 712
ABSA @ 12.27%	ABSA R150m	20-Dec-12	150 000			150 000		49 339		52 789
Investec @ 11.77%	Investec R100m	24-Dec-13	97 287		(5 952)	91 335				36
RMB @ 14.53%	RMB R95m	30-Nov-14	104 528	2 266		106 794		59 612		8 232
RMB @ 15.56%	RMB R210m	31-Dec-12	404 064	60 428		464 492		272 259		38 409
RMB @ 16.50%	RMB R100m	30-Nov-14	110 025	2 397		112 422		44 359		46 052
SCMB @ 10.04%	SCMB R40,7m	14-Mar-05	18 353		(18 353)			7 165		
SCMB @ 12.16%	SCMB R200m	30-Sep-18	190 000		(13 334)	176 666				
Ekurhuleni @ 16.21%	Ekurhuleni	30-Jun-11	41 125			41 125		236		18 823
Total structured loans			1 411 176	95 491	(67 159)	1 439 508		489 134		169 053
FUNDING FACILITY										
RMB @ 11.65%	RMB L123	30-Apr-09	71 372		(11 217)	60 155		104 943		
TOTAL CARRIED FORWARD			2 022 949	95 491	(288 377)	1 830 063		792 050		171 590

Appendix A

EXTERNAL LOANS at 30 June 2005 *continued*

EXTERNAL LOANS	Loan number	Redeemable	Balance at 30/06/04 R000	Received during the period R000	Redeemed R000	Balance at 30/06/05 R000	Carrying value of property plant and equipment R000	Other costs in accordance with MFMA R000
TOTAL BROUGHT FORWARD			2 022 949	95 491	(288 377)	1 830 063	792 050	171 590
DEVELOPMENT BANK OF SOUTH AFRICA								
DBSA @ 13.22%	11984 - 11993	30-Jun-14	70 378		(3 707)	66 671	65 223	
DBSA @ 10.00%	2513/103	31-Mar-09	28 768		(4 690)	24 078	32 454	
DBSA @ 10.00%	8056/103	30-Sep-11	45 889		(4 361)	41 528	5 163	
DBSA @ 10.00%	8250/102	31-Mar-14	6 838		(424)	6 414	25	
DBSA @ 10.00%	9005/103	31-Mar-13	259 120		(18 896)	240 224	288 437	
DBSA @ 10.00%	9337/101	30-Sep-14	27 090		(1 555)	25 535	64	
DBSA @ 10.00%	9637/102	31-Mar-14	3 342		(207)	3 135	2 011	
DBSA @ 10.00%	10 295	30-Jun-16	1 606		(73)	1 533		
DBSA @ 9.39%	13541/1	30-Sep-20	164 296		(10 110)	154 186	166 679	
DBSA @ 9.39%	13541/2	30-Sep-05	2 413		(1 930)	483	48	
DBSA @ 16.55%	12 716	31-Dec-12	267		(15)	252	33	
DBSA @ 16.55%	12 717	31-Dec-12	497		(30)	467		
DBSA @ 16.15%	12 032	31-Dec-10	544		(52)	492		
DBSA @ 16.67%	12 033	31-Dec-11	903		(67)	836		
DBSA @ 16.67%	12 034	31-Dec-11	484		(36)	448	8	
DBSA @ 15.26%	12 035	31-Dec-11	147		(11)	136	52	
DBSA @ 15.26%	12 036	31-Dec-11	689		(54)	635		
DBSA @ 15.26%	12 037	31-Dec-12	1 597		(102)	1 495		
DBSA @ 15.26%	12 038	31-Dec-12	374		(24)	350	106	
DBSA @ 15.26%	12 388	31-Dec-12	1 900		(121)	1 779	982	
DBSA @ 15.74%	12 208	31-Dec-09	4 724		(595)	4 129		
DBSA @ 12.00%	9726/104	30-Sep-14	2 643		(136)	2 507	156	
DBSA @ 16.50%	11064/102	31-Mar-20	2 268		(34)	2 234		
DBSA @ 10.63%	11073/101	30-Sep-13	12 940		(1 362)	11 578	22 886	
DBSA @ 10.63%	11073/2	30-Sep-13	38 472		(4 056)	34 416	43 398	8 825
Total Development Bank of South Africa			678 189		(52 648)	625 541	627 725	8 825
BONDS								
Bond @ 11.95%	COJ01	13-Apr-10	940 000		(110 000)	830 000	920 427	7 268
Bond @ 11.90%	COJ02	30-Jun-16	980 000			980 000	654 694	9 007
Bond @ 9.70%	COJ03	26-Apr-13		700 000		700 000	656 340	3 586
Total bonds			1 920 000	700 000	(110 000)	2 510 000	2 231 461	19 861
TOTAL CARRIED FORWARD			4 621 138	795 491	(451 025)	4 965 604	3 651 236	200 276

Appendix A

EXTERNAL LOANS at 30 June 2005 *continued*

EXTERNAL LOANS	Loan number	Redeemable	Balance at 30/06/04 R000	Received during the period R000	Redeemed R000	Balance at 30/06/05 R000	Carrying value of property plant and equipment R000	Other costs in accordance with MFMA R000
TOTAL BROUGHT FORWARD			4 621 138	795 491	(451 025)	4 965 604	3 651 236	200 276
OTHER LOANS								
ABSA @ 8.90%	ABSA Springfield	29-Aug-15	1 560		(130)	1 430	2 546	
Gauteng Province (interest free)	GAU1	No date	85 301		(85 301)			
Gauteng Province (interest free)	GAU2	No date	116		(116)			
			86 977		(85 547)	1 430	2 546	
LOANS HELD BY SUBSIDIARIES								
ABSA finance lease @ 13.35%		30-Nov-06	1 033		(1 033)			
INCA @ 14.59%		31-Dec-11	229 282		(11 913)	217 369	201 001	
TFM lease @ 16.25%		31-Jul-04	167		(167)			
COMMUTE lease @ 15.68%		30-Jun-06	31 063		(6 915)	24 148	18 162	
INVESTEC lease @ 16.65%		28-Feb-05	4 587		(4 587)			
CANON lease @ 15%		30-May-07	171			171	171	
			266 303		(24 615)	241 688	219 334	
TOTAL EXTERNAL LOANS			4 974 418	795 491	(561 187)	5 208 722	3 873 116	200 276

Appendix B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	COST						ACCUMULATED DEPRECIATION					Carrying value R000	
	Opening balance R000	Additions R000	Land at fair value R000	Disposals R000	Impairments R000	Transfers R000	Closing Balance R000	Opening balance R000	Depreciation charge R000	Disposals R000	Transfers R000		Closing balance R000
Infrastructure													
Roads, pavements, bridges & storm water Improvements	4 036 196	159 276		(3 296 980)		20 987	919 479	2 728 665	863 721	(3 296 890)	2 159	297 655	621 824
Reservoirs -water	105 822	919					106 741	13 750	3 519			17 269	89 472
Water meters	25 905	29 968					55 873	4 198	3 295			7 493	48 380
Water mains	407 372	38 885				10 076	456 333	59 147	18 041			77 188	379 145
Car parks, bus terminals and taxi ranks													
Electricity mains	617 693	13 989		(5 204)		256 828	883 306	192 787	66 113	(5 056)	46	253 890	629 416
Electricity peak-load equipment	634 668	8 932		(241)		26 647	670 006	78 612	23 422	(25)		102 009	567 997
Sewerage purification & reticulation	1 275 160	237 129		(47 560)		50 328	1 515 057	404 105	143 252	(47 560)	(1 985)	497 812	1 017 245
Housing													
Street lighting													
Refuse sites													
Gas	5 617	21	2	(327)			5 313	3 314	232	(328)		3 218	2 095
Other		342 262					342 262						342 262
	7 108 433	831 381	2	(3 350 312)		364 866	4 954 370	3 484 578	1 121 595	(3 349 859)	220	1 256 534	3 697 836
Community assets													
Parks, gardens, sport fields & recreation	192 404	44 178	253	(54 262)			182 573	61 733	29 113	(54 261)		36 585	145 988
Halls, libraries, museums & art galleries													
Clinics													
Other	222 933	40 500	542	(153 845)		(22 141)	87 989	176 318	14 627	(153 845)	(2 277)	34 823	53 166
	415 337	84 678	795	(208 107)		(22 141)	270 562	238 051	43 740	(208 106)	(2 277)	71 408	199 154
Heritage assets													
Historic buildings	670	1 806		(331)			2 145	12	382	(330)		64	2 081
Artwork	89 220	17 791	78	(3 111)			103 978	32 487	3 522	(3 111)		32 898	71 080
Other													
	89 890	19 597	78	(3 442)			106 123	32 499	3 904	(3 441)		32 962	73 161
Leased assets													
Sewerage mains & purification													
Motor vehicles													
Other													

Appendix B ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	COST						ACCUMULATED DEPRECIATION					Carrying value R000	
	Opening balance R000	Additions R000	Land at fair value R000	Disposals R000	Impairments R000	Transfers R000	Closing Balance R000	Opening balance R000	Depreciation charge R000	Disposals R000	Transfers R000		Closing balance R000
Investment properties													
Investment properties													
Specialised vehicles													
Refuse													
Fire													
Conservancy													
Ambulances													
Buses	413 770	62		(28)			413 804	162 988	31 696	(27)		194 657	219 147
	413 770	62		(28)			413 804	162 988	31 696	(27)		194 657	219 147
Other assets													
Other motor vehicles	28 158	1 287	1 118	(2 691)		52	27 924	16 119	4 862	(2 690)	28	18 319	9 605
Furniture & fittings	227 943	17 676	139 463	(74 484)		65	310 663	165 654	36 850	(74 466)		128 038	182 625
Bins & containers	77 953	5 039	268	(1 209)			82 051	44 497	13 550	(1 209)		56 838	25 213
Emergency equipment	6 036	2 217	6 741	(1 869)			13 125	4 443	1 636	(1 869)		4 210	8 915
Other plant & equipment	234 850	22 264	4 145	(52 402)		33 573	242 430	141 987	25 441	(52 173)		115 255	127 175
Computer equipment	189 895	18 000		(663)		6 903	214 135	99 131	42 599	(660)		141 070	73 065
Other office equipment	319 630	26 259	39 358	(128 800)		176	256 623	219 648	61 992	(128 797)		152 843	103 780
Abattoirs													
Markets													
Airports													
Land and Buildings	3 190 028	191 320	6 162 679	(795 379)		17 074	8 765 722	1 035 614	684 082	(792 448)		927 248	7 838 474
Landfill sites	52 203	80 372					132 575	7 883	17 393			25 276	107 299
Security measures													
Councillors regalia													
Watercraft													
Work in progress	216 712	753 292				(404 634)	565 370		10 000			10 000	555 370
Other	243 565	9 884		(81)		4 066	257 434	136 888	19 171	(63)	2 029	158 025	99 409
	4 786 973	1 127 610	6 353 772	(1 057 578)		(342 725)	10 868 052	1 871 864	917 576	(1 054 375)	2 057	1 737 122	9 130 930
Total	12 814 403	2 063 328	6 354 647	(4 619 467)			16 612 911	5 789 980	2 118 511	(4 615 808)		3 292 683	13 320 228

Included in opening balance is R10 321k of fixed assets owned by Roodepoort City Theatre and City Housing company not previously consolidated.

Appendix C

SEGMENTAL ANALYSIS PROPERTY PLANT AND EQUIPMENT

	COST					ACCUMULATED DEPRECIATION				Carrying value R000
	Opening balance	Additions	Assets found	Disposals	Closing Balance	Opening balance	Depreciation charge	Disposals	Closing balance	
	R000	R000	R000	R000	R000	R000	R000	R000	R000	
CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY	7 938 649	1 031 902	6 354 647	(4 611 997)	10 713 201	4 444 335	1 689 734	(4 611 909)	1 522 160	9 191 041
Executive Mayor and City Manager	444 310	13 951	9 509	(96 251)	371 519	160 342	57 796	(96 356)	121 782	249 737
Finance & Economic Development	401 168	11 735	20 630	(338 944)	94 589	359 736	28 999	(336 922)	51 813	42 776
Development, Planning, Transportation and Environment	390 106	118 757	11 104	(94 478)	425 489	104 603	98 858	(94 478)	108 983	316 506
Health	132 757	10 588	577	(106 914)	37 008	89 506	20 674	(91 705)	18 475	18 533
Community development, Arts, Culture and Heritage	814 735	130 531	6 033	(447 882)	503 417	316 442	135 807	(253 642)	198 607	304 810
Housing	1 145 824	181 603	1 211	(131 602)	1 197 036	438 427	196 857	(131 514)	503 770	693 266
Corporate Services	229 382	6 430	14 608	(147 778)	102 642	173 196	40 464	(147 777)	65 883	36 759
Johannesburg Metropolitan Police Department	153 332	23 943	8 212	(18 143)	167 344	86 746	18 685	(18 142)	87 289	80 055
Emergency Management Services	107 400	9 229	6 815	(22 470)	100 974	77 550	8 206	(22 470)	63 286	37 688
All Regions	128 218	8 709	113 268	244 235	494 430	35 413	68 119	34 776	138 308	356 122
Contract Management Unit & Shareholder Unit	6 198	685		(21)	6 862	5 159	854	(22)	5 991	871
Portfolio Accounts	3 985 219	515 741	6 162 680	(3 451 749)	7 211 891	2 597 215	1 014 415	(3 453 657)	157 973	7 053 918
MUNICIPAL ENTITIES	4 875 754	1 031 426		(7 470)	5 899 710	1 345 645	428 777	(3 899)	1 770 523	4 129 187
The Johannesburg Fresh Produce Market (Pty) Ltd	121 631	31 965		(17)	153 579	18 211	2 580	(7)	20 784	132 795
The Johannesburg Civic Theatre (Pty) Ltd	20 839	770		86	21 695	12 045	2 881	(50)	14 876	6 819
The Johannesburg Zoo	4 240	142			4 382	1 576	776		2 352	2 030
City of Johannesburg Property Company (Pty) Ltd	2 156	259			2 415	811	412		1 223	1 192
Johannesburg Development Agency (Pty) Ltd	2 565	322		(35)	2 852	720	550	(11)	1 259	1 593
Metropolitan Trading Company (Pty) Ltd	151 399	956		(4)	152 351	86 515	1 976	(1)	88 490	63 861
City Power Johannesburg (Pty) Ltd	1 763 396	469 111		(5 203)	2 227 304	394 366	157 144	(1 860)	549 650	1 677 654
Johannesburg Water (Pty) Ltd	2 088 424	386 319		(459)	2 474 284	539 579	176 691	(352)	715 918	1 758 366
Pikitup Johannesburg (Pty) Ltd	190 870	100 429		(634)	290 665	73 619	38 623	(634)	111 608	179 057
Johannesburg Roads Agency (Pty) Ltd	23 392	22 544			45 936	7 702	4 991	21	12 714	33 222
Johannesburg City Parks	21 970	4 375		(1 170)	25 175	14 018	4 973	(978)	18 013	7 162
Johannesburg Housing Company (Pty) Ltd	291	813			1 104	13	112		125	979
Johannesburg Tourism Company	929	1 158			2 087	229	361		590	1 497
Johannesburg Metropolitan Bus Services (Pty) Ltd	472 136	11 767		(34)	483 869	195 046	36 581	(27)	231 600	252 269
Roodepoort City Theatre (Pty) Ltd	1 624				1 624	1 078	41		1 119	505
Johannesburg City Housing Company	9 892	496			10 388	117	85		202	10 186
	12 814 403	2 063 328	6 354 647	(4 619 467)	16 612 911	5 789 980	2 118 511	(4 615 808)	3 292 683	13 320 228

Appendix D

SEGMENTAL FINANCIAL PERFORMANCE

2004	2004	2004	2005	2005	2005
Actual income	Actual expenditure	Surplus / (deficit)	Actual income	Actual expenditure	Surplus / (deficit)
R000	R000	R000	R000	R000	R000
CITY OF JOHANNESBURG					
6 357 054	6 071 321	285 733	7 406 466	6 733 877	672 589
METROPOLITAN MUNICIPALITY					
286	65 752	(65 466)		74 582	(74 582)
1 951	322 541	(320 590)	5 020	363 019	(357 999)
5 463 000	1 408 135	4 054 865	6 178 222	1 705 040	4 473 182
100 255	1 789 840	(1 689 585)	142 873	380 169	(237 296)
17	15 562	(15 545)		1 607 231	(1 607 231)
56 886	118 856	(61 970)	93 246	148 317	(55 071)
40 840	26 270	14 570	42 209	31 961	10 248
27 164	80 966	(53 802)	21 166	98 935	(77 769)
2 795	26 915	(24 120)	1 736	46 151	(44 415)
128 814	123 014	5 800	266 491	284 109	(17 618)
94 407	557 950	(463 543)	169 502	255 951	(86 449)
284 410	583 641	(299 231)	319 581	700 498	(380 917)
57 423	293 617	(236 194)	71 124	326 809	(255 685)
98 806	658 262	(559 456)	95 296	711 105	(615 809)
7 395 229	7 434 755	(39 526)	8 576 766	7 969 063	607 703
MUNICIPAL ENTITIES					
108 660	89 155	19 505	106 177	88 961	17 216
28 192	28 706	(514)	31 791	29 409	2 382
34 747	34 702	45	35 311	34 622	689
20 149	19 166	983	25 361	20 298	5 063
24 007	23 244	763	23 797	50 017	(26 220)
19 211	21 880	(2 669)	24 628	25 935	(1 307)
3 039 561	2 989 224	50 337	3 533 098	3 177 420	355 678
2 616 570	2 681 262	(64 692)	3 150 029	2 877 116	272 913
558 470	610 401	(51 931)	605 125	630 009	(24 884)
357 119	356 751	368	385 659	378 821	6 838
299 693	292 654	7 039	336 435	332 673	3 762
3 125	3 104	21	10 221	9 964	257
5 644	5 706	(62)	7 358	7 346	12
280 081	278 800	1 281	293 543	291 193	2 350
			5 682	5 098	584
			2 551	10 181	(7 630)
13 752 283	13 506 076	246 207	15 983 232	14 702 940	1 280 292
(2 382 226)	(2 382 226)		(1 585 566)	(1 585 566)	
(172 990)	(172 990)		(196 545)	(196 545)	
11 197 067	10 950 860	246 207 Surplus	14 201 121	12 920 829	1 280 292

The prior period comparative amounts have been reclassified due to the implementation of National Treasury Circular No. 18

Appendix E
STATEMENT OF FINANCIAL PERFORMANCE - ACTUAL VERSUS BUDGET (GROUP)
for the year ended 30 June 2005

	2005 Actual R000	2005 Original Budget R000	2005 Revised Estimate R000	2005 Variance R000	2005 Variance %	Explanation of significant variances
Revenue	13 149 411	11 955 050	12 603 514	545 897	4.3%	
Property rates	2 698 218	2 626 994	2 695 183	3 035	0.1%	
Service charges	6 333 985	6 257 139	6 257 519	76 466	1.2%	
Regional Service Council levies	1 508 899	1 480 484	1 510 484	(1 585)	-0.1%	
Rental facilities and equipment	78 639	67 163	81 747	(3 108)	-3.8%	
Interest earned - external investments	292 488	136 007	142 446	150 042	105.3%	Conservative budgeting and improvement in overall cash position.
Interest earned - outstanding debtors	61 279	57 678	57 678	3 601	6.2%	
Fines	167 363	171 628	191 000	(23 637)	-12.4%	Increased focus on crime prevention as opposed to traffic law enforcement.
Licences and permits	557	152	152	405	266.4%	
Income from agency services	141 085	101 926	125 879	15 206	12.1%	Growth in the economy and record sales of new motor vehicles generated increased licensing revenue.
Government grants and subsidies	1 045 638	486 432	964 831	80 807	8.4%	
Other income	679 000	532 447	539 595	139 405	25.8%	Acquisition of shares and loan account in Metropolitan Trading Company to the approximate value of R110m at a nominal value. Write-back of credit balances in consumer debtors older than three years.
Public contributions, donated and contributed property, plant and equipment	88 529			88 529	0.0%	
Gains on disposal of property, plant and equipment	53 731	37 000	37 000	16 731	45.2%	Land sales by the Johannesburg Property Company were not included in the budget.
Expenditure	11 869 119	11 860 717	12 405 482	536 363	4.3%	
Employee-related costs	3 038 816	3 267 136	3 265 689	226 873	6.9%	Actuarial gain in pension funds in compliance with AC116 as well as excess staff from the Core Council were migrated to the UAC's for Billing purposes which removed the necessity for the filling vacancies in Water and Power.
Remuneration of councillors	45 180	45 222	50 100	4 920	9.8%	
Bad debts	923 377	970 341	973 030	49 653	5.1%	
Collection costs	753			(753)	0.0%	
Depreciation	828 396	695 803	916 137	87 741	9.6%	
Repairs and maintenance	175 576	181 978	194 339	18 763	9.7%	
Interest on external borrowings	620 991	570 556	614 522	(6 469)	-1.1%	
Bulk purchases	3 258 627	3 424 857	3 361 209	102 582	3.1%	
Contracted services	1 457 783	1 225 872	1 500 104	42 321	2.8%	
Grants and subsidies paid	183 104	69 364	167 251	(15 853)	-9.5%	
General expenses	1 333 081	1 409 583	1 363 096	30 015	2.2%	
Loss on disposal of property, plant and equipment	3 435	5	5	(3 430)	-68600.0%	
Net surplus/ (deficit) for the year	1 280 292	94 333	198 032	1 082 260	546.5%	

Appendix F

CJMM: RELATED ENTITY TRANSACTIONS

Material transactions with subsidiary companies in 2005

	Subsidies and grants paid R000	Interest received R000	Interest expense R000	Rates received R000	Electricity expenses R000	RSC Levies received R000	Income from billing services R000	Water and sanitation expenses R000
The Johannesburg Fresh Produce Market (Pty) Ltd		12 608	138	233		277		
The Johannesburg Civic Theatre (Pty) Ltd	13 300			15		67		
The Johannesburg Zoo	22 150					75		
City of Johannesburg Property Company (Pty) Ltd	9 465	79						
Johannesburg Development Agency (Pty) Ltd	7 100		6 371			86		
Metropolitan Trading Company (Pty) Ltd	16 243		980			33		
City Power Johannesburg (Pty) Ltd		267 892	44 650	13 374	27 209	7 900	21 231	
Johannesburg Water (Pty) Ltd	240 000	272 064	21 621	6 326		6 058	47 947	100 770
Pikitup Johannesburg (Pty) Ltd	459 800	11 137	3 478	2 315		401		
Johannesburg Roads Agency (Pty) Ltd	309 200		7 949	17		402		
Johannesburg City Parks	293 055		22 206	7		392		
Johannesburg Housing Company	8 800					88		
Johannesburg Tourism Company	7 000					33		
Johannesburg Metropolitan Bus Services (Pty) Ltd	202 300		4 006			538		
Roodepoort City Theatre	3 300							
Johannesburg City Housing Company								
	1 591 713	563 780	111 399	22 287	27 209	16 350	69 178	100 770

Material transactions with subsidiary companies in 2004

	Subsidies and grants paid R000	Interest received R000	Interest expense R000	Rates received R000	Electricity expenses R000	RSC Levies received R000	Income from billing services R000	Water expenses R000
The Johannesburg Fresh Produce Market (Pty) Ltd		14 097	1 095	6		268		
The Johannesburg Civic Theatre (Pty) Ltd	13 000			123		60		
The Johannesburg Zoo	22 007					65		
City of Johannesburg Property Company (Pty) Ltd	8 977	185		18 172				
Johannesburg Development Agency (Pty) Ltd	4 387		11 964			43		
Metropolitan Trading Company (Pty) Ltd	11 600					22		
City Power Johannesburg (Pty) Ltd		257 346	40 072	15 022	8 383	1 521	20 509	
Johannesburg Water (Pty) Ltd	200 000	265 114				8 097	46 317	41 054
Pikitup Johannesburg (Pty) Ltd	416 212	9 618	1 636	5 252		219		
Johannesburg Roads Agency (Pty) Ltd	294 500		7 983	2 552		350		
Johannesburg City Parks	279 000			4 419		496		
Johannesburg Housing Company (Pty) Ltd	3 113			12 851		70		
Johannesburg Tourism Company	5 000					1		
Johannesburg Metropolitan Bus Services (Pty) Ltd	191 000					467		
	1 448 796	546 360	62 750	58 397	8 383	11 679	66 826	41 054

Appendix G

FIXED ASSET ADDITIONS - ACTUAL VERSUS BUDGET

	2005 Original Budget R000	2005 Revised Budget R000	Variance R000	2005 Variance %	Explanation of significant variances from budget	
CITY OF JOHANNESBURG						
METROPOLITAN MUNICIPALITY	1 031 902	965 519	1 010 546	(21 356)	-2%	
Executive Mayor and City Manager	13 951	11 943	16 753	2 802	17%	Assets found during stock take as the end of June 2005
Finance and Economic development	11 735	135 941	16 173	4 438	27%	Assets found during stock take as the end of June 2005
Contract Management Unit / Shareholders Unit	685		847	162	infinite	Some of the computer equipment and furniture will only be purchased during the 2005/06 financial year
Development, Planning, Transportation and Environment	118 757	67 029	110 510	(8 247)	-7%	Assets found during stock take as the end of June 2005
Health	10 588	9 995	10 975	387	4%	
Social Development / Arts, Culture and Heritage	130 531	93 244	139 716	9 185	7%	
Housing	181 603	261 079	208 108	26 505	13%	Some projects had to be re-advertise, delays experienced during litigation and arbitration of disputes, certain contracts were cancelled and some projects was delayed due to contractors securing securities later than required
Corporate Services	6 430	5 908	6 680	250	4%	Assets found during stock take as the end of June 2005
Johannesburg Metropolitan Police Department	23 943	8 627	25 028	1 085	4%	Assets found during stock take as the end of June 2005
Emergency Management Services	9 229	10 474	10 831	1 602	15%	Assets found during stock take as the end of June 2005
Regions	8 709	7 257	12 175	3 466	28%	Assets found during stock take as the end of June 2005
Agencies	515 741	354 022	452 750	(62 991)	-14%	Included in additions is land valued at fair value amounting to R 6 354 million
MUNICIPAL ENTITIES	1 031 426	1 006 772	1 014 277	(17 149)	-2%	
The Johannesburg Fresh Produce Market (Pty) Ltd	31 965	31 000	51 000	19 035	37%	Contracts have been committed for all under expenditure in the new year
The Johannesburg Civic Theatre (Pty) Ltd	770			(770)	infinite	
The Johannesburg Zoo	142			(142)	infinite	
City of Johannesburg Property Company (Pty) Ltd	259	745	4 145	3 886	94%	
Johannesburg Development Agency (Pty) Ltd	322			(322)	infinite	
Metropolitan Trading Company (Pty) Ltd	956			(956)	infinite	
City Power Johannesburg (Pty) Ltd	469 111	469 571	441 196	(27 915)	-6%	
Johannesburg Water (Pty) Ltd	386 319	449 746	461 785	75 466	16%	R34m of grant fund will be spent early in the new year
Pikitup Johannesburg (Pty) Ltd	100 429	40 050	33 750	(66 679)	-198%	
Johannesburg Roads Agency (Pty) Ltd	22 544	7 000	7 000	(15 544)	-222%	
Johannesburg City Parks	4 375	2 700	2 700	(1 675)	-62%	
Johannesburg Housing Company	813			(813)	infinite	
Johannesburg Tourism Company	1 158	360	360	(798)	-222%	
Johannesburg Metropolitan Bus Services (Pty) Ltd	11 767	5 600	12 341	574	5%	
Roodepoort City Theatre					infinite	
Johannesburg City Housing Company	496			(496)	infinite	
	2 063 328	1 972 291	2 024 823	(38 505)	-2%	

Appendix H
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

GRANTS AND SUBSIDIES RECEIVED

Name of Grant	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay or withholding of Funds	Compliance with Division of Revenue Act Yes / No
		March 2004	June 2004	Sept 2004	Dec 2004	March 2005	March 2004	June 2004	Sept 2004	Dec 2004	March 2005	March 2004	June 2004	Sept 2004	Dec 2004	March 2005		
		R000	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000		
Due Dilligence Restructuring	Central Government	10	2		25 000	32 096	10	2	209 48	820	32 193							Yes
Financial Management	Central Government			4 405	3 000													Yes
Municipal infra-structure	Central Government	5		48	15	16	5	24	24	15	16							Yes
Municipal infra-structure	Province		8	3 139	3 970	663		8			8 185							Yes
Health Subsidy	Province	13 465	10 023		10 022	20 045	42 576	49 258	46 182	50 805	42 549							Yes
HIV/AIDS	Province					1 110				99	455							Yes
Social Projects	Province	2 700	1 000	10 870	3 000	7 389	3 943	10 368	2 717	3 820	2 101							Yes
Housing Projects	Province	62 757	11 311	35 767		19		2	40 487	82 164	14 889			22 267	(45 586)	(27 691)		Yes
Eldorado Park Taxi Rank	Province		107							40	8							Yes
Cosmo City	Province				1 060	11 196												Yes
Ambulance Subsidy	Province			11 648	11 989	23 979		19 991	17 974	21 560	19 421					12 500	Budget	Yes
Museum Africa	Province					4 200				6								Yes
Jhb Metro Orchestral	Province		184								184							Yes
Streetlighting	Province			7 772	8 481	7 437			7 911	8 481	7 592							Yes
Golden triangle electrification	Province			10 000						10 000								Yes
Jhb Dumile-Fenni	Province					400					400							Yes
Alexandra renewal project	Province				8 193	15 139			8 193	14 389	750							Yes
		78 937	22 635	83 649	74 730	123 689	46 536	79 651	123 745	192 199	128 743			22 267	(45 586)	(15 191)		

APPENDIX I
BANK BALANCES AND CASH AS AT 30 JUNE 2005

Description	Account Number	Bank Statement Balance			Cash Book Balance		
		30/06/2003 R000	30/06/2004 R000	30/06/2005 R000	30/06/2003 R000	30/06/2004 R000	30/06/2005 R000
Bank Accounts:							
Absa: Primary Bank Account	405-439-4859	128,391	102,225	67,093	128,391	102,225	67,093
Absa Ordinary Bank Account	405-439-8227	0	0	0	0	0	0
Absa Stores Bank Accounts	405-439-8308	0	0	0	326	0	0
Absa Licensing Bank Account	405-439-8405	0	0	0	1,262	960	808
Absa Traffic Bank Account	405-439-8332	0	0	0	0	1,422	2,546
Absa Civil Contracts Bank Account	405-439-8455	0	0	0	0	0	0
Absa RSC Billing Bank Account	405-439-8439	0	0	0	0	0	0
Absa Internal Collection Bank Account	405-439-8421	0	0	0	0	23	34
Absa R/D Ordinary Bank Account	405-439-8578	0	0	0	0	0	0
Absa Elec. Payments Costs Bank Account	405-439-8497	0	0	0	0	0	0
Absa 3rd Party Banking Bank Account	405-439-8489	0	0	0	0	27	620
Absa Elec. Payments Bank Account	405-439-8463	0	0	0	7,657	(2,372)	6,632
Absa Elec. Payment R/D Bank Account	405-442-3511	0	0	0	0	0	0
Absa Collections Bank Account	405-442-3561	0	0	0	5,747	4,942	6,571
Absa R/D Bank Account	405-439-8502	0	0	0	0	0	0
Absa RSC Contractors 1 Bank Account	405-448-6339	0	0	0	0	0	0
Absa RSC Contractors 2 Bank Account	405-448-6355	0	0	0	0	0	0
Absa RSC Contractors 4 Bank Account	405-546-3920	0	0	0	0	0	0
Absa RSC Contractors 3 Bank Account	405-546-3881	0	0	0	0	0	0
Absa RSC R/D Bank Account	405-546-4023	0	0	0	0	0	0
Absa RSC Bank Charges Bank Account	405-546-4049	0	0	0	0	0	0
Absa Traffic R/D Bank Account	405-715-4521	0	0	0	0	0	0
Absa Licensing R/D Bank Account	405-715-4652	0	0	0	0	0	0
Absa Bank Charges Ordinary Bank Account	405-715-4791	0	0	0	0	0	0
Absa Licensing Bank Charges Bank Account	405877-9813	0	0	0	0	0	0
Absa Traffic Bank Charges Bank Account	405-877-9994	0	0	0	0	0	0
Absa Addis Ababa Bank Account	406-052-5145	0	0	679	0	0	679
Absa Arts Alive Bank Account	405-785-5929	0	0	433	0	0	433
Fnb: Treasury Bank Account	620-12152-386	9,422	968	95	9,422	968	95
Fnb: Ordinary Bank Account	506-11838-621	(14)	0	0	(14)	0	0
Fnb: Licensing Bank Account	620-16397-178	0	0	0	24	0	0
Fnb: Traffic Bank Account	620-16397-326	0	0	0	4	0	0
Absa: JPC/COJ Portfolio Account	405-442-3367	0	0	0	0	0	0
Absa: JPC/COJ Portfolio Account	405-719-3658	0	0	0	0	0	0
Absa: JRA Portfolio Account	405-486-2183	0	0	0	0	0	0
Petty Cash and Float Accounts					174	220	213
TOTAL		137,799	103,193	68,300	152,993	108,415	85,724

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