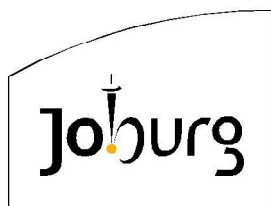


| Planning by | Reviewed | Performed by | Final review |
|-------------|----------|--------------|--------------|
|             |          |              |              |



**a world class African city**



*Greener. Conserved. Yours.*

Johannesburg City Parks (Association Incorporated Under Section 21)  
Trading as Johannesburg City Parks  
Annual Financial Statements  
for the year ended 30 June 2010

The Auditor - General of South Africa  
Issued 20 August 2010

# Johannesburg City Parks (Association Incorporated Under Section 21)

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

## General Information

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### COUNTRY OF INCORPORATION AND DOMICILE

South Africa

### NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

The Company is a municipal entity and has been appointed as the greening, conservation and cemetery management agency for the City of Johannesburg Metropolitan Municipality. The company's mandate is to provide and manage parks, open spaces, environmental conservation services and cemeteries. During the period under review, there were no changes to this mandate. The operating results and state of affairs of the company are fully set out in the attached financial statements. The following is included in the scope of operation within the City of Johannesburg Metropolitan area:

Number of parks and arterials: 2 343

Area of developed parks and arterials: 6 603.4 hectares

Area of undeveloped parks: 3 487.2 hectares

Nature reserves: 1 202,6 hectares

Street verges: 7 500 hectares

Area of cemeteries: 1 254 hectares

Water surfaces: 174 hectares

Street trees: 1,4 to 1.7 million

Cemeteries: 36

Crematoria: 2

Nurseries: 4

Bird sanctuaries: 366.4 hectares

Trails and River trails: 107 kilometres

Environmental and educational centres: 6

Size of fleet: vehicles : 312

Size of fleet trailers: 129

Number of employees : 1 568

### CHIEF FINANCE OFFICER (CFO)

R. Clements

### DIRECTORS

G Zabala\*(Chairperson until 30 June 2010)

MS Bahula\* (Chairperson from 1 July 2010)

DR Mokhobo\*

V Ramsingh\*

LL Williamson (Managing Director until 30 June 2010)

R Rawat\*

D Westgate\*

G Karim\*

M Dolamo\*

S Bogatsu\*

P Johnson Sparrow\*

G Cooke (Acting Managing Director from 1 July 2010)

\* Non-executive

### REGISTERED OFFICE

40 De Korte Street

Braamfontein

2017

### BUSINESS ADDRESS

40 De Korte Street

Braamfontein

2017

# **Johannesburg City Parks (Association Incorporated Under Section 21)**

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

## **GENERAL INFORMATION**

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### **POSTAL ADDRESS**

P.O Box 2824

Johannesburg

2000

### **BANKERS**

ABSA Limited

### **AUDITORS**

The Auditor - General of South Africa

### **SECRETARY**

B Maduka

### **COMPANY REGISTRATION NUMBER**

2000/028782/08

### **ATTORNEYS**

Sim and Botsi Attorneys

Moodie and Robertson

# Johannesburg City Parks (Association Incorporated Under Section 21)

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

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## ABBREVIATIONS

|         |                                                                    |
|---------|--------------------------------------------------------------------|
| COID    | Compensation for Occupational Injuries and Diseases                |
| CRR     | Capital Replacement Reserve                                        |
| DBSA    | Development Bank of South Africa                                   |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP    | Generally Recognised Accounting Practice                           |
| GAMAP   | Generally Accepted Municipal Accounting Practice                   |
| HDF     | Housing Development Fund                                           |
| IAS     | International Accounting Standards                                 |
| IMFO    | Institute of Municipal Finance Officers                            |
| IPSAS   | International Public Sector Accounting Standards                   |
| ME's    | Municipal Entities                                                 |
| MEC     | Member of the Executive Council                                    |
| MFMA    | Municipal Finance Management Act                                   |
| MIG     | Municipal Infrastructure Grant (Previously CMIP)                   |

# **Johannesburg City Parks (Association Incorporated Under Section 21)**

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

## **Directors' Responsibilities and Approval (To be signed after receiving Auditor-General report)**

---

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the company's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The company is largely dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the company.

Although the directors are primarily responsible for the financial affairs of the company, they are supported by the company's external auditors.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 5.

The annual financial statements are set out on pages 5 to 64.

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**MS Bahula\* (Chairperson from 1 July 2010)**

# **Johannesburg City Parks (Association Incorporated Under Section 21)**

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

## **Directors' Report**

---

The directors submit their report for the year ended 30 June 2010.

### **1. INCORPORATION**

The entity was incorporated on 15 November 2005 and obtained its certificate to commence business on the same day.

### **2. REVIEW OF ACTIVITIES**

#### **Main business and operations**

The company is a municipal entity and has been appointed as the greening, conservation and cemetery management agency for the City of Johannesburg Metropolitan Municipality. The company's mandate is to provide and manage parks, open spaces, environmental conservation services and cemeteries. During the period under review, there were no changes to this mandate. The operating results and state of affairs of the company are fully set out in the attached financial statements. The company operates in South Africa.

### **3. GOING CONCERN**

We draw attention to the fact that at 30 June 2010, the entity had accumulated surpluses of R 96 645 and that the company's total assets exceed its liabilities by R 124 743.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on continued funding of its operations by the City of Johannesburg Metropolitan Municipality. The financial statements are prepared on the basis that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the company's operations.

### **4. SUBSEQUENT EVENTS**

The directors are not aware of any matter or circumstance arising since the end of the financial year.

# Johannesburg City Parks (Association Incorporated Under Section 21)

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

## Directors' Report

---

### 5. DIRECTORS' INTEREST IN CONTRACTS

The directors of the company did not have any interest in contracts entered by the company.

### 6. ACCOUNTING POLICIES

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 7. SHAREHOLDER'S LOAN

There were no changes in the authorised or issued share-members' loan of the company during the year under review.

### 8. NON-CURRENT ASSETS

There were no major changes in the nature of the non-current assets of the company during the year.

The company acquired plant and equipment at a cost of R3.01m (2009 - R4.31m).

There were no changes in the policy relating to the use of non-current asset during the year

### 9. DIRECTORS

The directors of the entity during the year and to the date of this report are as follows:

| Name                                                 | Nationality   | Changes                   |
|------------------------------------------------------|---------------|---------------------------|
| G Zabala*(Chairperson until 30 June 2010)            | South African |                           |
| MS Bahula* (Chairperson from 1 July 2010)            | South African |                           |
| A Carolissen*                                        | South African | Resigned 26 January 2010  |
| H Kasan*                                             | South African | Resigned 26 January 2010  |
| DR Mokhobo*                                          | South African |                           |
| V Ramsingh*                                          | South African |                           |
| V Lennon*                                            | South African | Resigned 26 January 2010  |
| LL Williamson (Managing Director until 30 June 2010) | South African |                           |
| R Rawat*                                             | South African | Appointed 26 January 2010 |
| D Westgate*                                          | South African | Appointed 26 January 2010 |
| G Karim*                                             | South African | Appointed 26 January 2010 |
| M Dolamo*                                            | South African | Appointed 26 January 2010 |
| S Bogatsu*                                           | South African | Appointed 26 January 2010 |
| P Johnson Sparrow*                                   | South African | Appointed 26 January 2010 |
| G Cooke (Acting Managing Director from 1 July 2010)  |               |                           |
| * Non-executive                                      |               |                           |

# Johannesburg City Parks (Association Incorporated Under Section 21)

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

## Directors' Report

### 10. MEMBER AND EXECUTIVE MANAGERS EMOLUMENTS

|                                         | Salary or<br>Fee | Bonuses<br>and<br>performa<br>nce rela<br>ted pay<br>ents | Other | Total<br>package<br>2010 | Total<br>package<br>2009 |
|-----------------------------------------|------------------|-----------------------------------------------------------|-------|--------------------------|--------------------------|
| <b>Non-Executive Members</b>            |                  |                                                           |       |                          |                          |
| MS Bahula                               | 108              | -                                                         | -     | 108                      | 104                      |
| G Zabala                                | 144              | -                                                         | -     | 144                      | 178                      |
| A Carolissen                            | 161              | -                                                         | -     | 161                      | 138                      |
| H Kasan                                 | 100              | -                                                         | -     | 100                      | 147                      |
| DR Mokhobo                              | 70               | -                                                         | -     | 70                       | 13                       |
| V Ramsingh                              | 80               | -                                                         | -     | 80                       | 39                       |
| V Lennon                                | 34               | -                                                         | -     | 34                       | 41                       |
| N Mpufane                               | -                | -                                                         | -     | -                        | 8                        |
| N Mabaso                                | -                | -                                                         | -     | -                        | 50                       |
| K Venier                                | -                | -                                                         | -     | -                        | 9                        |
| SMB Nyalunga                            | -                | -                                                         | -     | -                        | 66                       |
| TB Nzimakwe                             | -                | -                                                         | -     | -                        | 78                       |
| R Rawat                                 | 44               | -                                                         | -     | 44                       | -                        |
| D Westgate                              | 39               | -                                                         | -     | 39                       | -                        |
| G Karim                                 | 50               | -                                                         | -     | 50                       | -                        |
| M Dolamo                                | 45               | -                                                         | -     | 45                       | -                        |
| S Bogatsu                               | 49               | -                                                         | -     | 49                       | -                        |
| P Johnson Sparrow                       | 39               | -                                                         | -     | 39                       | -                        |
|                                         | 963              | -                                                         | -     | 963                      | 871                      |
| <b>Executive Members</b>                |                  |                                                           |       |                          |                          |
| LL Williamson                           | 1 478            | 126                                                       | 32    | 1 636                    | 1 579                    |
| <b>Executive Managers</b>               |                  |                                                           |       |                          |                          |
| R Clements                              | 967              | 95                                                        | 48    | 1 110                    | 457                      |
| KJ van Eck                              | -                | -                                                         | -     | -                        | 466                      |
| Z Watkins                               | -                | -                                                         | -     | -                        | 245                      |
| A Buzo-Gqoboka                          | 931              | 84                                                        | 72    | 1 087                    | 1 104                    |
| G Cooke                                 | 1 048            | 94                                                        | 80    | 1 222                    | 1 241                    |
| HH Fouche                               | 790              | 73                                                        | 91    | 954                      | 1 151                    |
| P Meyer                                 | 950              | 85                                                        | 66    | 1 101                    | 1 005                    |
| K Molale                                | 618              | 49                                                        | 45    | 712                      | 564                      |
| M Sayed Hassan (Resigned<br>30/04/2010) | 427              | 45                                                        | 42    | 514                      | 570                      |
| B Maduka (Appointed<br>01/05/2010)      | 102              | -                                                         | 26    | 128                      | -                        |
|                                         | 5 833            | 525                                                       | 470   | 6 828                    | 6 803                    |
|                                         | 8 274            | 651                                                       | 502   | 9 427                    | 9 253                    |

### 11. CORPORATE GOVERNANCE

#### General

The directors are committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the directors supports the highest standards of corporate governance and the ongoing development of best practice.

# Johannesburg City Parks (Association Incorporated Under Section 21)

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

## Directors' Report

The company confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The directors discuss the responsibilities of management in this respect, at Board meetings and monitor the company's compliance with the code on a three monthly basis. The company is working towards compliance with King Report on Corporate Governance III.

The salient features of the company's adoption of the Code is outlined below:

### Board of directors

The board:

- retains full control over the company, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the company;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.
- has established a Board directorship continuity programme.

### Chair person and managing director

The chairperson is a non-executive and independent director (as defined by the Code).

The roles of chairperson and managing director are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

### Remuneration

The upper limits of the remuneration of the managing director, who is the only executive director of the company, is determined by the controlling entity, and the directors will determine the remuneration within the above mentioned limits.

### Directors' meetings

The directors met on 10 separate occasions during the financial year under review. The directors plan to meet at least 4 times per annum.

Non-executive directors have access to all members of management of the company.

| Name                                                 | Board Meeting | Audit Committee meeting | Strategy, Performance and Remuneration Committee meeting | Finance, Operations and Marketing Committee meeting | Human Resources Committee meeting |
|------------------------------------------------------|---------------|-------------------------|----------------------------------------------------------|-----------------------------------------------------|-----------------------------------|
| Total number of meetings held                        | 10            | 9                       | 4                                                        | 3                                                   | 3                                 |
| G Zabala*(Chairperson until 30 June 2010)            | 6             | 1                       | 3                                                        | 2                                                   | -                                 |
| MS Bahula* (Chairperson from 1 July 2010)            | 9             | -                       | 4                                                        | -                                                   | 1                                 |
| A Carolissen*                                        | 4             | 7                       | -                                                        | 2                                                   | -                                 |
| H Kasan*                                             | 4             | 6                       | 1                                                        | -                                                   | -                                 |
| DR Mokhobo*                                          | 7             | 5                       | 1                                                        | -                                                   | -                                 |
| V Ramsingh*                                          | 10            | -                       | 1                                                        | 2                                                   | 1                                 |
| V Lennon*                                            | 3             | -                       | -                                                        | -                                                   | 2                                 |
| LL Williamson (Managing Director until 30 June 2010) | 3             | 3                       | 3                                                        | 1                                                   | 1                                 |
| R Rawat*                                             | 5             | -                       | -                                                        | -                                                   | 1                                 |
| D Westgate*                                          | 5             | -                       | 1                                                        | 1                                                   | -                                 |
| G Karim*                                             | 6             | -                       | 1                                                        | 1                                                   | 2                                 |
| M Dolamo*                                            | 6             | 2                       | -                                                        | -                                                   | -                                 |

# Johannesburg City Parks (Association Incorporated Under Section 21)

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

## Directors' Report

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|                    |   |   |   |   |   |   |
|--------------------|---|---|---|---|---|---|
| S Bogatsu*         | 6 | - | 1 | - | 1 | - |
| P Johnson Sparrow* | 5 | - | - | 1 | - | - |

### Audit and risk committee

For the first 7 months of the current financial year the chairperson of the audit committee was Mr A Carolissen(non executive director) and for the remaining 5 months it was Mr DR Mokhobo, who is a non executive director. The committee met 9 times during the financial year to review matters necessary to fulfil its role.

## 12. CONTROLLING ENTITY

The entity's controlling entity is the City of Johannesburg Metropolitan Municipality incorporated in South Africa

## 13. BANKERS

ABSA Limited

The management of the treasury function within the company is managed within the auspices of The City of Johannesburg Metropolitan Municipality Assets and Liabilities Committee and Treasury department

## 14. AUDITORS

The Auditor - General of South Africa will continue in office for the next financial period.

## Certificate by Secretary

---

In terms Section 268 G(d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, I certify that the company has lodged with the Registrar all such returns as required by the Companies Act and that all such returns are true, correct and up to date.

---

B Maduka

Johannesburg

# Johannesburg City Parks (Association Incorporated Under Section 21)

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Position

| Figures in Rand thousand       | Note | 30 June<br>2010 | Restated 30<br>June<br>2009 |
|--------------------------------|------|-----------------|-----------------------------|
| <b>ASSETS</b>                  |      |                 |                             |
| <b>Current Assets</b>          |      |                 |                             |
| Inventories                    | 3    | 1 190           | 514                         |
| Loans to shareholder           | 4    | 234 579         | 186 575                     |
| Trade and other receivables    | 6    | 39 793          | 44 203                      |
| VAT receivable                 | 7    | 509             | -                           |
| Cash and cash equivalents      | 9    | 50              | 42                          |
|                                |      | <b>276 121</b>  | <b>231 334</b>              |
| <b>Non-Current Assets</b>      |      |                 |                             |
| Property, plant and equipment  | 10   | 42 066          | 44 807                      |
| Intangible assets              | 11   | 5 484           | 4 347                       |
| Loans to shareholder           | 4    | 68 743          | 69 483                      |
|                                |      | <b>116 293</b>  | <b>118 637</b>              |
| <b>Total Assets</b>            |      | <b>392 414</b>  | <b>349 971</b>              |
| <b>LIABILITIES</b>             |      |                 |                             |
| <b>Current Liabilities</b>     |      |                 |                             |
| Finance lease obligation       | 13   | 524             | 116                         |
| Trade and other payables       | 14   | 170 618         | 139 616                     |
| VAT payable                    | 15   | -               | 1 426                       |
| Provisions                     | 16   | 16 313          | 10 867                      |
|                                |      | <b>187 455</b>  | <b>152 025</b>              |
| <b>Non-Current Liabilities</b> |      |                 |                             |
| Finance lease obligation       | 13   | 563             | 150                         |
| Retirement benefit obligation  | 8    | 79 653          | 83 808                      |
|                                |      | <b>80 216</b>   | <b>83 958</b>               |
| <b>Total Liabilities</b>       |      | <b>267 671</b>  | <b>235 983</b>              |
| <b>Net Assets</b>              |      | <b>124 743</b>  | <b>113 988</b>              |
| <b>NET ASSETS</b>              |      |                 |                             |
| Shareholder's loan             | 18   | 28 098          | 28 098                      |
| Accumulated surplus            |      | 96 645          | 85 890                      |
| <b>Total Net Assets</b>        |      | <b>124 743</b>  | <b>113 988</b>              |

# Johannesburg City Parks (Association Incorporated Under Section 21)

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Performance

|                                                   |      | Year<br>Ended<br>30 June<br>2010 | Year<br>Ended<br>Restated 30<br>June<br>2009 |
|---------------------------------------------------|------|----------------------------------|----------------------------------------------|
| Figures in Rand thousand                          | Note |                                  |                                              |
| <b>Revenue</b>                                    |      |                                  |                                              |
| Rental facilities                                 |      | 2 188                            | 1 411                                        |
| Municipal subsidy                                 | 21   | 425 047                          | 423 771                                      |
| Cemetery fees                                     |      | 18 725                           | 17 952                                       |
| External services                                 |      | 60 883                           | 45 328                                       |
| Other revenue                                     |      | 2 202                            | 2 726                                        |
| Interest received - loan to shareholder           | 26   | 18 555                           | 23 630                                       |
| <b>Total Revenue</b>                              |      | <b>527 600</b>                   | <b>514 818</b>                               |
| <b>Expenditure</b>                                |      |                                  |                                              |
| Employee related costs                            | 24   | (297 979)                        | (291 343)                                    |
| Depreciation and amortisation                     | 28   | (9 949)                          | (9 427)                                      |
| Finance costs                                     | 29   | (7 097)                          | (8 226)                                      |
| Bad debts                                         | 25   | (13 920)                         | (1 535)                                      |
| Repairs and maintenance                           |      | (13 050)                         | (16 728)                                     |
| General Expenses                                  | 23   | (174 680)                        | (183 616)                                    |
| <b>Total Expenditure</b>                          |      | <b>(516 675)</b>                 | <b>(510 875)</b>                             |
| (Loss) gain on disposal of assets and liabilities |      | (160)                            | 128                                          |
| Fair value adjustments                            | 27   | (10)                             | 255                                          |
| <b>Surplus for the year</b>                       |      | <b>10 755</b>                    | <b>4 326</b>                                 |

## Johannesburg City Parks (Association Incorporated Under Section 21)

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

### Statement of Changes in Net Assets

|                                | Note(s) | Share premium | Accumulated surplus | Total equity   |
|--------------------------------|---------|---------------|---------------------|----------------|
| Figures in Rand thousand       |         |               |                     |                |
| <b>Balance at 01 July 2008</b> |         | <b>28 098</b> | <b>81 564</b>       | <b>109 662</b> |
| Changes in net assets          |         |               |                     |                |
| Surplus for the year           |         | -             | 4 326               | 4 326          |
| Total changes                  |         | -             | 4 326               | 4 326          |
| <b>Balance at 01 July 2009</b> |         | <b>28 098</b> | <b>85 890</b>       | <b>113 988</b> |
| Changes in net assets          |         |               |                     |                |
| Surplus for the year           |         | -             | 10 755              | 10 755         |
| Total changes                  |         | -             | 10 755              | 10 755         |
| <b>Balance at 30 June 2010</b> |         | <b>28 098</b> | <b>96 645</b>       | <b>124 743</b> |

# Johannesburg City Parks (Association Incorporated Under Section 21)

(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

Annual Financial Statements for the year ended 30 June 2010

## Cash flow statement

|                                                                                 |           | Year<br>Ended<br>30 June<br>2010 | Year<br>Ended<br>Restated 30<br>June<br>2009 |
|---------------------------------------------------------------------------------|-----------|----------------------------------|----------------------------------------------|
| Figures in Rand thousand                                                        | Note      |                                  |                                              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                     |           |                                  |                                              |
| <b>Receipts</b>                                                                 |           |                                  |                                              |
| Sale of goods and services                                                      |           | 72 857                           | 77 626                                       |
| Municipal subsidy                                                               |           | 425 047                          | 423 771                                      |
| Interest income                                                                 |           | 18 555                           | 23 630                                       |
|                                                                                 |           | 516 459                          | 525 027                                      |
| <b>Payments</b>                                                                 |           |                                  |                                              |
| Employee costs                                                                  |           | (294 534)                        | (291 033)                                    |
| Suppliers                                                                       |           | (159 861)                        | (207 711)                                    |
| Finance costs                                                                   |           | (7 040)                          | (8 147)                                      |
|                                                                                 |           | (461 435)                        | (506 891)                                    |
| <b>Undefined difference compared to the cash generated from operations note</b> |           | <b>(1)</b>                       | <b>-</b>                                     |
| <b>Net cash flows from operating activities</b>                                 | <b>31</b> | <b>55 023</b>                    | <b>18 136</b>                                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                     |           |                                  |                                              |
| Purchase of property, plant and equipment                                       | 10        | (6 029)                          | (9 789)                                      |
| Proceeds from sale of property, plant and equipment                             | 10        | 155                              | 1 172                                        |
| Purchase of other intangible assets                                             | 11        | (2 631)                          | (2 124)                                      |
| <b>Net cash flows from investing activities</b>                                 |           | <b>(8 505)</b>                   | <b>(10 741)</b>                              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                     |           |                                  |                                              |
| Repayment of other financial liabilities                                        |           | (10)                             | 255                                          |
| Repayment of shareholders loan                                                  |           | (47 264)                         | (7 612)                                      |
| Finance lease payments                                                          |           | 764                              | (28)                                         |
| <b>Net cash flows from financing activities</b>                                 |           | <b>(46 510)</b>                  | <b>(7 385)</b>                               |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                     |           | <b>8</b>                         | <b>10</b>                                    |
| Cash and cash equivalents at the beginning of the year                          |           | 42                               | 32                                           |
| <b>Cash and cash equivalents at the end of the year</b>                         | <b>9</b>  | <b>50</b>                        | <b>42</b>                                    |

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(Registration number 2000/028782/08)

Trading as Johannesburg City Parks

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003). These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

Unless otherwise stated, all figures have been rounded to the nearest thousand Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgments is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

##### **Trade receivables**

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

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

#### Impairment testing

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

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including technological obsolescence, together with economic factors such as inflation interest and interest rates.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

#### Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

#### Effective interest rate

The entity used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

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

### 1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset

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

to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

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

| Item                      | Average useful life |
|---------------------------|---------------------|
| Buildings                 | 30 years            |
| Leasehold property        |                     |
| • Leasehold improvements  |                     |
| •                         | 5 years             |
| Plant and machinery       |                     |
| • Mobile plant            | 2 years             |
| • Minor plant             | 5 years             |
| • Grass-cutting equipment | 2 years             |
| • Playground equipment    | 5 years             |
| Office equipment          |                     |
| • Furniture & fittings    | 5 years             |
| • Other office equipment  | 5 years             |
| IT equipment              | 3 years             |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

Assets which the company holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.3 Intangible assets

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### 1.3 Intangible assets (continued)

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item              | Useful life |
|-------------------|-------------|
| Computer software | 3 years     |

Intangible assets are derecognised:

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

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

### 1.4 Financial instruments

#### Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or

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### 1.4 Financial instruments (continued)

until maturity.

#### Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

#### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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### **1.4 Financial instruments (continued)**

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### **Loans to (from) economic entities**

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

#### **Loans to shareholders, directors, managers and employees**

These financial assets are classified as loans and receivables.

#### **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

#### **Financial liabilities and equity instruments**

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

#### **Gains and losses**

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### 1.4 Financial instruments (continued)

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### Derecognition

##### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

##### Impairment of financial assets

The entity assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment

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### 1.4 Financial instruments (continued)

and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

### 1.5 Leases

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

#### Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

#### Operating leases - lessee

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

### 1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

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

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

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### 1.6 Inventories (continued)

the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.7 Events after reporting date

Where events arise after the Statement of Financial Position date that existed at that date, these are recognised in the financial statements.

Where events arise after the Statement of Financial Position date that existed after that date, these are recognised in the financial statements by way of a note.

### 1.8 Related parties

A related party is a person or entity that is related to the company.

(a) A person or a close member of that person's family is related to the company if that person:

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company or of a parent of the company.

(b) An entity is related to a company if any of the following conditions applies:

(i) The entity and the company are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Transactions with related parties are entered into and disclosed at arm's length.

### 1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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### 1.9 Impairment of cash-generating assets (continued)

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

Criteria developed by the company to distinguish cash-generating assets from non-cash-generating assets are as follow:

### 1.10 Shareholder's loan

An equity instrument is any contract that evidences a residual interest in the assets of an company after deducting all of its liabilities.

### 1.11 Employee benefits

#### Short-term employee benefits

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

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

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

#### Defined contribution plans

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

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

#### Defined benefit plans

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

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

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

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

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

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

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

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

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### 1.11 Employee benefits (continued)

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

#### Other post retirement obligations

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

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

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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### 1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. No contingencies were in existence at the end of period under review.

### 1.13 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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### 1.13 Revenue from exchange transactions (continued)

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the company's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.14 Revenue from non-exchange transactions

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

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

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

#### Measurement

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

#### Government grants

Government grants are recognised as revenue when:

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

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### 1.14 Revenue from non-exchange transactions (continued)

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

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

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

#### Other grants and donations

Other grants and donations are recognised as revenue when:

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

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.15 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

### 1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

### 1.17 Investment income

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

### 1.18 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

### 1.19 Comparative figures

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### 1.19 Comparative figures (continued)

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

### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.21 Fruitless and wasteful expenditure

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

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

### 1.22 Irregular expenditure

Irregular expenditure as defined in chapter 1 of the MFMA refers to:

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

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

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

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

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

### 1.23 Use of estimates

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## Accounting Policies

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### 1.23 Use of estimates (continued)

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

### 1.24 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.25 Offsetting

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

### 1.26 Housing subsidies

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

### 1.27 Gratuities

The company 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.

### 1.28 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.

### 1.29 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

### 1.30 Conditional grants and receipts

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

## Notes to the Annual Financial Statements

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| Figures in Rand thousand | 2010 | 2009 |
|--------------------------|------|------|
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## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### **IAS 32 (AC 125) Financial Instruments: Presentation and IAS 1 (AC 101) Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation**

The revision requires that certain puttable financial instruments and other instruments that impose on the company an obligation to deliver a pro rata share of the net assets of the company on liquidation should be classified as equity if

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

certain conditions are met. Any classifications of such items are to be disclosed in the financial statements, together with information concerning the company's objectives and policies with regards to managing such obligations.

The effective date of the standard is for years beginning on or after 01 January 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

#### May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The entity has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

#### May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 (AC 116) Employee Benefits

With regards to curtailments and negative past service costs clarification has been made that:

- When a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
- Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
- A curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of 'return on plan assets' has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"

The effective date of the amendment is for years beginning on or after 01 January 2009.

The entity has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

#### May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation; IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures

The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through surplus or deficit or are classified as held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures are required together with the disclosures of IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The entity has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

#### May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 (AC 128) Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The entity has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

#### May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through surplus or deficit category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The entity has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

#### GRAP 4: The Effects of Changes in Foreign Exchange Rates

The initial application of GRAP 4 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application on the initial adoption of the Standard except for the acquisition of foreign operations.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

#### GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the company receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the company, and the company can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

### GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the company would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the company as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

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

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

#### GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the company has contravened these legislative requirements, the company is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

#### GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

after the reporting date.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

#### **GRAP 17: Property, Plant and Equipment**

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the company needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

#### **GRAP 19: Provisions, Contingent Liabilities and Contingent Assets**

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

If an external valuation is used to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

#### GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

#### IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

### 2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2010 or later periods:

#### GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the company.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The entity expects to adopt the standard for the first time in the 2011 annual financial statements.

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

It is unlikely that the standard will have a material impact on the company's annual financial statements.

#### GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the company is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The entity expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the company's annual financial statements.

#### GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an entity in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

- pool the assets contributed by various entities that are not under common control; and
- use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an entity provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

- Reimbursements;
- Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The entity expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the company's annual financial statements.

#### GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an entity considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An entity measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

measured at fair value;

- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An entity is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an entity can however designate such an instrument to be measured at fair value.

An entity can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an entity has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an entity has transferred control of the asset to another entity.

An entity derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an entity modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An entity cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an entity's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an entity is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An entity is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The entity expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

**2009 Annual Improvements Project: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement**

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### 2. NEW STANDARDS AND INTERPRETATIONS (continued)

In terms of the amendment, forward contracts to buy or sell an acquiree that will result in a business combination in the future, are only exempt from the Standard if the term of the contract does not exceed that which is reasonably necessary to obtain the required approval and complete the transaction. The amendment further clarifies that in a cash flow hedge of a forecast transaction, gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects surplus or deficit. The amendment also clarifies that a prepayment option is not closely related to the host contract unless the exercise price is approximately equal to the present value of the lost interest for the remaining term of the host contract.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The entity expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

### 3. INVENTORIES

|                   |              |            |
|-------------------|--------------|------------|
| Consumable stores | 537          | 514        |
| Tree stock        | 653          | -          |
|                   | <b>1 190</b> | <b>514</b> |

### 4. LOANS TO SHAREHOLDER

|                                                                                                                                                                                                          |                |                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| City of Johannesburg Metropolitan Municipality - Notional loans                                                                                                                                          | 68 743         | 69 483         |
| The above loans are unsecured and have no fixed terms of payment. They bear interest at rates determined annually by actuarial valuations, based on market yields of government bonds.                   |                |                |
| City of Johannesburg Metropolitan Municipality - Sweeping account                                                                                                                                        | 234 579        | 186 575        |
| The above loan is unsecured and has no fixed terms of payment. The loan bears interest at rates determined from time to time by the City of Johannesburg Treasury, based on average call rates of banks. |                |                |
|                                                                                                                                                                                                          | <b>303 322</b> | <b>256 058</b> |

There was no default during the period of principal, interest, sinking fund or redemption terms of loans receivable.

There was no renegotiation of the terms of the loans during the period under review.

#### Loans to Shareholder

The loans to Shareholder are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

#### Loans to Shareholder past due but not impaired

Loans to Shareholder are not considered to be impaired.

|                    |                |                |
|--------------------|----------------|----------------|
| Non-current assets | 68 743         | 69 483         |
| Current assets     | 234 579        | 186 575        |
|                    | <b>303 322</b> | <b>256 058</b> |

#### Fair value of loans to and from shareholders

|                       |         |         |
|-----------------------|---------|---------|
| Loans to shareholders | 303 322 | 256 058 |
|-----------------------|---------|---------|

#### Notional loans

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### 4. LOANS TO SHAREHOLDER (continued)

|                                     |               |               |
|-------------------------------------|---------------|---------------|
| Loans at beginning of the year      | 69 483        | 68 575        |
| Receipts                            | (5 305)       | (4 720)       |
| Interest                            | 4 565         | 6 210         |
| FV adjustments and prior year error | -             | (582)         |
|                                     | <b>68 743</b> | <b>69 483</b> |

No portion of the loans was pledged as security for any liabilities.

#### Sweeping account

|                                |                |                |
|--------------------------------|----------------|----------------|
| Loans at beginning of the year | 186 575        | 181 196        |
| Receipts                       | (475 999)      | (589 982)      |
| Further investment             | 510 013        | 577 941        |
| interest                       | 13 990         | 17 420         |
|                                | <b>234 579</b> | <b>186 575</b> |

### 5. CURRENT TAX PAYABLE (RECEIVABLE)

The City of Johannesburg Metropolitan Municipality enjoys tax-exempt status in terms of section 10(1)(b) of the Income Tax Act, 1962 (Act No. 58 of 1962) ("the Income Tax Act").

The Company was incorporated on 09 November 2000 in order to undertake nature conservation as envisaged in section 10 (1)(cB)(i)(cc) of the Income Tax Act, as well as certain designated municipal functions of a public nature previously performed by the City of Johannesburg Metropolitan Municipality.

In terms of the previous provisions of section 21 (2)(a) of the Amended Income Tax Act No. 30 of 2000, The Company would continue to enjoy tax-exempt status in terms of section 10(1)(cB) until the commissioner approves the exempt status in terms of of section 30 of the Act. During December 2003, the Company made application as a Public Benefit Organisation, and in January 2006 was awarded such status in terms of section 30 of the Income Tax Act No. 30 of 2000 and section 10(1)(cN) of the Income Tax Act No. 58 of 1962.

### 6. TRADE AND OTHER RECEIVABLES

|                                            |               |               |
|--------------------------------------------|---------------|---------------|
| Trade debtors                              | 13 824        | 147           |
| Prepayments                                | 881           | -             |
| Fuel deposits                              | 207           | 213           |
| RD cheques                                 | 4             | -             |
| Provision for Bad Debts - Other Debtors    | (13 843)      | -             |
| Related party debtors                      | 38 831        | 43 977        |
| Adjustment to fair value at amortised cost | (111)         | (134)         |
|                                            | <b>39 793</b> | <b>44 203</b> |

#### Trade and other receivables pledged as security

No trade and other receivables were pledged as security at the end of the year.

#### Credit quality of trade and other receivables

Trade receivables comprise two main categories: government (including group companies) and corporate. management evaluates credit risk relating to the customers on an ongoing basis. The assessment takes into account the financial position, past experiences and other factors.

Revenue within the cemetery fee environment is considered cash, as the economic benefit of the service passes when the funds have been banked. Returned cheques within this environment result in the blacklisting of the undertaker concerned. Revenue within the External Services environment is exclusively with government, including group companies.

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### 6. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables are measured initially at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other receivables are non-interest bearing and are generally repayable between 30 and 90 days.

None of the financial assets that are fully performing have been renegotiated in the last year.

No security is held for any of the trade and other receivables.

#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 6 920 (2009: R 5 973) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

|                    |       |       |
|--------------------|-------|-------|
| 1 month past due   | 1 465 | 4 050 |
| 2 months past due  | 1 600 | 455   |
| +3 months past due | 3 855 | 1 468 |

#### Trade and other receivables impaired

No trade and other receivables are regarded as impaired

During the period under review, the following debtors defaulted on the stated amounts. The amounts were written off to bad debts. Debtors who are not related parties had their cases referred to the legal department:

|                             |    |   |
|-----------------------------|----|---|
| Brenthurst Service Station  | 1  | - |
| Willowcrest Service Station | 5  | - |
| Johannesburg Road Agency    | 3  | - |
| CJMM                        | 17 | - |
| Johannesburg Concerts       | 8  | - |
| Ingwe Communications        | 33 | - |
| Studio Epsilon              | 11 | - |

### 7. VAT RECEIVABLE

|     |     |   |
|-----|-----|---|
| VAT | 509 | - |
|-----|-----|---|

Vat receivable represent a net input tax amount receivable from SARS.

### 8. RETIREMENT BENEFITS

#### 8.1 Defined benefit plan

##### Post-retirement liability

|                                      |                 |                 |
|--------------------------------------|-----------------|-----------------|
| Post-Retirement Medical Aid Plan     | (22 778)        | (22 690)        |
| Post-Retirement Housing Subsidy Plan | (27)            | (19)            |
| Retirement Gratuity Plan             | (56 848)        | (61 099)        |
|                                      | <b>(79 653)</b> | <b>(83 808)</b> |

##### 8.1.1 Post retirement medical aid plan

The Company 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

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### 8. RETIREMENT BENEFITS (continued)

subsidy is 60% for pensioners and members older than 55 on 1 July 2003 and 60% for other qualifying employees and is subject to a maximum of R 1 953 per month. The maximum increases annually on 1 July in accordance with the general 'cost of living' salary increase in the City of Johannesburg Metropolitan Municipality.

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

#### Movements for the year

|                                                                  |                 |                 |
|------------------------------------------------------------------|-----------------|-----------------|
| Opening balance                                                  | (22 690)        | (21 989)        |
| Benefits paid                                                    | 325             | 281             |
| Net expense recognised in the statement of financial performance | (413)           | (982)           |
|                                                                  | <b>(22 778)</b> | <b>(22 690)</b> |

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

|                          |              |              |
|--------------------------|--------------|--------------|
| Current service cost     | (787)        | (726)        |
| Interest cost            | (1 906)      | (2 000)      |
| Actuarial gains (losses) | 2 280        | 1 744        |
|                          | <b>(413)</b> | <b>(982)</b> |

#### Notional loan account

|                               |               |               |
|-------------------------------|---------------|---------------|
| Opening balance               | 16 605        | 15 231        |
| Interest received             | 1 120         | 1 444         |
| Benefits payments             | -             | (70)          |
| <b>Balance at end of year</b> | <b>17 725</b> | <b>16 605</b> |

#### Key assumptions used

Assumptions used on last valuation on 05 August 2010 done by Independent Actuarial Consultants.

|                                   |        |        |
|-----------------------------------|--------|--------|
| Discount rates used               | 9,00 % | 8,40 % |
| Expected rate of return on assets | 9,00 % | 8,40 % |
| Expected increase in salaries     | 5,90 % | 6,80 % |

#### 8.1.2 Post retirement housing subsidy plan

The company provides housing subsidies in respect of certain qualifying staff. In the event that the housing loan that the subsidy relates to is not fully paid 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. It is assumed to remain constant and to continue for a period of 10 years after retirement.

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

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### 8. RETIREMENT BENEFITS (continued)

#### Movements for the year

|                                                                  |             |             |
|------------------------------------------------------------------|-------------|-------------|
| Opening balance                                                  | (19)        | (15)        |
| Benefits paid                                                    | (1)         | -           |
| Net expense recognised in the statement of financial performance | (7)         | (4)         |
|                                                                  | <b>(27)</b> | <b>(19)</b> |

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

|                          |            |            |
|--------------------------|------------|------------|
| Current service cost     | (2)        | (1)        |
| Interest cost            | -          | (1)        |
| Actuarial gains (losses) | (5)        | (2)        |
|                          | <b>(7)</b> | <b>(4)</b> |

#### Notional loan account

|                               |          |           |
|-------------------------------|----------|-----------|
| Opening balance               | 19       | 8         |
| Interest received             | -        | 11        |
| Payments against account      | (19)     | -         |
| <b>Balance at end of year</b> | <b>-</b> | <b>19</b> |

#### Key assumptions used

Assumptions used on last valuation on 05 August 2010 done by Independent Actuarial Consultants.

|                                   |        |        |
|-----------------------------------|--------|--------|
| Discount rates used               | 9,00 % | 8,40 % |
| Expected rate of return on assets | 9,00 % | 8,40 % |

#### 8.1.3 Post retirement gratuity plan

The Company provides gratuities on retirement or prior death (i.e. for those members that have died prior to retirement date) in respect of employees who have service with the City of Johannesburg Metropolitan Municipality or the Company when they were not members of one of the retirement funds and who meet certain service requirements in terms of the City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 (one) month's salary per year of non-retirement funding service and a bonus of 1 (one) month's salary for every 5 (five) completed years of non-retirement funding service.

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

#### Movements for the year

|                                                                  |                 |                 |
|------------------------------------------------------------------|-----------------|-----------------|
| Opening balance                                                  | (61 099)        | (64 479)        |
| Benefits paid                                                    | 5 381           | 3 907           |
| Net expense recognised in the statement of financial performance | (1 130)         | (527)           |
|                                                                  | <b>(56 848)</b> | <b>(61 099)</b> |

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

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|--------------------------|------|------|

#### 8. RETIREMENT BENEFITS (continued)

|                          |                |              |
|--------------------------|----------------|--------------|
| Interest cost            | (5 132)        | (6 146)      |
| Actuarial gains (losses) | 4 002          | 5 619        |
|                          | <b>(1 130)</b> | <b>(527)</b> |

#### Notional loan account

|                               |               |               |
|-------------------------------|---------------|---------------|
| Opening balance               | 52 859        | 52 824        |
| Interest received             | 3 445         | 4 755         |
| Payments against account      | (5 286)       | (3 907)       |
| Correction of error           | -             | (813)         |
| <b>Balance at end of year</b> | <b>51 018</b> | <b>52 859</b> |

#### Key assumptions used

Assumptions used on last valuation on 05 August 2010 done by Independent Actuarial Consultants .

|                                   |        |        |
|-----------------------------------|--------|--------|
| Discount rates used               | 9,00 % | 8,40 % |
| Expected rate of return on assets | 9,00 % | 8,40 % |
| Expected increase in salaries     | 5,90 % | 6,80 % |

#### 8.2 Defined contribution plan

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

#### Defined contribution funds

- City Power Retirement Fund.
- E-Joburg Retirement Fund.
- Meshawu National Local Authorities Retirement Fund.
- Municipal Councilors Pension Fund.
- Municipal Employees Gratuity Fund
- Municipal Gratuity Fund.
- National Fund for Municipal Workers.
- South African Municipal Workers' Union Provident Fund.

In the case of these defined contribution funds, the contributions paid have been expensed as required in terms of IAS 19.

#### Defined benefits funds

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

#### Hybrid funds

- Joint Municipal Pension Fund.
- Municipal Employees Pension Fund.

Management, as a result of insufficient information of the multi-employer plans being available, could not determine the appropriate share of the obligation, plan assets and associated costs of any of the defined benefits funds. Accordingly, all

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### 8. RETIREMENT BENEFITS (continued)

funds have been accounted for using a defined-contribution basis at the ME level.

However, full-defined benefit accounting has been applied at the group level in the accounts of the Group for the City of Johannesburg Pension Fund, Johannesburg Municipal Pension Fund, South African Local Authorities Pension Fund and Soweto City Council Pension Fund. The City of Johannesburg Metropolitan Municipality has undertaken to carry all pension obligations up to 30 June 2010.

Contribution to the Deapmeadow Pension Fund were ceased for the group with effect from 31 July 2003. Benefits have been paid and will accumulate for members on a defined contribution basis.

### 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

|            |    |    |
|------------|----|----|
| Petty cash | 50 | 42 |
|------------|----|----|

No cash and cash equivalents were pledged as security. There is no restriction on the use of cash by the company.

#### The entity had the following bank accounts

| 40544428422 / Cheque account          | Bank statement balances |              |              | Cash book balances |                 |                 |
|---------------------------------------|-------------------------|--------------|--------------|--------------------|-----------------|-----------------|
|                                       | 30 June 2010            | 30 June 2009 | 30 June 2008 | 30 June 2010       | 30 June 2009    | 30 June 2008    |
| ABSA Ltd cheque account no 4054428422 | -                       | -            | -            | (40 022)           | (22 024)        | (22 465)        |
| ABSA cheque account no 4054428391     | -                       | -            | -            | -                  | -               | 1               |
| <b>Total</b>                          | <b>-</b>                | <b>-</b>     | <b>-</b>     | <b>(40 022)</b>    | <b>(22 024)</b> | <b>(22 464)</b> |

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### 10. PROPERTY, PLANT AND EQUIPMENT

|                        | 2010                |                             |                | 2009                |                             |                |
|------------------------|---------------------|-----------------------------|----------------|---------------------|-----------------------------|----------------|
|                        | Cost /<br>Valuation | Accumulated<br>depreciation | Carrying value | Cost /<br>Valuation | Accumulated<br>depreciation | Carrying value |
| Land                   | 2 240               | -                           | 2 240          | 2 240               | -                           | 2 240          |
| Buildings              | 22 595              | (1 501)                     | 21 094         | 22 595              | (748)                       | 21 847         |
| Office equipment       | 7 256               | (4 619)                     | 2 637          | 6 745               | (3 633)                     | 3 112          |
| IT equipment           | 9 924               | (7 131)                     | 2 793          | 9 489               | (5 252)                     | 4 237          |
| Leasehold improvements | 1 209               | (783)                       | 426            | 1 061               | (677)                       | 384            |
| Finance lease assets   | 1 866               | (768)                       | 1 098          | 853                 | (535)                       | 318            |
| Minor plant            | 22 551              | (12 134)                    | 10 417         | 20 458              | (8 941)                     | 11 517         |
| Park facilities        | 591                 | (416)                       | 175            | 591                 | (416)                       | 175            |
| Spare parts            | 1 186               | -                           | 1 186          | 977                 | -                           | 977            |
| <b>Total</b>           | <b>69 418</b>       | <b>(27 352)</b>             | <b>42 066</b>  | <b>65 009</b>       | <b>(20 202)</b>             | <b>44 807</b>  |

#### Reconciliation of property, plant and equipment - 2010

|                        | Opening<br>balance | Additions    | Disposals    | Depreciation   | Total         |
|------------------------|--------------------|--------------|--------------|----------------|---------------|
| Land                   | 2 240              | -            | -            | -              | 2 240         |
| Buildings              | 21 847             | -            | -            | (753)          | 21 094        |
| Office equipment       | 3 112              | 584          | (6)          | (1 053)        | 2 637         |
| IT equipment           | 4 237              | 1 041        | (227)        | (2 258)        | 2 793         |
| Leasehold improvements | 384                | 148          | -            | (106)          | 426           |
| Finance lease assets   | 318                | 1 036        | (1)          | (255)          | 1 098         |
| Minor plant            | 11 517             | 3 011        | (81)         | (4 030)        | 10 417        |
| Park facilities        | 175                | -            | -            | -              | 175           |
| Spare parts            | 977                | 209          | -            | -              | 1 186         |
|                        | <b>44 807</b>      | <b>6 029</b> | <b>(315)</b> | <b>(8 455)</b> | <b>42 066</b> |

#### Reconciliation of property, plant and equipment - 2009

|                        | Opening<br>balance | Additions    | Disposals      | Other changes,<br>movements | Depreciation   | Total         |
|------------------------|--------------------|--------------|----------------|-----------------------------|----------------|---------------|
| Land                   | -                  | -            | -              | 2 240                       | -              | 2 240         |
| Buildings              | 24 058             | 777          | -              | (2 240)                     | (748)          | 21 847        |
| Office equipment       | 3 209              | 1 125        | (133)          | -                           | (1 089)        | 3 112         |
| IT equipment           | 4 083              | 3 065        | (206)          | -                           | (2 705)        | 4 237         |
| Leasehold improvements | 255                | 212          | -              | -                           | (83)           | 384           |
| Finance lease assets   | 187                | 301          | (1)            | -                           | (169)          | 318           |
| Minor plant            | 10 651             | 4 309        | (430)          | -                           | (3 013)        | 11 517        |
| Park facilities        | 175                | -            | -              | -                           | -              | 175           |
| Spare parts            | 1 252              | -            | (275)          | -                           | -              | 977           |
|                        | <b>43 870</b>      | <b>9 789</b> | <b>(1 045)</b> | <b>-</b>                    | <b>(7 807)</b> | <b>44 807</b> |

#### Pledged as security

None of the company's assets are pledged as security except for finance lease assets with a carrying value of R 1 099 (2009: R318)

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

Assets subject to finance lease (Net carrying amount)

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|------------------------------------------------------|--------------|------------|
| <b>10. PROPERTY, PLANT AND EQUIPMENT (continued)</b> |              |            |
| Leasehold improvements                               | 426          | 384        |
| Finance lease assets                                 | 1 098        | 318        |
|                                                      | <b>1 524</b> | <b>702</b> |

### Details of properties

Land and buildings comprise of property situated at 40 De Korte Street, in the township of Braamfontein, Johannesburg, Registration Division I.R, The Province of Gauteng; measuring in the extent of 995 square metres, and held by deed of transfer No. T 043009/07. The property was purchased at a consideration of R12 882 000.00, and was transferred in to the name of Johannesburg City Parks on 2007/08/06.

The leased property, plant and equipment is secured as described in note 11 .

There was no impairment of property, plant and equipment during the financial year under review, (2009: Nil)

There was no revaluation adjustment made to property, plant and equipment during the financial year under review, (2009: Nil)

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

## 11. INTANGIBLE ASSETS

|                   | 2010                |                             |                | 2009                |                             |                |
|-------------------|---------------------|-----------------------------|----------------|---------------------|-----------------------------|----------------|
|                   | Cost /<br>Valuation | Accumulated<br>amortisation | Carrying value | Cost /<br>Valuation | Accumulated<br>amortisation | Carrying value |
| Computer software | 12 997              | (7 513)                     | 5 484          | 10 366              | (6 019)                     | 4 347          |

### Reconciliation of intangible assets - 2010

|                   | Opening<br>balance | Additions | Amortisation | Total |
|-------------------|--------------------|-----------|--------------|-------|
| Computer software | 4 347              | 2 631     | (1 494)      | 5 484 |

### Reconciliation of intangible assets - 2009

|                   | Opening<br>balance | Additions | Amortisation | Total |
|-------------------|--------------------|-----------|--------------|-------|
| Computer software | 3 843              | 2 124     | (1 620)      | 4 347 |

### Pledged as security

No intangible assets were pledged as security:

## 12. FINANCIAL ASSETS BY CATEGORY

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

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|----------------------------------------------------|--------------|------------|
| <b>13. FINANCE LEASE OBLIGATION</b>                |              |            |
| <b>Minimum lease payments due</b>                  |              |            |
| - within one year                                  | 559          | 138        |
| - in second to fifth year inclusive                | 658          | 160        |
|                                                    | 1 217        | 298        |
| less: future finance charges                       | (130)        | (32)       |
| <b>Present value of minimum lease payments</b>     | <b>1 087</b> | <b>266</b> |
| <b>Present value of minimum lease payments due</b> |              |            |
| - within one year                                  | 524          | 116        |
| - in second to fifth year inclusive                | 563          | 150        |
|                                                    | <b>1 087</b> | <b>266</b> |
| Non-current liabilities                            | 563          | 150        |
| Current liabilities                                | 524          | 116        |
|                                                    | <b>1 087</b> | <b>266</b> |

It is company policy to lease certain office equipment under finance leases

The average lease term was 3 years and the average effective borrowing rate was 10% (2009: 12%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

No restrictions other than for transfer or disposal of leased property have been imposed by the lessor.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note10.

## 14. TRADE AND OTHER PAYABLES

|                                                     |                |                |
|-----------------------------------------------------|----------------|----------------|
| Trade payables                                      | 86 032         | 59 941         |
| Monies received in advance                          | 208            | 10             |
| Monies received in advance for capital developments | 1 176          | 489            |
| Monies held in trust                                | 57 301         | 52 983         |
| Accrued leave pay                                   | 13 260         | 10 389         |
| Accrued payroll cost                                | 256            | 953            |
| Other accrued expenses                              | 6 134          | 4 235          |
| Learnership grant                                   | -              | 443            |
| Related party creditor                              | 6 286          | 10 242         |
| Adjustment for fair value at amortised cost         | (35)           | (69)           |
|                                                     | <b>170 618</b> | <b>139 616</b> |

Trade and other payables are at amortised cost.

Trade and other payables are non-interest bearing and are normally settled on 30 day terms.

The company has not defaulted on any of the accounts payable .

None of the terms attached to the accounts payable were re-negotiated in the period under review.

## 15. VAT PAYABLE

|             |   |       |
|-------------|---|-------|
| Tax payable | - | 1 426 |
|-------------|---|-------|

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### 16. PROVISIONS

#### Reconciliation of provisions - 2010

|                                          | Opening<br>Balance | Additions     | Utilised during<br>the year | Total         |
|------------------------------------------|--------------------|---------------|-----------------------------|---------------|
| Performance bonus and staff 13th cheques | 10 867             | 15 334        | (10 867)                    | 15 334        |
| Salaries backpay                         | -                  | 979           | -                           | 979           |
|                                          | <b>10 867</b>      | <b>16 313</b> | <b>(10 867)</b>             | <b>16 313</b> |

#### Reconciliation of provisions - 2009

|                                          | Opening<br>Balance | Additions | Total  |
|------------------------------------------|--------------------|-----------|--------|
| Performance bonus and Staff 13th cheques | 10 097             | 770       | 10 867 |

The company intends to pay performance bonus and staff 13th cheques to its employees based on their performance for services rendered during the current financial year. The provision will realise within the following financial year.

Provision for salary back pay is management's best estimate amount payable to employees as a result of agreement between SALGA and the CJMM. It is not known, at this stage, when the provision will realise.

### 17. FINANCIAL LIABILITIES BY CATEGORY

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

### 18. SHAREHOLDER'S LOAN

#### Issued

|                    |        |        |
|--------------------|--------|--------|
| Shareholder's loan | 28 098 | 28 098 |
|--------------------|--------|--------|

The Shareholder's loan was issued on incorporation. The loan has no fixed repayment terms and does not bear interest.

### 19. REVENUE

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Rental of facilities & equipment | 2 188          | 1 411          |
| Municipal subsidy                | 425 047        | 423 771        |
| Cemetery fees                    | 18 725         | 17 952         |
| External services                | 60 883         | 45 328         |
| Other revenue                    | 2 202          | 2 726          |
|                                  | <b>509 045</b> | <b>491 188</b> |

#### The amount included in revenue arising from exchanges of goods or services are as follows:

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Rental of facilities & equipment | 2 188         | 1 411         |
| Cemetery fees                    | 18 725        | 17 952        |
| External services                | 60 883        | 45 328        |
|                                  | <b>81 796</b> | <b>64 691</b> |

#### The amount included in revenue arising from non-exchange transactions is as follows:

|                  |                |                |
|------------------|----------------|----------------|
| Municipal grants | 425 047        | 423 771        |
| Other revenue    | 2 202          | 2 726          |
|                  | <b>427 249</b> | <b>426 497</b> |

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|---------------------------------------------------------------------------------------------------------|--------------|--------------|
| <b>20. COST OF SALES</b>                                                                                |              |              |
| Rendering of services                                                                                   |              |              |
| Cost of services                                                                                        | 42 165       | 33 065       |
| <b>21. MUNICIPAL GRANTS AND SUBSIDIES</b>                                                               |              |              |
| Municipal subsidy                                                                                       | 425 047      | 423 771      |
| <b>Municipal infrastructure grant</b>                                                                   |              |              |
| Current year receipts                                                                                   | 12 357       | 14 964       |
| Conditions met - transferred to utilised                                                                | (12 357)     | (14 964)     |
| <b>Conditions still to be met - transferred to liabilities</b>                                          | -            | -            |
| <b>22. OTHER REVENUE</b>                                                                                |              |              |
| <b>The amount included in other revenue arising from exchanges of goods or services are as follows:</b> |              |              |
| Tender receipts                                                                                         | 161          | 102          |
| Bad debts recovered                                                                                     | 8            | -            |
| Rental income: other                                                                                    | 77           | 67           |
|                                                                                                         | <b>246</b>   | <b>169</b>   |
| <b>The amount included in other revenue arising from non-exchange transactions is as follows:</b>       |              |              |
| SETA grant                                                                                              | 923          | 956          |
| Donations received                                                                                      | 42           | 1 341        |
| Insurance recoveries                                                                                    | 991          | 261          |
|                                                                                                         | <b>1 956</b> | <b>2 558</b> |

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### 23. GENERAL EXPENSES

|                                           |                |                |
|-------------------------------------------|----------------|----------------|
| Advertising                               | 337            | 612            |
| Auditors remuneration                     | 921            | 671            |
| Bank charges                              | 133            | 134            |
| Cleaning                                  | 500            | 437            |
| Consulting and professional fees          | 3 891          | 3 121          |
| Consumables                               | 560            | 661            |
| Entertainment                             | 296            | 374            |
| Animal Costs                              | 5              | 9              |
| Gifts                                     | 128            | 57             |
| Hire of equipment                         | 546            | 716            |
| Insurance                                 | 5 191          | 6 337          |
| Conferences and seminars                  | 745            | 509            |
| IT expenses                               | 2 175          | 1 215          |
| Rental of equipment and cemetery          | 1 673          | 2 233          |
| Fleet costs                               | 43 768         | 47 020         |
| Marketing                                 | 3 585          | 3 528          |
| Horticulture                              | 22 338         | 41 140         |
| Magazines, books and periodicals          | 49             | 58             |
| Medical expenses                          | -              | 35             |
| Pest control                              | 52             | 146            |
| Fuel and oil                              | 2 145          | 2 595          |
| Placement fees                            | 560            | 660            |
| Postage and courier                       | 5              | 5              |
| Printing and stationery                   | 1 873          | 2 266          |
| Promotions                                | -              | 82             |
| Project maintenance costs                 | 38             | -              |
| Security (guarding of municipal property) | 12 091         | 10 519         |
| Software expenses                         | 663            | 1 079          |
| Subscriptions and membership fees         | 184            | 279            |
| Telephone and fax                         | 2 282          | 3 053          |
| Training                                  | 1 185          | 1 829          |
| Electricity                               | 11 162         | 7 635          |
| Gas                                       | 92             | 94             |
| Sewerage and waste disposal               | 352            | 349            |
| Water                                     | 10 014         | 7 579          |
| Refuse                                    | 935            | 775            |
| Uniforms                                  | 1 539          | 1 455          |
| Fruitless and wasteful expenditure        | 9              | 34             |
| Other sundry expenses                     | 493            | 1 250          |
| Cost of sales rendering of services       | 42 165         | 33 065         |
|                                           | <b>174 680</b> | <b>183 616</b> |

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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>24. EMPLOYEE RELATED COSTS</b>                                                                                                                                       |                |                |
| Salaries and wages                                                                                                                                                      | 175 648        | 165 926        |
| Housing benefits and allowances                                                                                                                                         | 4 800          | 5 115          |
| Overtime payments                                                                                                                                                       | 4 409          | 4 352          |
| Bonus                                                                                                                                                                   | 9 730          | 5 405          |
| Travel, motor car, accommodation, subsistence and other allowances                                                                                                      | 291            | 1 963          |
| Unemployment insurance fund                                                                                                                                             | 1 538          | 1 515          |
| Workman compensation insurance                                                                                                                                          | 1 466          | 1 447          |
| Skill development levy                                                                                                                                                  | 1 867          | 1 781          |
| Other payroll levies                                                                                                                                                    | 173            | -              |
| Leave pay provision charge                                                                                                                                              | 4 417          | 2 033          |
| Employee wellness                                                                                                                                                       | 1 529          | 1 268          |
| EPWP labour costs                                                                                                                                                       | 58 909         | 66 003         |
| Pension and provident fund contributions                                                                                                                                | 8 14 314       | 14 202         |
| 13th Cheque's                                                                                                                                                           | 9 696          | 10 320         |
| Car allowance                                                                                                                                                           | 8 468          | 9 221          |
| Other employee costs                                                                                                                                                    | 229            | 255            |
| Employee funeral insurance                                                                                                                                              | 495            | 537            |
|                                                                                                                                                                         | <b>297 979</b> | <b>291 343</b> |
| <b>25. DEBT IMPAIRMENT</b>                                                                                                                                              |                |                |
| Bad debts                                                                                                                                                               | 13 920         | 1 535          |
| <b>26. INVESTMENT REVENUE</b>                                                                                                                                           |                |                |
| <b>Interest revenue</b>                                                                                                                                                 |                |                |
| Loans to shareholder                                                                                                                                                    | 18 555         | 23 630         |
| The amount included in Investment revenue arising from non-exchange transactions amounted to R 13 990.                                                                  |                |                |
| <b>27. FAIR VALUE ADJUSTMENTS</b>                                                                                                                                       |                |                |
| • Fair value adjustment of debtors and creditors                                                                                                                        | (10)           | 255            |
| <b>28. DEPRECIATION AND AMORTISATION</b>                                                                                                                                |                |                |
| Property, plant and equipment                                                                                                                                           | 9 949          | 9 427          |
| <b>29. FINANCE COSTS</b>                                                                                                                                                |                |                |
| Finance leases                                                                                                                                                          | 57             | 79             |
| Other interest paid                                                                                                                                                     | 7 040          | 8 147          |
|                                                                                                                                                                         | <b>7 097</b>   | <b>8 226</b>   |
| Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R68(2009: R16). |                |                |
| <b>30. AUDITORS' REMUNERATION</b>                                                                                                                                       |                |                |
| Fees                                                                                                                                                                    | 921            | 671            |

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|-------------------------------------------------------|-----------------|---------------|
| <b>31. CASH GENERATED FROM OPERATIONS</b>             |                 |               |
| Surplus                                               | 10 755          | 4 326         |
| <b>Adjustments for:</b>                               |                 |               |
| Depreciation and amortisation                         | 9 949           | 9 427         |
| Gain (loss) on sale of assets and liabilities         | 160             | (128)         |
| Fair value adjustments                                | 10              | (255)         |
| Finance costs - finance leases                        | 57              | 79            |
| Debt impairment                                       | 13 920          | 1 535         |
| Movements in retirement benefit liabilities           | (4 155)         | (2 675)       |
| Movements in provisions                               | 5 446           | 770           |
| Other non-cash items                                  | (1)             | (11)          |
| <b>Changes in working capital:</b>                    |                 |               |
| Inventories                                           | (676)           | 3 198         |
| Trade and other receivables                           | 4 410           | 5 392         |
| Other current assets                                  | (13 920)        | (1 535)       |
| Trade and other payables                              | 31 003          | (8 236)       |
| VAT                                                   | (1 935)         | 6 249         |
|                                                       | <b>55 023</b>   | <b>18 136</b> |
| <b>32. COMMITMENTS</b>                                |                 |               |
| <b>Commitments in respect of capital expenditure:</b> |                 |               |
| <b>Authorised and not yet contracted for</b>          |                 |               |
| • Property, plant and equipment                       | 6 250           | 6 150         |
| • Parks and road islands                              | 14 000          | 24 106        |
| • Cemeteries                                          | 11 100          | 9 695         |
| • Software                                            | 750             | 1 550         |
|                                                       | <b>32 100</b>   | <b>41 501</b> |
| <b>This expenditure will be financed from:</b>        |                 |               |
| Government Grants                                     | 25 100          | 33 801        |
| Internal cash                                         | 7 000           | 7 700         |
|                                                       | <b>32 100</b>   | <b>41 501</b> |
| <b>Operating leases – fleet</b>                       |                 |               |
| <b>Minimum lease payments due</b>                     |                 |               |
| - within one year                                     | (37 777)        | (39 686)      |
| - in second to fifth year inclusive                   | (23 870)        | (25 250)      |
| - later than five years                               | (4 659)         | (4 720)       |
|                                                       | <b>(66 306)</b> | <b>-</b>      |

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### 33. RELATED PARTIES

Relationships

Controlling entity

Other members of the group

City of Johannesburg Metropolitan Municipality  
City Housing Company (Pty) Ltd  
City of Johannesburg Property Company (Pty) Ltd  
City Power Johannesburg (Pty) Ltd  
Johannesburg Development Agency (Pty) Ltd  
Johannesburg Metropolitan Bus Services (Pty) Ltd  
Johannesburg Roads Agency (Pty) Ltd  
Johannesburg Tourism Company  
Johannesburg Water (Pty) Ltd  
Metropolitan Trading Company (Pty) Ltd  
Pikitup Johannesburg (Pty) Ltd  
Roodepoort City Theatre  
The Johannesburg Civic Theatre (Pty) Ltd  
The Johannesburg Fresh Produce Market (Pty) Ltd  
The Johannesburg Zoo  
Fried shelf 128 (Pty) Ltd  
Greater Newtown Development Company (Pty) Ltd  
Constitutional Hill Development Company (Pty) Ltd  
Johannesburg Social Housing Company (Pty) Ltd

#### Related party balances

##### Amounts included in Loans,

##### Trade and other receivables regarding related parties

|                                                 |               |               |
|-------------------------------------------------|---------------|---------------|
| City of Johannesburg Metropolitan Municipality  | 30 525        | 33 913        |
| Johannesburg Social Housing Company (Pty) Ltd   | 1 040         | 383           |
| Pikitup Johannesburg (Pty) Ltd                  | 36            | 279           |
| City Power Johannesburg (Pty) Ltd               | 4 916         | 8 965         |
| City of Johannesburg Property Company (Pty) Ltd | 106           | -             |
| Johannesburg Water (Pty) Ltd                    | 615           | 359           |
| Johannesburg Tourism Company                    | 4             | 14            |
| Johannesburg Roads Agency (Pty) Ltd             | 1 589         | 64            |
|                                                 | <b>38 831</b> | <b>43 977</b> |

##### Amounts included in Loans,

##### Trade and other payables regarding related parties

|                                                |              |               |
|------------------------------------------------|--------------|---------------|
| City of Johannesburg Metropolitan Municipality | 2 539        | 5 309         |
| Pikitup Johannesburg (Pty) Ltd                 | 451          | 152           |
| City Power Johannesburg (Pty) Ltd              | 1 091        | 597           |
| Johannesburg Water (Pty) Ltd                   | 1 519        | 3 762         |
| The Johannesburg Zoo                           | 36           | 17            |
| The Johannesburg Civic Theatre (Pty) Ltd       | 2            | 4             |
| Johannesburg Development Agency (Pty) Ltd      | -            | 200           |
| Johannesburg Roads Agency (Pty) Ltd            | 648          | 112           |
|                                                | <b>6 286</b> | <b>10 153</b> |

#### Related party transactions

##### Sales to related parties

|                                                 |         |         |
|-------------------------------------------------|---------|---------|
| City of Johannesburg Metropolitan Municipality  | 456 636 | 461 046 |
| Johannesburg Social Housing Company (Pty) Ltd   | 1 526   | 1 417   |
| Pikitup Johannesburg (Pty) Ltd                  | 52      | 245     |
| City Power Johannesburg (Pty) Ltd               | 28 437  | 22 560  |
| City of Johannesburg Property Company (Pty) Ltd | 500     | 406     |

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|------------------------------------------------------------|----------------|----------------|
| <b>33. RELATED PARTIES (continued)</b>                     |                |                |
| Johannesburg Water (Pty) Ltd                               | 544            | -              |
| Johannesburg Tourism Company                               | 20             | 19             |
| Johannesburg Roads Agency (Pty) Ltd                        | 1 806          | 827            |
|                                                            | <b>489 521</b> | <b>486 520</b> |
| <b>Purchases from related parties</b>                      |                |                |
| City of Johannesburg Metropolitan Municipality             | 22 094         | 20 517         |
| Johannesburg Social Housing Company (Pty) Ltd              | 2 400          | 2 623          |
| Johannesburg Metropolitan Bus Services (Pty) Ltd           | 4              | 7              |
| Pikitup Johannesburg (Pty) Ltd                             | 1 203          | 850            |
| City Power Johannesburg (Pty) Ltd                          | 2 843          | 478            |
| Johannesburg Water (Pty) Ltd                               | 1 920          | 732            |
| Johannesburg Civic Theatre (Pty) Ltd                       | 27             | 36             |
| Johannesburg Development Agency (Pty) Ltd                  | -              | 175            |
| Johannesburg Roads Agency (Pty) Ltd                        | -              | 7              |
|                                                            | <b>30 491</b>  | <b>25 425</b>  |
| <b>Remuneration of independent audit committee members</b> |                |                |
| CD Kneale                                                  | 45             | 39             |
| H Moolla                                                   | 59             | 47             |
| AL Nel                                                     | 40             | 47             |
| A Kanana                                                   | 35             | -              |
| G Dunnington                                               | 30             | -              |
|                                                            | <b>209</b>     | <b>133</b>     |

In terms of Regulation 45 of the Municipal Supply Chain Management Regulation of 2005, the company must disclose any awards of more than R2000 to a person who is a spouse, child or parent in the service of the state. The following suppliers have declared their related parties as follows:

| Supplier                          | Name of family member | Capacity of employment | Amount of award |       |
|-----------------------------------|-----------------------|------------------------|-----------------|-------|
|                                   |                       |                        | 2010            | 2009  |
| AA Van Duuren                     | M van Duuren          | Office Manager         | 10              | 4     |
| Maawu Radebe                      | LY Maawu              | Teacher                | 813             | 437   |
| Makwenzeke Grass Cutting          | P Sibiya              | Human Resources        | 51              | 468   |
| N & H Demolishing & Earthworks    | R Maharaj             | Traffic Office         | 2 516           | 2 899 |
| Phuti Trading Supply              | PA Mabure             | Teacher                | 252             | 356   |
| Site Office & Stationery Supplies | J Masitenyane         | Education Department   | 7               | 14    |

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### 34. DIRECTORS' EMOLUMENTS

#### Executive

| 2010                                                                    | Emoluments | Pension paid or receivable | Compensation for loss of office | Gain on exercise of options | Total |
|-------------------------------------------------------------------------|------------|----------------------------|---------------------------------|-----------------------------|-------|
| In connection with the affairs of the entity or its controlled entities | 1 636      | -                          | -                               | -                           | 1 636 |

| 2009                                                                    | Emoluments | Pension paid or receivable | Compensation for loss of office | Gain on exercise of options | Total |
|-------------------------------------------------------------------------|------------|----------------------------|---------------------------------|-----------------------------|-------|
| In connection with the affairs of the entity or its controlled entities | 1 579      | -                          | -                               | -                           | 1 579 |

#### Non-executive

| 2010                      | Emoluments | Pension paid or receivable | Compensation for loss of office | Gain on exercise of options | Total |
|---------------------------|------------|----------------------------|---------------------------------|-----------------------------|-------|
| For services as directors | 963        | -                          | -                               | -                           | 963   |

| 2009                      | Emoluments | Pension paid or receivable | Compensation for loss of office | Gain on exercise of options | Total |
|---------------------------|------------|----------------------------|---------------------------------|-----------------------------|-------|
| For services as directors | 871        | -                          | -                               | -                           | 871   |

### 35. PRIOR PERIOD ERRORS

The correction of the errors results in adjustments as follows for 2009:

|                                                                 |              |
|-----------------------------------------------------------------|--------------|
| Purchase of IT equipment was recorded as repair and maintenance | 28           |
| Accrual of water charges for JHB Water was overstated by        | 1 389        |
| Accrual of refuse removal for Pikitup was overstated by         | 54           |
| Credit notes for cost of sales not recorded                     | 89           |
| Returned goods not recorded                                     | 88           |
| Rounding differences                                            | (2)          |
| Salaries of officials - overpayments                            | 20           |
| Surplus as previously reported                                  | 2 660        |
| Prior year errors as stated above                               | <u>1 666</u> |
| Surplus restated                                                | 4 326        |

#### Statement of financial position

|                              |   |              |
|------------------------------|---|--------------|
| Trade and other payables     | - | 1 638        |
| Property plant and equipment | - | 28           |
|                              | - | <u>1 666</u> |

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| Figures in Rand thousand                   | 2010 | 2009           |
|--------------------------------------------|------|----------------|
| <b>35. PRIOR PERIOD ERRORS (continued)</b> |      |                |
| <b>Statement of financial performance</b>  |      |                |
| Salaries and allowances                    | -    | (20)           |
| General expenses                           | -    | (1 557)        |
| Cost of sales                              | -    | (89)           |
|                                            | -    | <b>(1 666)</b> |
| <b>Cash flow statement</b>                 |      |                |
| <b>Cash flow from operating activities</b> |      |                |
| Payment to suppliers                       | -    | 30             |
| <b>Cash flow from investing activities</b> |      |                |
| Purchase of property plant and equipment   | -    | (30)           |

## 36. RISK MANAGEMENT

### Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern. This allows the company to maintain an optimal capital structure from which to leverage and increase service delivery to stakeholders.

Consistent with others in the industry, the company monitors capital on the basis of the debt: equity ratio.

Debt is considered to be current and non-current liabilities, and equity as net assets as noted in the Statement of Financial Position .

The company's strategy is to maintain a debt: equity ratio of 60 to 40.

There are no externally imposed capital requirements.

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

The debt: equity ratio at 2010 and 2009 respectively were as follows: 66:34 and 67:33

### Financial risk management

The company's overall risk management strategy is done in conjunction with the central treasury department within the City of Johannesburg Metropolitan Municipality. The treasury department identifies, evaluates and hedges financial risk in co-operation with the company.

### Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

The following is a summary of the contractual maturity of the company's financial liabilities. The amounts reflected are the contractual undiscounted cash flows.

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### 36. RISK MANAGEMENT (continued)

At 30 June 2010

|                                      | Less than 1<br>year | Between 1 and<br>2 years | Between 2 and<br>5 years | Over 5 years |
|--------------------------------------|---------------------|--------------------------|--------------------------|--------------|
| Shareholder's loan                   | -                   | -                        | -                        | 28 098       |
| Trade and other payables: Government | 5 686               | -                        | -                        | -            |
| Trade and other payables: corporates | 85 447              | -                        | -                        | -            |
| Trade and other payables: other      | 22 634              | 57 301                   | -                        | -            |

At 30 June 2009

|                                      | Less than 1<br>year | Between 1 and<br>2 years | Between 2 and<br>5 years | Over 5 years |
|--------------------------------------|---------------------|--------------------------|--------------------------|--------------|
| Shareholder's loan                   | -                   | -                        | -                        | 28 098       |
| Trade and other payables: Government | 13 110              | -                        | -                        | -            |
| Trade and other payables: corporates | 59 870              | -                        | -                        | -            |
| Trade and other payables: other      | 21 770              | 52 983                   | -                        | -            |

#### Interest rate risk

The company has significant interest-bearing assets. This has direct bearing on the company's income and operating cash flows. The asset subject to the above is the sweeping account with the City of Johannesburg Metropolitan Municipality. The following table highlights the likely cashflow risk to the company in the event of an interest rate fluctuation. The current interest rate is 6.28%

|               | 2010<br>R'000 | 2009<br>R'000 |
|---------------|---------------|---------------|
| Interest rate |               |               |
| 5.28%         |               |               |
| 6.28%         | (1 227)       | (1 866)       |
| 7.28          | 1 227         | 1 866         |

The company has significant interest-bearing liabilities. This has direct bearing on the company's expenditure and operating cash flows. The liability subject to the above is the operating lease held with Fleet Africa for the vehicle fleet. The following table highlights the likely cashflow risk to the company in the event of an interest rate fluctuation. The current interest rate is 7.55%.

|               | 2010<br>R'000 | 2009<br>R'000 |
|---------------|---------------|---------------|
| Interest rate |               |               |
| 8.55%         | (402)         | (308)         |
| 7.55%         |               |               |
| 6.55%         | 402           | (402)         |

#### Credit risk

Credit risk consists mainly of cash equivalents and trade receivables. The cash resources are swept on a daily basis via the City of Johannesburg Metropolitan Municipality treasury department. trade receivables comprises two main categories: government and corporate. Management evaluates credit risk relating to customers on an ongoing basis. The assessment takes into account the financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

|                             | 2010    | 2009    |
|-----------------------------|---------|---------|
| Financial instrument        |         |         |
| Shareholder's loan          | 234 579 | 181 196 |
| Trade and other receivables | 55 462  | 44 202  |

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| Figures in Rand thousand | 2010 | 2009 |
|--------------------------|------|------|
|--------------------------|------|------|

### 36. RISK MANAGEMENT (continued)

#### Price risk

The company is exposed to international commodity price risk relating to oil/price of fuel. The impact of the fuel price changes on the operating costs of the company is highlighted in the following sensitivity analysis:

|                      | 2010<br>R'000<br>Cost | 2009<br>R'000<br>Cost |
|----------------------|-----------------------|-----------------------|
| Fuel price per litre |                       |                       |
| +R0.50               | (575)                 | (478)                 |
| <b>Current</b>       | -                     | -                     |
| -R0.50               | 575                   | 478                   |

### 37. GOING CONCERN

We draw attention to the fact that at 30 June 2010, the entity had accumulated surpluses of R 96 645 and that the company's total assets exceed its liabilities by R 124 743.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on continued funding of its operations by the City of Johannesburg Metropolitan Municipality. The financial statements are prepared on the basis that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the company's operations.

### 38. EVENTS AFTER THE REPORTING DATE

Management is not aware of non-adjusting events after the reporting date

### 39. UNAUTHORISED EXPENDITURE

There was no unauthorised expenditure in the year under review.

### 40. FRUITLESS AND WASTEFUL EXPENDITURE

#### Reconciliation of fruitless and wasteful expenditure

|                                 |          |           |
|---------------------------------|----------|-----------|
| Opening balance                 | 34       | 5         |
| Expenditure current year        | 9        | 34        |
| Approved by Council or condoned | (34)     | (5)       |
|                                 | <b>9</b> | <b>34</b> |

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

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

#### . - 2010

Interest on late payment of creditors - 9

#### . - 2009

Interest on late payment of creditors - 34

### 41. IRREGULAR EXPENDITURE

#### . - 2010

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|                          |      |      |
|--------------------------|------|------|
| Figures in Rand thousand | 2010 | 2009 |
|--------------------------|------|------|

### 41. IRREGULAR EXPENDITURE (continued)

There was no irregular expenditure in the period under review.

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

#### Audit fees

|                            |       |       |
|----------------------------|-------|-------|
| Current year fee           | 921   | 671   |
| Amount paid - current year | (921) | (671) |
|                            | -     | -     |

#### PAYE and UIF

|                            |          |          |
|----------------------------|----------|----------|
| Current year expenditure   | 29 393   | 25 853   |
| Amount paid - current year | (29 393) | (25 853) |
|                            | -        | -        |

#### Pension and Medical Aid Deductions

|                            |          |          |
|----------------------------|----------|----------|
| Current year expenditure   | 41 053   | 41 068   |
| Amount paid - current year | (41 053) | (41 068) |
|                            | -        | -        |

#### VAT

|                |     |       |
|----------------|-----|-------|
| VAT receivable | 509 | -     |
| VAT payable    | -   | 1 426 |
|                | 509 | 1 426 |

VAT output payables and VAT input receivables are shown in notes 6 and 15 .

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

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder will be submitted for condoning

#### Incident

|                                  |       |   |
|----------------------------------|-------|---|
| Sponsorship funds as per note 43 | 307   | - |
| Diepsloot Park nas per note 43   | 955   | - |
|                                  | 1 262 | - |

### 43. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

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### 44. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

During the year under review, two awards were made to service providers without following the requirements of paragraph 12 (1) (d) 9(i) of Government gazette No. 27636, which provides for the procurement of goods and services by way of a competitive bidding process, namely:

1. Order No. PO022076. Johannesburg City Parks received a sponsorship with respect to an upgrade to a park in the Diepsloot community. The sponsor appointed the service provider to execute work to the value of R 307 011.60 (VAT exclusive). Johannesburg City Parks were required to pay the service provider from the proceeds of the sponsorship monies received.

2. Order No. PO 021562. A tender had been awarded to a service provider for the construction of roads at Diepsloot cemetery. During the implementation phase of this development, there was a requirement to extend the development by building a parking area and extending certain roads in an amount of R 954,684.30 (VAT exclusive). As the nature of work for the additional requirement was in line with the initial tender, the Bid Adjudication committee awarded the extension to the same service provider who was on site at the time.

### 45. 2010 SOCCER WORLD CUP TICKETS

| Distribution of tickets | Quantity  | Amount (R'000) |
|-------------------------|-----------|----------------|
| Executive               | 3         | 46             |
| Manager                 | 1         | 15             |
| Family members          | 3         | 46             |
| Audit committee member  | 1         | 15             |
| Other entities          | 12        | 86             |
| <b>Total</b>            | <b>20</b> | <b>308</b>     |

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

**Johannesburg City Parks (Association Incorporated Under Section 21)**

APPENDIX E(1) for the ended 30 June 2010

|                                                             | Actual<br>Balance<br>(000's) | Original<br>Budget<br>(000's) | Original<br>Budget<br>(000's) | Variance<br>(000's) | Var | Explanation of Significant Variances greater<br>than 10% versus Budget |
|-------------------------------------------------------------|------------------------------|-------------------------------|-------------------------------|---------------------|-----|------------------------------------------------------------------------|
| Revenue                                                     |                              |                               |                               |                     |     |                                                                        |
| Rental facilities and<br>equipment                          | 2 188                        | -                             | 1 361                         | 827                 | -   | Booking of JBG by production companies                                 |
| Government grants                                           | 425 047                      | -                             | 425 047                       | -                   | -   | .                                                                      |
| Cemetery fees                                               | 18 724                       | -                             | 20 292                        | (1 568)             | -   |                                                                        |
| External services revenue                                   | 60 883                       | -                             | 32 805                        | 28 078              | -   | Orders from COJ and City Power                                         |
| Revenue 1                                                   | 2 202                        | -                             | 992                           | 1 210               | -   |                                                                        |
|                                                             | 509 044                      | -                             | 480 497                       | 28 547              | -   |                                                                        |
| Other income                                                |                              |                               |                               |                     |     |                                                                        |
| Interest received -<br>investment                           | 18 555                       | -                             | 14 000                        | 4 555               | -   |                                                                        |
|                                                             | 18 555                       | -                             | 14 000                        | 4 555               | -   |                                                                        |
| Cost of sales                                               | (42 165)                     | -                             | (28 123)                      | (14 042)            | -   | In line with sales that exceeded budget                                |
| Gross Profit                                                | 485 434                      | -                             | 466 374                       | 19 060              | -   |                                                                        |
| Expenses                                                    |                              |                               |                               |                     |     |                                                                        |
| Employee related costs                                      | (297 979)                    | -                             | (299 552)                     | 1 573               | -   |                                                                        |
| Bad debts                                                   | (13 920)                     | -                             | (650)                         | (13 270)            | -   | Provided for external services debtors                                 |
| Depreciation                                                | (9 949)                      | -                             | (9 782)                       | (167)               | -   |                                                                        |
| Repairs and maintenance                                     | (13 050)                     | -                             | (16 574)                      | 3 524               | -   | Transferred to EPWP salaries for SWC maintenance                       |
| Finance costs                                               | (7 097)                      | -                             | (4)                           | (7 093)             | -   |                                                                        |
| General expenses                                            | (132 517)                    | -                             | (139 812)                     | 7 295               | -   | Saving on reduction of fleet                                           |
| Loss on disposal of property,<br>plant, plant and equipment | (160)                        | -                             | -                             | (160)               | -   |                                                                        |
| Fair value adjustments                                      | (10)                         | -                             | -                             | (10)                | -   |                                                                        |
|                                                             | (474 682)                    | -                             | (466 374)                     | (8 308)             | -   |                                                                        |
| Operating profit                                            | 10 752                       | -                             | -                             | 10 752              | -   |                                                                        |
| Other revenue and costs                                     |                              |                               |                               |                     |     |                                                                        |
| Net surplus/ (deficit) for the<br>year                      | 10 752                       | -                             | -                             | 10 752              | -   |                                                                        |
| Taxation                                                    |                              |                               |                               |                     |     |                                                                        |