

# Johannesburg Water (Proprietary) Limited

(Registration number 2000/029271/07)

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009  
(restated)

### 22. EXPENSES BY NATURE

Operating surplus for the year is stated after accounting for the following:

#### Operating lease charges - Contractual amounts

Premises		17,208	19,097
Motor vehicles		68,933	66,379
Equipment		2,123	2,213
		<b>88,264</b>	<b>87,689</b>

#### Operating expenses

Depreciation, amortisation and impairments		164,880	146,507
Employee costs	26	596,356	528,826
Allowance for debt impairment	24	620,302	495,481
Bulk purchases	25	124,133	95,808
Consumables		73,812	67,216
Insurance		9,530	8,388
Legal expenses		5,114	4,730
Repairs and maintenance		9,126	7,643
Security		18,984	18,325
Billing and meter reading charges		62,179	58,449

### 23. AUDITORS REMUNERATION

Fees		4,105	3,020
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### 24. ALLOWANCE FOR DEBT IMPAIRMENT (BAD DEBTS)

Allowance for debt impairment		685,210	603,315
Interest on impaired accounts		(64,908)	(107,834)
		<b>620,302</b>	<b>495,481</b>

### 25. BULK PURCHASES

Electricity		92,564	64,038
Chemicals		31,569	31,770
		<b>124,133</b>	<b>95,808</b>

### 26. EMPLOYEE COSTS

Basic		435,193	379,899
Other allowances		60,271	52,271
Pension costs	15	51,032	48,702
Medical aid - company contributions	15	32,777	26,185
Leave pay		10,054	10,325
Post retirement benefit plan cost (Defined contribution plan)	15	3,317	6,467
Housing benefits and allowances		3,712	4,977
		<b>596,356</b>	<b>528,826</b>

#### Average number of employees employed during the year

- Permanent		2,520	2,674
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### 27. INTEREST REVENUE

Interest earned - sweeping accounts	19,804	43,480
Other interest	-	191
	<b>19,804</b>	<b>43,671</b>

### 28. EFFECTIVE INTEREST RATE ADJUSTMENT

Effective interest rate adjustment - revenue	22,383	40,839
Effective interest rate adjustment - expenditure	(13,775)	(27,378)
	<b>8,608</b>	<b>13,461</b>

### 29. FINANCE COSTS

Interest paid - Shareholder loans	267,656	253,074
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### 30. TAXATION

As the company is a water service provider it has been exempt from normal company taxation in terms of Section 10(1)(t) of the Income Tax Act, Act 58 of 1962, published in the Government Gazette.

### 31. CASH GENERATED FROM OPERATIONS

Surplus before taxation		163,992	138,929
<b>Adjustments for:</b>			
Depreciation and amortisation	3&4	164,880	146,507
Effective interest rate adjustment	28	(8,608)	(13,461)
Allowance for debt impairment	24	620,302	495,481
Movements in retirement benefit assets and liabilities	15	(3,318)	93
Other non-cash items		4,311	529
Profit on disposal of property, plant and equipment	20	(184)	(134)
Developer funded asset income	3	(73,524)	(74,409)
<b>Changes in working capital:</b>			
Inventories	7	(3,785)	(4,254)
Other receivables	10	1,051	(8,869)
Consumer debtors	11	(645,046)	(523,612)
Proceeds from biological assets	6	13,671	2,990
Trade and other payables from exchange transactions	17	243,040	(49,160)
Unspent conditional grants	16	(5,945)	13,483
Net movement in balances with group companies	8	(1,612)	(3,928)
		<b>469,225</b>	<b>120,185</b>

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### 32. COMMITMENTS

#### Authorised capital expenditure

##### Already contracted for but not provided for

Property, plant and equipment

331,432      413,007

This capital expenditure is to be financed from internally generated funds and from shareholder loans and grants as follows:

##### This expenditure will be financed from:

Shareholder loans

257,032      336,551

Grant funding

64,400      39,996

Internal cash

10,000      36,460

**331,432      413,007**

#### Operating leases - as lessee

##### Minimum lease payments due

- within one year
- in second to fifth year inclusive
- later than five years

47,855      65,350

57,382      90,860

17,947      33,569

**123,184      189,779**

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