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Johannesburg City Parks NPC
(Registration number 2000/028782/08)
Annual Financial Statements
for the year ended 30 June 2012

The Auditor - General of South Africa
Issued 31 August 2012

General Information

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.
CHIEF FINANCE OFFICER (CFO)	Clements R
DIRECTORS	
	Bogatsu SR* Diaho M* Dolamo AM* Karim GH* Madumise MB* (Chairperson) Mokhobo DR* Rawat R* Simelane MJ* Westgate DA* *Non-executive
REGISTERED OFFICE	40 De Korte Street Braamfontein 2017
BUSINESS ADDRESS	40 De Korte Street Braamfontein 2017
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	Mcedisi Ndlovu & Sedumedi Attorneys Moodie & Robertson

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ABBREVIATIONS

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003) and the Companies Act (Act 71 of 2008), 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 entity 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 were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity 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 entity’s cash flow forecast for the year to 30 June 2013 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.

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

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

The annual financial statements are set out on pages 6 to 64.

B Maduka
Acting Managing Director

Director

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2012. The report is presented as recommended by the King III Report on Corporate Governance. We perform our functions in accordance with section 94(7)(f) of the MFMA and the Companies Act 71 of 2008.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 7 meetings were held.

Name of member	Number of meetings attended
Dolamo AM*	6
Dunnington GC"	4
Govender K"	5
Kanana A"	7
Mokhobo DR (Chairperson)*	7
* non executive director	" Independent audit committee member

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2)(a) of the MFMA. The charter was approved by the board of directors in October 2010. We further report that we have conducted our affairs in compliance with this charter. The charter is reviewed on an as and when basis by the board and the audit committee and aligned with King III Report and other relevant legislation.

We have:
- reviewed the accounting practices adopted by the entity;
- reviewed and recommended disclosed financial information for adoption by the board;
- considered the programmes introduced to improve the overall ethics of the entity and reviewed reports from management and internal auditors relating to material issues;
- monitored ethical conduct by the entity, its executives and senior management;
- monitored the entity's compliance with all applicable legislation and regulations, including without limitation, the Companies Act, the MFMA and Treasury Regulations and
- reported on items of unauthorised, fruitless, wasteful and irregular expenditure in terms of MFMA.

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, internal audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the audit report on the annual financial statements, and the management letter of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective and can be relied on in:
- meeting strategic objectives of the company;
- evaluating and mitigating key risks facing the company;
- ensuring compliance with applicable laws and regulations;
- ensuring the entity's assets are safeguarded and
- ensuring that transactions undertaken are correctly recorded in the entity's accounting records.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the internal auditors of the entity during the year under review.

Audit Committee Report

Evaluation of annual financial statements

We have reviewed:

- and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General.
- the Auditor-General of South Africa's management letter and management's response thereto;
- changes in accounting policies and practices;
- the entity's compliance with legal and regulatory provisions and
- significant adjustments resulting from the audit.

We consider that the annual financial statements complies, in all material aspects, with the requirements of the MFMA; the Companies Act; the Public Audit Act and GRAP.

We concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Assessment of financial function

We have assessed the financial function of the entity as required by the King III Report on Corporate Governance. We are satisfied with the expertise and adequacy of the resources within the financial function and with the experience of senior members of management responsible for the financial function.

____
Chairperson of the Audit Committee

Date: ______________________________

Directors' Report

The directors submit their report for the year ended 30 June 2012.

1. Incorporation

The entity was incorporated on 15 November 2000 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 the 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 2012, the entity had accumulated surpluses of R 96 333 963 (2011: R 119 131 498) and that the entity's total assets exceed its liabilities by R 124 431 223 (2011:R 147 229 758).

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 entity 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 has neither the intention nor the need to liquidate or curtail materially the scale of the company's operations.

4. Subsequent events

The CJMM has approved in principle that the company be merged with Johannesburg Zoo NPC. The merger is effective from 01 December 2012.

5. Directors' personal financial interest in contracts

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

6. Accounting policies

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Shareholder's loan on incorporation

There were no changes to this loan 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 minor plant at a cost of R2 873 000 (2011: R2 305 000).

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

Directors' Report

9. Hawks investigation

A Hawks investigation was conducted during the year under review and a report was presented to the Board in December 2011. This resulted in the formation of a Special Board Committee which is mandated by the Board to interrogate the allegations contained in the report as well as to gather additional information to substantiate the allegations where necessary and give recommendations to the Board.

10. Directors

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

Name	Nationality	Changes
Bahula MS* (Chairperson)	South African	Resigned 24 April 2012
Bogatsu SR*	South African	
Cooke G (Acting Managing Director)	South African	Resigned 24 April 2012
Diaho M*	South African	Appointed 24 April 2012
Dolamo AM*	South African	
Johnson Sparrow PL*	South African	Resigned 24 April 2012
Karim GH*	South African	
Madumise MB* (Chairperson)	South African	Appointed 24 April 2012
Mokhobo DR*	South African	
Ramsingh VB*	South African	Resigned 24 April 2012
Rawat R*	South African	
Simelane MJ*	South African	Appointed 24 April 2012
Westgate DA*	South African	

*Non-executive

Directors' Report

11. Directors and executive managers emoluments (R'000)

	Salary or Fee	Bonuses and performance related payments	Other	Total package 2012	Total package 2011
Non-executive directors					
Bahula MS	367	-	-	367	155
Bogatsu SR	152	-	-	152	100
Diaho M	15	-	-	15	-
Dolamo AM	140	-	-	140	69
Johnson Sparrow PL	38	-	-	38	71
Karim GH	350	-	-	350	96
Madumise MB	40	-	-	40	-
Mokhobo DR	104	-	-	104	93
Ramsingh VB	14	-	-	14	56
Rawat R	160	-	-	160	68
Simelane MJ	15	-	-	15	-
Westgate DA	84	-	-	84	52
Zabala G	-	-	-	-	73
	1 479	-	-	1 479	833
Executive directors					
Cooke G (Acting MD)	507	-	33	540	1 508
Williamson LL	-	-	-	-	1 230
	507	-	33	540	2 738
Executive managers					
Buzo-Ggoboka A	-	-	-	-	1 186
Clements R	1 184	161	48	1 393	1 299
Cooke G	705	170	47	922	-
Dlakavu B	643	82	42	767	-
Fouche HH	916	133	91	1 140	1 073
Maduka B	878	126	156	1 160	953
Meyer P	758	153	16	927	1 237
Molale K	773	108	45	926	871
Njingolo BP	749	96	110	955	856
	6 606	1 029	555	8 190	7 475
	8 592	1 029	588	10 209	11 046

12. Corporate governance

General

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

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

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

Directors' Report

Board of directors

The board:

- retains full control over the entity, 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 entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive director.

Chairperson 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 entity, is determined by the controlling entity, and the directors determine the remuneration within the above mentioned limits.

Directors' Report

Directors meetings

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

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

Name	Board meeting	Audit Committee meeting	Social and Ethics Committee meeting	Operations Committee meeting	Human Resources Committee meeting
Total number of meetings held	10	7	1	5	5
Bahula MS* (Chairperson)	10				-
Bogatsu SR*	10				5
Cooke G (Acting MD until 24 April 2012)	3			1	2
Diaho M*					
Dolamo MR*	9	6	1		
Johnson Sparrow PL*	5			2	
Karim GH	9			5	
Madumise MB* (Chairperson)					1
Mokhobo DR*	4	7			
Ramsingh VB*	1				1
Rawat R	9		1		5
Simelane MJ*				1	
Westgate DA*	8			5	
*Non-executive					
Madumise MB* (Chairperson)	-	-	-	-	-

Audit committee

For the current financial year the chairperson of the audit committee was Mr DR Mokhobo, who is a non-executive director. The committee met 7 times during the financial year to review matters necessary to fulfil its role.

13. Controlling entity

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

14. 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.

15. Auditors

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

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act, No. 71 of 2008, as amended

In terms of Section 88(2)(e) of the Companies Act, No. 71 of 2008, as amended and the Municipal Finance Management Act , Act 56 of 2003, I certify that, to the best of my knowledge and belief, the company has lodged and/or filed, for the financial year ended 30 June 2012, with the Registrar all such returns and notices as required and that all such returns and notices are true, correct and up to date.

B Maduka
Company secretary

Johannesburg City Parks NPC
31 August 2012

Statement of Financial Position

Figures in Rand thousand	Note	2012	Restated 2011
ASSETS			
Current Assets			
Inventories	4	3 274	2 929
Loans to shareholder	5	210 174	207 724
Receivables from exchange transactions	6	83 521	110 844
VAT receivable	7	-	657
Cash and cash equivalents	9	77	54
		297 046	**322 208**
Non-Current Assets			
Property, plant and equipment	10	40 649	42 196
Intangible assets	11	3 704	4 862
Loans to shareholder	5	65 952	66 832
		110 305	**113 890**
Total Assets		**407 351**	**436 098**
LIABILITIES			
Current Liabilities			
Finance lease obligation	12	660	811
Payables from exchange transactions	13	191 269	203 722
VAT payable	14	684	-
Provisions	15	16 661	13 526
		209 274	**218 059**
Non-Current Liabilities			
Finance lease obligation	12	362	592
Retirement benefit obligation	8	73 285	70 219
		73 647	**70 811**
Total Liabilities		**282 921**	**288 870**
Net Assets		**124 430**	**147 228**
NET ASSETS			
Shareholder's loan on incorporation	16	28 098	28 098
Accumulated surplus		96 332	119 130
Total Net Assets		**124 430**	**147 228**

Statement of Financial Performance

Figures in Rand thousand	Note	2012	Restated 2011
Revenue			
Rental of facilities		1 717	1 827
Municipal subsidy	18	457 182	469 596
Cemetery fees		19 053	19 578
External services		39 161	88 438
Other non- exchange revenue	19	4 653	1 012
Fair value adjustments		(2 723)	(714)
Other exchange revenue	19	5 782	12 632
Interest revenue	23	15 747	15 419
Gains on disposal of assets	23	430	-
Total Revenue		**541 002**	**607 788**
Expenditure			
Employee related costs	21	(330 837)	(338 391)
Depreciation and amortisation	24	(11 924)	(11 157)
Finance costs	25	(6 172)	(7 292)
Debt impairment	22	(23 299)	(8 162)
Repairs and maintenance		(16 733)	(19 737)
Loss on disposal of assets		-	(436)
General expenses	20	(172 830)	(212 936)
Total Expenditure		**(561 795)**	**(598 111)**
Actuarial (losses)/gains from employee benefit obligations		(2 005)	11 186
(Deficit) surplus for the year		**(22 798)**	**20 863**

Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Shareholder loan	Accumulated surplus	Total equity
Balance at 01 July 2010		**28 098**	**98 267**	**126 365**
Changes in net assets				
Surplus for the year (refer to note 32)		-	20 863	20 863
Total changes		-	20 863	20 863
Balance at 01 July 2011		**28 098**	**119 130**	**147 228**
Changes in net assets				
Deficit for the year		-	(22 798)	(22 798)
Total changes		-	(22 798)	(22 798)
Balance at 30 June 2012		**28 098**	**96 332**	**124 430**

Statement of Cash Flows

Figures in Rand thousand	Note	2012	Restated 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rendering of services		87 436	64 010
Municipal subsidy		457 182	469 596
Interest income		15 747	15 419
		560 365	549 025
Payments			
Employee costs		(340 521)	(338 391)
Suppliers		(203 972)	(223 674)
Finance costs		(6 172)	(7 292)
		(550 665)	(569 357)
Net cash flows from operating activities	27	**9 700**	**(20 332)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(8 246)	(9 364)
Proceeds from sale of property, plant and equipment	10	507	2
Purchase of other intangible assets	11	(1 048)	(1 136)
Shareholder's loan (advanced)/repaid		(1 570)	28 766
Net cash flows from investing activities		**(10 357)**	**18 268**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in retirement benefit obligations		1 061	1 752
Finance lease capital receipts (payments)		(381)	316
Net cash flows from financing activities		**680**	**2 068**
Net increase in cash and cash equivalents		**23**	**4**
Cash and cash equivalents at the beginning of the year		54	50
Cash and cash equivalents at the end of the year	9	**77**	**54**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and The Companies Act, 2008 (Act 71 of 2008) and the MFMA.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rands.

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 judgements 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 judgements 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 entity 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.

Impairment testing

The recoverable amounts of cash-generating, non-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 useful life and market value assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of 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. 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 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 interest and inflation 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 15 - 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.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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 - Employee benefit obligations.

Effective interest rate

The entity used the prime interest rate to discount future cash flows adjusted for risks specific to the related item.

Allowance for doubtful debts

On receivables 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 receivables 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 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. Depreciation begins when the assets are available for use and ceases at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognised.

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

Accounting Policies

1.2 Property, plant and equipment (continued)

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

Item	**Useful life**
Buildings	30 years
IT equipment	3 years
•	
Leasehold property	
• Leasehold improvements	5 years over the period of lease
Plant and machinery	
• Grass-cutting Equipment	2 years
• Minor plant	5 years
• Mobile plant	2 years
• Playground equipment	5 years
Office equipment	
• Furniture& fittings	5 years
• Other office equipment	5 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 entity 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

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.

An intangible asset shall be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

Accounting Policies

1.3 Intangible assets (continued)

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in surplus or deficit when the asset is derecognised.

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 lives.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation begins when the assets are available for use and ceases at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognised.

The amortisation charge for each period shall be recognised in surplus or deficit unless it is permitted or required to be included in the carrying amount of another asset.

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

1.4 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

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:
- 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 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.

Accounting Policies

1.4 Financial instruments (continued)

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.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

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.

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 the fair value was not determinable.

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, 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.

Accounting Policies

1.4 Financial instruments (continued)

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

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

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.

Accounting Policies

1.4 Financial instruments (continued)

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.

Financial assets are derecognised using trade settlement date accounting.

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.

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 return on the remaining balance of the liability.

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

Accounting Policies

1.5 Leases (continued)

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

1.7 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.

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

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.

The 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.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

1.7 Impairment of cash-generating assets (continued)

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity 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.

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

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

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

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

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

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

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

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

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.9 Shareholder's loan on incorporation

A residual interest is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Shareholder's loan on incorporation is treated as residual interest.

1.10 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 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 unit 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 the 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 reduced by the fair value of plan assets.

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.

Accounting Policies

1.10 Employee benefits (continued)

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.

1.11 Provisions and contingencies

Provisions are recognised when:
- the entity 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 the entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the 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.

Accounting Policies

1.11 Provisions and contingencies (continued)

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 entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity 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.

A contingent liability is a present obligation that arises from past events but is not recognised because it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with certainty.

Contingent assets and contingent liabilities are not recognised, but disclosed.

1.12 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 entity 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.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- 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.

Accounting Policies

1.12 Revenue from exchange transactions (continued)

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 entity’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.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the 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 reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.14 Cost of sales

When inventories are sold, exchanged or distributed the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. If there is related revenue, the expense is recognised when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realisable value or current replacement cost 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 or current replacement cost, 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.

1.15 Investment income

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

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.7 and 1.8. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Accounting Policies

1.16 Borrowing costs (continued)

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

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

1.18 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.

1.19 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.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Offsetting

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

1.22 Gratuities

The entity 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.

1.23 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.

Accounting Policies

1.24 Budget information

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements as an annexure.

1.25 Related parties

A related party is a person or entity that is related to the entity.
(a) A person or a close member of that person's family is related to the entity if that person:
(i) has control or joint control over the entity;
(ii) has significant influence over the entity; or
(iii) is a member of the key management personnel of the entity or of a parent of the entity.

(b) An entity is related to the entity 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 a third party.
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party.
(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 entity. If the entity is itself such a plan, the sponsoring employers are also related to the entity.
(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 the parent of the entity).

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

Related party relationships where control exists are disclosed irrespective of whether there has been transactions between the related parties.

In respect of transactions between related parties other than transactions that would occur within normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at at arm's length in the same circustances, the entity discloses (a) the nature of the related party relationship, (b) the type of transaction that have occurred and (c) the elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.

Accounting Policies

1.26 Foreign exchange gains and losses

Initial measurement

All transactions that are undertaken in a foreign currency are translated into South African rands. A foreign currency transaction is recorded on initial recognition in rands by applying to the foreign currency amount the spot exchange rate between the rands and the foreign currency at the date of the transaction. The date of transaction is the date on which the transaction first qualifies for recognition.

Subsequent measurement

Subsequent Treatment of Monetary Items:

Monetary items held in a foreign currency shall be translated into the functional currency in the Statement of Financial Position at the closing rate. In instances where a monetary asset or liability has a rate of exchange that is fixed under the terms of the relevant contract, it cannot be used to translate the monetary assets and liabilities as this is a form of hedge accounting.

Subsequent Treatment of Non-Monetary Items:

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was determined.

Recognition of Foreign Exchange Differences

Foreign exchange gains and losses arising from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange rate component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the Statment of Financial Performance, any exchange rate component of that gain or loss shall also be recognised in the Statement of Financial Performance.

Notes to the Annual Financial Statements

2. General - new Companies Act

The Companies Act, 2008 (Act 71 of 2008) became effective on 1 May 2011 as per proclamation R.32 published in Government Gazette 34239 on 26 April 2011. The Companies Act, 2008, repealed the whole of the Companies Act, 1973 (Act 61 of 1973, except for Chapter 14 in as far as it deals with the liquidation and winding-up of insolvent companies).

In terms of Item 4(1)(a) of Schedule 5 (Transitional Arrangements) to the Companies Act, 2008, the company is deemed to have amended its Memorandum of Incorporation as of the general effective date to expressly state that it is a non-profit company, and to have changed its name in so far as required to comply with section 11 (3). Therefore, as from 1 May 2011, the name of the company is Johannesburg City Parks NPC.

All references to the Companies Act in these annual financial statements are to the Companies Act, 2008.

3. New standards and interpretations

3.1 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 2012 or later periods:

GRAP 21: Impairment of non-cash-generating assets

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

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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 2012.

The entity expects to adopt the standard for the first time in the 2013 annual financial statements.

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

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an entity 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.

Notes to the Annual Financial Statements

Figures in Rand thousand

3. New standards and interpretations (continued)

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, an entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an entity applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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 2012.

The entity expects to adopt the standard for the first time in the 2013 annual financial statements.

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

GRAP 104: Financial Instruments

3. New standards and interpretations (continued)

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that result 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 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.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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 Accounting Standards 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 2012.

The entity expects to adopt the standard for the first time in the 2013 annual financial statements.

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

GRAP 20

The standard ensures that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The effective date of the standard is to be determined by the Minister of Finance.

The entity expects to adopt the standard for the first time in the financial year following its effective date.

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

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

4. Inventories

Consumable stores	619	642
Food and Beverage	3	-
Tree inventory	2 652	2 287
	3 274	**2 929**

5. Loans to shareholder

City of Johannesburg Metropolitan Municipality - Notional loans - see below The above loans are unsecured and have no fixed terms of repayment. They bear interest at rates determined annually by actuarial valuations, based on market yields of government bonds. The current interest rate is 8.6% per annum.	65 952	66 832
City of Johannesburg Metropolitan Municipality - Sweeping account The above loan is unsecured and has no fixed terms of repayment. The loan bears interest at rates determined from time to time by the City of Johannesburg Treasury , based on average call rates of banks.	210 174	207 724
	276 126	**274 556**

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.

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.

Non-current assets	65 952	66 832
Current assets	210 174	207 724
	276 126	**274 556**

Fair value of loans to shareholder

Loans to shareholder	276 126	274 556

Notional loans

Loans at beginning of the year	66 832	68 743
Receipts	(4 386)	(5 673)
Interest	3 506	3 762
	65 952	**66 832**

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

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

5. Loans to shareholder (continued)

Sweeping account

Loans at beginning of the year	207 724	234 579
Loan repaid by shareholder	(597 207)	(619 848)
Additional loan to shareholder	588 129	581 447
Interest received	11 528	11 546
	210 174	**207 724**

6. Receivables from exchange transactions

Allowance for bad debts	(30 406)	(10 963)
Dishonoured cheques	-	1
Fair value adjustment of debtors	(2 726)	(714)
Fuel deposits	182	207
Prepayments	-	1
Related party debtors	85 743	82 399
Trade debtors	30 728	39 913
	83 521	**110 844**

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 recognised on a cash basis, as the economic benefit of the service passes when the funds have been received. 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.

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 1 and 3 months.

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 2012, R 47 442 (2011: R 23 604) were past due but not impaired.

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

1 month past due	726	2 214
2 months past due	525	2 781
+3 months past due	46 191	18 609

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

6. Receivables from exchange transactions (continued)

Trade and other receivables 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:

	2012	2011
Blink Dance Studios	42	-
CJMM	250	548
City Power	739	426
Events income	-	1
Johannesburg Social Housing Company	-	181
Unisa	(2)	6
Overpayments to retired employees	33	-
	1 062	**1 162**

Reconciliation of provision for impairment of trade and other receivables

	2012	2011
Opening balance	10 963	13 843
Provision for impairment	29 976	7 000
Reversed during the year	(10 533)	(9 880)
	30 406	**10 963**

The prior year provision was reversed and re-assessed in the new financial year.

7. VAT receivable

	2012	2011
VAT	-	657

VAT receivable represents a net input tax amount receivable from SARS.

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

8. Employee benefit obligations

8.1 Defined benefit plan

Post-retirement liability		
Post-retirement medical aid plan	(10 192)	(12 512)
Post-retirement housing subsidy plan	(13)	(26)
Retirement gratuity plan	(63 080)	(57 681)
	(73 285)	**(70 219)**

8.1.1 Post retirement medical aid plan

The entity has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Only pensioners and employees who were aged 50 or over and were members of Lamaf (previously called Jomed) and Munimed medical schemes on 1 July 2003 are eligible for benefits. The amount of the subsidy is 60% for pensioners and members older than 55 on 1 July 2003 and 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 entity who are entitled to benefits that relate to their service with the City of Johannesburg Metropolitan Municipality before the entity 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 entity as an asset.

Movements for the year

Opening balance	12 512	22 778
Benefits paid	(442)	(384)
Net expense recognised in the statement of financial performance	(1 878)	(9 882)
	10 192	**12 512**

Net expense recognised in the statement of financial performance

Current service cost	84	608
Interest cost	1 075	2 059
Actuarial gains	(3 037)	(12 549)
	(1 878)	**(9 882)**

Notional loan account

Opening balance	18 717	17 725
Interest received	1 002	992
Balance at end of year	**19 719**	**18 717**

Key assumptions used

Assumptions used on last valuation on 30 May 2012 done by Independent Actuarial Consultants.

Discount rates used	8,60 %	8,60 %
Expected rate of return on assets	8,60 %	8,60 %
Expected increase in salaries	6,70 %	5,60 %

Figures in Rand thousand | 2012 | 2011

8. Employee benefit obligations (continued)

8.1.2 Post retirement housing subsidy plan

The entity 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 entity who are entitled to benefits that relate to their service with the City of Johannesburg Metropolitan Municipality before the entity 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 entity as an asset.

Movements for the year

	2012	2011
Opening balance	26	27
Net expense recognised in the statement of financial performance	(13)	(1)
	13	**26**

Net expense recognised in the statement of financial performance

	2012	2011
Current service cost	1	1
Interest cost	2	2
Actuarial gains (losses)	(16)	(4)
	(13)	**(1)**

Key assumptions used

Assumptions used on last valuation on 30 May 2012 done by Independent Actuarial Consultants.

	2012	2011
Discount rates used	8,60 %	8,60 %
Expected rate of return on assets	8,60 %	8,60 %
Expected increase in salaries	6,70 %	5,60 %

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.

Figures in Rand thousand	2012	2011

8. Employee benefit obligations (continued)

Movements for the year

	2012	2011
Opening balance	57 681	56 848
Benefits paid	(4 614)	(5 673)
Net expense recognised in the statement of financial performance	10 013	6 506
	63 080	**57 681**

Net expense recognised in the statement of financial performance

	2012	2011
Interest cost	4 955	5 139
Actuarial gains (losses)	5 058	1 367
	10 013	**6 506**

Notional loan account

	2012	2011
Opening balance	48 116	51 018
Interest received	2 502	2 771
Payments against account	(4 386)	(5 673)
Balance at end of year	**46 232**	**48 116**

Key assumptions used

Assumptions used on last valuation on 30 May 2012 done by Independent Actuarial Consultants .

	2012	2011
Discount rates used	8,60 %	8,60 %
Expected rate of return on assets	8,60 %	8,60 %
Expected increase in salaries	6,70 %	5,60 %

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.

	2012	2011
The total economic entity contribution to such schemes	21 312	19 806
The amount recognised as an expense for defined contribution plans is	21 312	19 806

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the entity to account for the plan(s) as a defined benefit plan(s). The entity accounted for this (these) plan(s) as a defined contribution plan(s):

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

8. Employee benefit obligations (continued)

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 funds have been accounted for using a defined-contribution basis at the municipal entity 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 2012.

Contributions 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	77	54

No cash and cash equivalents were pledged as security.

Figures in Rand thousand | 2012 | 2011

9. Cash and cash equivalents (continued)

The entity had the following ABSA bank accounts

Cheque account number	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
4054428422	-	-	-	(60)	(32 553)	(40 022)
4054428391	-	-	-	-	-	1
Total	**-**	**-**	**-**	**(60)**	**(32 553)**	**(40 021)**

10. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	25 293	(3 027)	22 266	25 284	(2 259)	23 025
Finance lease assets	3 139	(2 040)	1 099	2 704	(1 195)	1 509
IT equipment	11 274	(10 207)	1 067	10 424	(8 908)	1 516
Leasehold improvements	6 051	(1 994)	4 057	3 998	(1 133)	2 865
Minor plant	27 816	(20 189)	7 627	25 863	(16 765)	9 098
Office equipment	9 724	(6 712)	3 012	8 440	(5 617)	2 823
Park facilities	554	(554)	-	591	(592)	(1)
Spare parts	1 521	-	1 521	1 361	-	1 361
Total	**85 372**	**(44 723)**	**40 649**	**78 665**	**(36 469)**	**42 196**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	23 025	9	-	(768)	22 266
Finance lease assets - office equipment	1 509	448	-	(858)	1 099
IT equipment	1 516	1 290	(60)	(1 679)	1 067
Leasehold improvements	2 865	2 053	-	(861)	4 057
Minor plant	9 098	2 873	(15)	(4 329)	7 627
Office equipment	2 823	1 413	(2)	(1 222)	3 012
Park facilities	(1)	-	-	1	-
Spare parts	1 361	160	-	-	1 521
	42 196	**8 246**	**(77)**	**(9 716)**	**40 649**

Figures in Rand thousand | 2012 | 2011

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	23 334	449	-	(758)	23 025
Finance lease assets - office equipment	1 115	1 109	(27)	(688)	1 509
IT equipment	2 820	1 254	(150)	(2 408)	1 516
Leasehold improvements	426	2 789	-	(350)	2 865
Minor plant	10 869	2 305	(249)	(3 827)	9 098
Office equipment	2 672	1 283	(12)	(1 120)	2 823
Park facilities	175	-	-	(176)	(1)
Spare parts	1 186	175	-	-	1 361
	42 597	**9 364**	**(438)**	**(9 327)**	**42 196**

Pledged as security

None of the company's assets are pledged as security except for finance lease assets with a carrying value of R1 050 (2011: R1 466).

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

Assets subject to lease (Net carrying amount)

	2012	2011
Leasehold improvements	4 057	2 865
Finance lease assets	1 099	1 509
	5 156	**4 374**

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 and was transferred into the name of Johannesburg City Parks on 2007/08/06. The market value of the property as determined by an independent valuer, was R21 492 000 at 29 June 2012.

The leased property, plant and equipment is secured as described in note 12 .

There was no impairment of property, plant and equipment during the financial year under review, (2011: 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

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	14 510	(10 806)	3 704	14 134	(9 272)	4 862

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

11. Intangible assets (continued)

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	4 862	1 048	(2 206)	3 704

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	5 555	1 136	(1 829)	4 862

Pledged as security

No intangible assets were pledged as security.

12. Finance lease obligation

	2012	2011
Minimum lease payments due		
- within one year	793	857
- in second to fifth year inclusive	376	697
	1 169	1 554
less: future finance charges	(147)	(151)
Present value of minimum lease payments	**1 022**	**1 403**
Present value of minimum lease payments due		
- within one year	660	811
- in second to fifth year inclusive	362	592
	1 022	**1 403**
Non-current liabilities	362	592
Current liabilities	660	811
	1 022	**1 403**

It is entity policy to lease certain office equipment under finance leases.

The average lease term is 3 years and the average effective borrowing rate is 9% (2011: 9%).

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 note 10.

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

13. Payables from exchange transactions

	2012	2011
Accrued leave pay	4 289	12 723
Accrued payroll cost	653	344
Amounts held in trust - bulk services contribution for capital expenditure	99 952	76 623
Amounts received in advance	54	38
Amounts received in advance for capital developments and other items	579	2 364
Fair value adjustment	(3)	-
Learnership grant	8	-
Other accrued expenses	1 843	12 536
Related party creditor	26 238	24 879
Trade payables	57 656	74 215
	191 269	**203 722**

Trade and other payables are carried at amortised cost.

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

The entity 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.

14. VAT payable

	2012	2011
Vat payable	684	-

VAT payable represents a net output tax amount payable to SARS.

15. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Performance bonuses	13 526	16 663	(13 528)	16 661

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Performance bonuses	15 334	13 526	(15 334)	13 526
Salary backpay	979	-	(979)	-
	16 313	**13 526**	**(16 313)**	**13 526**

The entity intends to pay performance bonuses to its employees based on their performance for services rendered during the current financial year.

16. Shareholder's loan on incorporation

	2012	2011
Shareholder's loan	28 098	28 098

The Shareholder's loan was advanced on incorporation and it is treated as part of net assets as opposed to a financial liability. The loan has no fixed repayment terms and does not bear interest.

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

17. Revenue

	2012	2011
Cemetery fees	19 053	19 578
External services	39 161	88 438
Fair value adjustments	(2 723)	(714)
Miscellaneous other revenue	5 782	12 632
Municipal subsidy	457 182	469 596
Other revenue	4 653	1 012
Rental of facilities	1 717	1 827
	524 825	**592 369**

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

	2012	2011
Cemetery fees	19 053	19 578
External services	39 161	88 438
Other revenue	5 782	12 632
Rental of facilities	1 717	1 827
	65 713	**122 475**

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

	2012	2011
Fair value adjustments	(2 723)	(714)
Municipal grants	457 182	469 596
Other revenue	4 653	1 012
	459 112	**469 894**

18. Municipal subsidy

	2012	2011
Municipal subsidy	457 182	469 596

Municipal infrastructure grant

	2012	2011
Current year receipts	37 000	20 000
Conditions met - transferred to utilised	(36 962)	(20 000)
Saving	(38)	-
Conditions still to be met - transferred to liabilities	**-**	**-**

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

19. Other revenue

Bad debts recovered	3 419	10 856
Community Infrastructure Development project revenue	-	59
Decorations	4	-
Foreign exchange	87	39
Insurance recoveries	245	624
Project Admin Fee	123	154
Recoveries from suppliers	41	-
Recovery of transfer costs	909	-
Recycling income	1	2
Rental income	739	639
Tender receipts	214	259
	5 782	**12 632**

The amount included in other revenue arising from non-exchange transactions is as follows:		
Donations received	213	157
EPWP grant	3 328	-
SETA grant	1 112	855
	4 653	**1 012**

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

20. General expenses

	2012	2011
Advertising	749	886
Animal Costs	8	-
Auditors remuneration	804	914
Bank charges	213	149
Cleaning	802	497
Conferences and seminars	755	1 200
Consulting and professional fees	3 073	4 015
Consumables	400	773
Cost of sales rendering of services	38 327	67 620
EPWP grant project costs	3 328	7
Electricity	15 089	12 672
Entertainment	502	557
Fleet costs	45 428	45 849
Fuel and oil	2 457	2 160
Gas	101	106
Gifts	47	68
Hire of equipment	468	501
Horticulture	8 823	23 260
IT expenses	2 353	2 572
Insurance	4 678	3 877
Magazines, books and periodicals	21	46
Marketing	2 047	4 012
Other sundry expenses	123	66
Pest control	174	224
Placement fees	49	125
Postage and courier	2	3
Printing and stationery	2 381	2 217
Refreshments	677	669
Refuse	1 127	980
Rental of equipment and cemetery	296	524
Security (guarding of municipal property)	16 454	15 707
Sewerage and waste disposal	415	548
Software expenses	1 544	1 674
Subscriptions and membership fees	155	181
Telephone and fax	2 847	2 596
Training	1 432	1 159
Travel - local	311	421
Travel - overseas	66	652
Uniforms	2 357	1 523
Water	11 947	11 926
	172 830	**212 936**

Notes to the Annual Financial Statements

Figures in Rand thousand		2012	2011

21. Employee related costs

Bonuses		22 840	14 644
Car allowance		8 127	8 121
EPWP labour costs		59 979	86 092
Employee funeral insurance		491	488
Employee wellness		1 534	757
Housing benefits and allowances		4 560	4 787
Leave pay		(7 604)	128
Other employee costs		256	292
Other payroll levies		61	42
Overtime payments		7 325	5 127
Pension and provident fund contributions	8	20 997	20 305
Salaries and wages		206 398	192 149
Skills Development Levy		2 320	2 101
Unemployment Insurance Fund		1 751	1 722
Workmens Compensation Act Insurance		1 802	1 636
		330 837	**338 391**

Remuneration of executive directors

Salary	507	1 136
Travelling allowance	33	80
Performance bonuses	-	157
Acting allowance	-	135
Compensation for loss of office	-	1 230
	540	**2 738**

Remuneration of non executive directors

Fees	1 479	833

22. Debt impairment

Bad debts provision	22 976	7 000
Bad debts written off	323	1 162
	23 299	**8 162**

23. Interest revenue

Interest revenue		
Fair value adjustments of receivables	714	111
Loans to shareholder	15 033	15 308
	15 747	**15 419**

The amount included in Interest revenue arising from non-exchange transactions amounted to R11 528, (2011: R 11 546.)

24. Depreciation and amortisation

Property, plant and equipment	11 924	11 157

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

25. Finance costs

Trade and other payables	9	-
Finance leases	131	56
Fair value adjustments on payables	-	35
Interest on employee benefit obligations	6 032	7 201
	6 172	**7 292**

26. Auditors remuneration

Fees	804	914

27. Cash generated from (used in) operations

(Deficit) surplus	(22 798)	20 863
Adjustments for:		
Depreciation and amortisation	11 924	11 157
(Gain)/loss on sale of assets	(430)	436
Actuarial losses/(gains) on employee benefit obligations	2 005	(11 186)
Bad debts	23 299	8 162
Movements in provisions	3 135	(2 787)
Other non-cash items	(2)	1
Changes in working capital:		
Inventories	(345)	(1 739)
Receivables from exchange transactions	27 323	(58 837)
Impairment of receivables from exchange transactions	(23 299)	(8 162)
Payables from exchange transactions	(12 453)	20 890
VAT	1 341	870
	9 700	**(20 332)**

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

28. Commitments

Commitments in respect of capital expenditure:

	2012	2011
Authorised and not yet contracted for		
• Property, plant and equipment	7 500	6 250
• Parks and road islands	28 400	20 500
• Cemeteries	22 000	19 700
• Software	1 000	750
	58 900	**47 200**
This expenditure will be financed from:		
Government grants	50 400	40 200
Internal cash	8 500	7 000
	58 900	**47 200**

Operating leases – fleet

	2012	2011
Minimum lease payments due		
- within one year	34 987	39 930
- in second to fifth year inclusive	-	25 230
- later than five years	-	4 925
	34 987	**70 085**

Operating lease payments represent rentals payable by the entity to the CJMM for certain vehicles in terms of the llease agreement with the CJMM. No contingent rent is payable.

29. Contingent Liability

There is a possible claim against the company from a number of employees with regard to the payment of accumulated sick leave.

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

30. Related parties

Relationships	
Controlling entity	City of Johannesburg Metropolitan Municipality
Other members of the group	City of Johannesburg Property Company SOC Ltd
	City Power Johannesburg SOC Ltd
	Johannesburg Development Agency SOC Ltd
	Johannesburg Metropolitan Bus Services SOC Ltd
	Johannesburg Roads Agency SOC Ltd
	Johannesburg Social Housing Company SOC Ltd.
	Johannesburg Tourism Company NPC
	Johannesburg Water SOC Ltd
	Metropolitan Trading Company SOC Ltd
	Pikitup Johannesburg SOC Ltd
	Roodepoort City Theatre NPC
	The Johannesburg Civic Theatre NPC
	The Johannesburg Fresh Produce Market SOC Ltd
	The Johannesburg Zoo NPC

Transactions with related parties are conducted at arm's length.

Remuneration of key members of management were disclosed under note 11 in the directors report.

Related party balances

	2012	2011
Amounts included in Loans, Trade and other receivables regarding related parties		
City of Johannesburg Metropolitan Municipality	78 602	63 774
City of Johannesburg Property Company SOC Ltd	111	125
City Power Johannesburg SOC Ltd	6 438	17 740
Johannesburg Roads Agency SOC Ltd	121	636
Johannesburg Water SOC Ltd	404	80
Pikitup Johannesburg SOC Ltd	67	32
The Johannesburg Zoo NPC	-	12
	85 743	**82 399**

	2012	2011
Amounts included in Loans, Trade and other payables regarding related parties		
City of Johannesburg Metropolitan Municipality	24 574	22 184
City Power Johannesburg SOC Ltd	188	155
Johannesburg Roads Agency SOC Ltd	1 383	1 044
Johannesburg Water SOC Ltd	-	1 174
Pikitup Johannesburg SOC Ltd	-	290
The Johannesburg Civic Theatre SOC Ltd	63	1
The Johannesburg Zoo NPC	30	31
	26 238	**24 879**

Figures in Rand thousand	2012	2011

30. Related parties (continued)

Related party transactions

	2012	2011
Income from related parties		
City Power Johannesburg SOC Ltd	18 617	25 842
City of Johannesburg Metropolitan Municipality	489 401	511 598
City of Johannesburg Property Company SOC Ltd	-	554
Johannesburg Roads Agency SOC Ltd	215	565
Johannesburg Social Housing Company SOC Ltd	-	219
Johannesburg Tourism Company NPC	-	25
Johannesburg Water SOC Ltd	1 369	1 000
Johannesburg Zoo	-	47
Pikitup Johannesburg SOC Ltd	59	28
	509 661	**539 878**
Purchases from related parties		
City Power Johannesburg SOC Ltd	192	1 580
City of Johannesburg Metropolitan Municipality	33 307	22 317
Johannesburg Civic Theatre SOC Ltd	113	22
Johannesburg Metropolitan Bus Services SOC Ltd	18	-
Johannesburg Social Housing Company SOC Ltd	-	2 452
Johannesburg Water SOC Ltd	-	1 831
Pikitup Johannesburg SOC Ltd	-	1 004
	33 630	**29 206**
Remuneration of independent audit committee members		
Dunnington GC	38	35
Govender K	30	30
Kanana A	159	79
	227	**144**

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 2012**	**2011**
Maawu Radebe	LY Maawu	Teacher	336	967
Makwenzeke Grass Cutting	P Sibiya	HR Officer	85	165
N & H Demolishing & Earthworks	R Maharaj	Traffic Officer	1 794	3 718
Phuti Trading Supply	PA Mabure	Teacher	276	225
Site Office & Stationery Supplies	J Masitenyane	Teacher	0	49
Ntuma Civils & Solutions CC	BJ Tukisi	Comp. commissioner	496	584

Figures in Rand thousand	2012	2011

31. Directors' emoluments

Executive

2012	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	540	-	-	-	540

2011	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	1 508	-	1 230	-	1 508

Non-executive

2012	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	1 479	-	-	-	1 479

2011	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	833	-	-	-	833

32. Prior period errors

The correction of the errors resulted in adjustments as follows for 2011:

Purchase of equipment recorded as lease		169
Depreciation on Property, plant and equipment recognised at zero cost		(181)
Depreciation on Property, plant and equipment acquisitions incorrectly calculated		89
Surplus as previously reported	-	20 782
Minor rounding differences	-	5
Prior year errors as stated above	-	77
Surplus restated	-	20 864

Statement of financial position		
Property, plant and equipment	-	77
Statement of financial performance		
General expenses	-	(169)
Depreciation	-	92
	-	**(77)**

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

33. Comparative figures

Certain comparative figures have been reclassified. Refreshments of R0 (2011: R669), local travel of R0 (2011: R421) and overseas travel of R0 (2011: R652) were previously classified as employee related costs. They have been reclassified as general expenses. The reclassification was done to result in fairer presentation.

Statement of Financial Performance		
Employee related cost	-	(1 742)
General expenses	-	1 742

34. Risk management

Capital risk management

The entity's objectives when managing capital are to safeguard the entity'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 entity 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 entity'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 2012 and 2011 respectively were as follows: 70:30 and 65:35.

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 entity’s risk to liquidity is a result of the funds available to cover future commitments. The entity 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.

Figures in Rand thousand 2012 2011

34. Risk management (continued)

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Shareholder's loan	-	-	-	28 098
Finance lease obligations	660	362	-	-
Trade and other payables: government	4 672	-	-	-
Trade and other payables: corporates	57 656	-	-	-
Other payables	16 398	-	-	-

At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Shareholder's loan	-	-	-	28 098
Finance lease obligations	811	592	-	-
Trade and other payables: government	7 176	-	-	-
Trade and other payables: corporates	74 215	-	-	-
Other payables	25 603	-	-	-

Interest rate risk

The entity has significant interest-bearing assets. This has direct bearing on the entity'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 entity in the event of an interest rate fluctuation. The current interest rate is 5.59%

	2012	2011
Interest rate	Sweeping account	
4.59%	(2 346)	(2 078)
5.59%		
6.59%	2 346	2 078

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 comprise 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:

Financial instrument	2012	2011
Loan to shareholder - notional loans	65 952	66 832
Shareholder's loan	234 579	207 724
Trade and other receivables	61 956	93 143

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

34. Risk management (continued)

Price risk

The entity 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 entity is highlighted in the following sensitivity analysis:

	2012	2011
Fuel price per litre	Cost	Cost
+R0.50	(605)	(540)
Current	-	-
-R0.50	605	540

35. Events after the reporting date

The CJMM has approved in principle that the company be merged with Johannesburg Zoo NPC. The merger is effective from 01 December 2012.

36. Unauthorised expenditure

	2012	2011
Reconciliation of irregular expenditure		
Unauthorised expenditure current year	1 596	-
Unauthorised expenditure awaiting authorisation	(1 596)	-
	-	-

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

The expenditure relates to amounts spent on leasehold improvements.

37. Fruitless and wasteful expenditure

	2012	2011
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	9
Expenditure current year	9	-
To be submitted for condoning or approval by council	(9)	(9)
	-	-

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.

2012

Interest on late payment of creditors - 9

2011

Interest on late payment of creditors - 0

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011

38. Irregular expenditure

Procurement without three quotations	628	131
Procurement without having followed a tender process	435	296
Procurement without a signed contract in place	434	269
	1 497	**696**

39. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year fee	804	914
Amount paid - current year	(804)	(914)
	-	-

PAYE and UIF

Current year expenditure	35 901	33 857
Amount paid - current year	(35 901)	(33 857)
	-	-

Pension and medical aid deductions

Current year expenditure	47 031	43 711
Amount paid - current year	(47 031)	(43 711)
	-	-

VAT

VAT receivable	-	657
VAT payable	684	-
	684	**657**

VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due dates 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 reported to the board of directors and included as a note to the annual financial statements..

40. Deviation from supply chain management regulations

In terms of section 36 of the JCP Supply Chain Policy, the Accounting Officer in certain instances is allowed to dispense with the official procurement processes. The following instances were authorised by the Accounting Officer during the 2011 financial year:
1. Purchase order number PO028830 for the purchase of computer software was made to Microsoft South Africa (Pty) Ltd for the amount of R656 232.46 as they are the sole provider of such software.

2. Purchase order number PO024841 was made to Leka Plant Hire for the amount of R3 880.00 for the emergency removal of a tree.
3. Purchase order number PO024840 was made to Leka Plant Hire for the amount of R3 880.00 for the emergency removal of a tree.
4. Purchase order number PO024653 for supply of micro-organism brewing and stock was made to Chris Swanepoel for the amount of R26 813.00 as they are the sole provider.
5. Purchase order number PO024652 for supply of micro-organism brewing and stock was made to Chris Swanepoel for the amount of R26 814.00 as they are the sole provider.
6. Purchase order number PO025127 for supply of Emgro SAEM was made to Chris Swanepoel for the amount of R27 747.60 as they are the sole provider.
7. Purchase order number PO025125 for supply of Emgro SAEM was made to Chris Swanepoel for the amount of R18 247.60 as they are the sole provider.
8. Purchase order number PO025126 for supply of Emgro SAEM was made to Chris Swanepoel for the amount of R25 247.60 as they are the sole provider.
9. Purchase order number PO028199 for supply of ingredients was made to Chris Swanepoel for the amount of R25 842.00 as they are the sole provider.
10. Purchase order number PO028200 for supply of brewing tank was made to Chris Swanepoel for the amount of R26 813.00 as they are the sole provider.

In terms of section 36 of the JCP Supply Chain Policy, the Accounting Officer in certain instances is allowed to dispense with the official procurement processes. The following instances were authorised by the Accounting Officer during the 2012 financial year:

1. Purchase order number PO033070 for procurement of EMgro was made to Chris Swanepoel for the amount of R25 842.00 as they are the sole providers of such product.

Johannesburg City Parks NPC
Unaudited statement of comparison of budget and actual amounts for the ended 30 June 2012

	Actual Balance (000's)	Original Budget (000's)	Variance (000's)	Explanation of Significant Variances greater than 10% versus Budget
Revenue				
Rental facilities and equipment	1 717	2 075	(358)	Bookings of events lower than anticipated
Government grants	457 182	457 182	-	.
Cemetery fees	19 053	22 521	(3 468)	Lower bookings of graves. Budget to be revised
External services revenue	39 161	83 439	(44 278)	Loss of orders from main customer - GPG
Fair value adjustments	(2 723)	-	(2 723)	
Other exchange revenue	5 782	1 493	4 289	Bad debts and trasfer costs recovered
Other non-exchange revenue	4 653	4 468	185	
	524 825	571 178	(46 353)	
Other income				
Interest received - investment	15 747	20 401	(4 654)	Low sweeping account interst rate due to low prime rate.
	16 177	20 401	(4 224)	
Cost of sales	(38 327)	(63 651)	25 324	In line with sales that are less than budget
Gross Profit	502 675	527 928	(25 253)	
Expenses				
Employee related costs	(330 836)	(343 550)	12 714	Reversal of leave pay over-provision
Debt impairment	(23 299)	(885)	(22 414)	Provided for external services debtors
Depreciation	(11 924)	(8 473)	(3 451)	Underestimation
Repairs and maintenance	(16 733)	(19 343)	2 610	
Finance costs	(6 172)	(7 749)	1 577	On employee benefits obligation - less than budget
General expenses	(134 505)	(147 928)	13 423	Saving on water, electrcity, fleet cost and other expenses
Fair value adjustments	(2 005)	-	(2 005)	
	(525 474)	(527 928)	2 454	
Operating profit	(22 799)	-	(22 799)	
Net surplus/ (deficit) for the year	(22 799)	-	(22 799)	