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Johannesburg Water SOC Limited
Audited Annual Financial Statements
for the year ended 30 June 2012

The preparation of these annual financial statements were supervised by:
M Padiaychee (Financial Director)

Johannesburg Water SOC Limited

(Registration number 2000/029271/07)

Audited Annual Financial Statements for the year ended 30 June 2012

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Supply of water services as defined in the Water Services Act (Act 108 of 1997)
Directors	G Moli (Chairperson) M Padiaychee (Financial Director) N Govender N Skeepers M Msezane C Tilly J Mateya C Motau C Mbili I Jacobs L Dhlamini (Managing Director)
Registered office	17 Harrison Street Marshalltown Johannesburg 2107
Business address	17 Harrison Street Marshalltown Johannesburg 2107
Postal address	P. O. Box 61542 Marshalltown Johannesburg 2107
Controlling entity	City of Johannesburg Metropolitan Municipality
Bankers	Absa Bank Limited
Auditors	The Auditor-General
Secretary	G J Luden
Company registration number	2000/029271/07
Attorneys	Moodie and Robertson

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Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is their responsibility to ensure that the audited annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with Standards of Generally Recognised Accounting Practices (GRAP) and in accordance with directives issued by the National Treasury. The Auditor-General is engaged to express an independent opinion on the annual financial statements.

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

The annual financial statements are based on appropriate policies consistently applied and supported by reasonable and prudent judgments and estimates. No external party, including the shareholder, has the authority to amend the annual financial statements after being issued by the company.

The project initiated by the City of Johannesburg Metropolitan Municipality during 2006 referred to as project Phakama was rolled out during the 2010 financial year. In terms of the project, certain core functions that were managed by the company were migrated to the City of Johannesburg Metropolitan Municipality. The significant functions migrated are the customer call centre function and the management of the billing and credit control functions in respect of customers that were previously managed by the company. The information technology platform for billing was changed from Venus to SAP.

Subsequent to the implementation of the project, the company now relies on the City of Johannesburg Metropolitan Municipality for the following functions for all its customers:

- Billing
- Cash collection
- Debtors administration
- Call centre management

The migration of functions as it relates to project Phakama is regulated by an agency agreement between the City of Johannesburg Metropolitan Municipality and the company. The implemented processes and methods of operation are solely under the control and stewardship of the City of Johannesburg Metropolitan Municipality. This arrangement is managed in terms of a service level agreement underpinning the agency agreement.

Clause 13.3 of the Agency Agreement with the City of Johannesburg Metropolitan Municipality states that "The performance of the Customer Revenue Collection and Customer Relations Management functions shall be conducted and records thereof kept by the City of Johannesburg Metropolitan Municipality in such a manner as to ensure that the audited accounts of the Company are in no way qualified as a result of any act or omission connected with the execution of the Customer Revenue Collection and Customer Relations Management functions.

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

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

Johannesburg Water SOC Limited

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Audited Annual Financial Statements for the year ended 30 June 2012

Directors' Responsibilities and Approval

The directors have reviewed the company'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 company has or has access to adequate resources to continue in operational existence for the foreseeable future. The approved budget for the ensuing financial year assumes a positive cash flow. Cash collection will be managed by the City of Johannesburg Metropolitan Municipality.

The Auditor-General is responsible for providing assurance and reporting on the company's annual financial statements.

The audited annual financial statements set out on pages 5 to 62, which have been prepared on the going concern basis, were approved by the directors on 29 November 2012 and were signed on their behalf by:

G Moloi (Chairperson)

L Dhlamini (Managing Director)

Johannesburg Water SOC Limited

(Registration number 2000/029271/07)

Audited Annual Financial Statements for the year ended 30 June 2012

Directors' Report

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

1. INCORPORATION

The company was incorporated on 21 November 2000 and obtained its certificate to commence business on 1 January 2001.

2. REVIEW OF ACTIVITIES

Main business and operations

The company is engaged in the supply of water services as defined in the Water Services Act, Act 108 of 1997 and operates principally in South Africa.

The company continues to rely on the City of Johannesburg Metropolitan Municipality for the following functions for all customers:

- Billing
- Cash collection
- Debtors administration
- Call centre management

The implementation of project Phakama in the 2010 financial year has resulted in significant challenges in the performance of all migrated functions. The board of directors have continued to express their concern to the Shareholder, and have been assured that the challenges are being addressed, and that appropriate interventions are being implemented by the City of Johannesburg Metropolitan Municipality.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the company was R 580,0 million (2011: R 382,9 million). The company is exempt from income tax with effect from the financial year ended 30 June 2007 in terms of Section 10(1)(t) of the Income Tax Act, Act 58 of 1962. There is consequently no taxation effect.

3. GOING CONCERN

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.

4. DIRECTORS' INTEREST IN CONTRACTS

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

5. ACCOUNTING POLICIES

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

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Directors' Report

6. CONTRIBUTION FROM SHAREHOLDER

There were no changes in the authorised or issued share capital of the company during the year.

According to the company's register at 30 June 2012, the City of Johannesburg Metropolitan Municipality held 100% of the ordinary share capital of the company.

7. BORROWING LIMITATIONS

In terms of the sale of business agreement, the company requires the approval of the shareholder in instances where the borrowing is to be secured by the hypothecation of the assets of the company.

8. NON-CURRENT ASSETS

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

9. DISTRIBUTIONS TO SHAREHOLDER

No distributions were declared or paid to the shareholder during the year.

10. DIRECTORS

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

Name	Nationality	Changes in appointment
L Dhlamini (Managing Director)	South African	Appointed 01 October 2012
G Moloi (Chairperson)	South African	Appointed 24 April 2012
M Janse Van Rensburg (Chairperson)		Retired 24 April 2012
GT Dumas (Managing Director)	South African	*Retired 20 September 2011
M Padiaychee (Financial Director)	South African	**
NA Macleod	South African	Retired 24 April 2012
NB Mabuya	South African	Retired 24 April 2012
N Govender	South African	
N Skeepers	South African	
M Msezane	South African	
C Tilly	South African	
J Mateya	South African	Appointed 24 April 2012
C Motau	South African	Appointed 24 April 2012
C Mbili	South African	Appointed 24 April 2012
I Jacobs	South African	Appointed 24 April 2012

* GT Dumas was seconded to the City of Johannesburg Metropolitan Municipality with effect from 11 March 2011. He had not served as a director since the secondment and retired from his directorship on 20 September 2011. He subsequently resigned from the company with effect from 31 October 2011.

** M Padiaychee acted in the capacity of Managing Director for the period, 11 March 2011 to 31 December 2011.

11. SECRETARY

The secretary of the company is G J Luden of:

Business address	17 Harrison Street Marshalltown 2107
Postal address	P O Box 61542 Marshalltown 2107

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(Registration number 2000/029271/07)

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Directors' Report

12. CORPORATE GOVERNANCE

12.1. General

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

The company confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2009, and the Companies Act of South Africa, Act 71 of 2008. The board of directors discuss the responsibilities of management in this respect, at board meetings and monitors the company's compliance with the code on a quarterly basis.

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

12.2. Board of directors

The board:

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

12.3. Chairperson and Managing Director

The Chairperson is a non-executive and independent director (as defined by the Code). The roles of the Chairperson and Managing Director are separate, with responsibilities divided between them, so that no individual has unfettered powers of decision.

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Directors' Report

12.4. Executive meetings

The directors have met on 8 separate occasions during the financial year. The directors schedule to meet at least 4 times per annum. In addition, 3 meetings were scheduled in relation to the nomination of a new managing director.

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

Name	Board Meetings	Audit committee meeting	Human resources and remuneration committee meeting	Service delivery and oversight procurement committee meeting	Risk committee meeting	Nomination committee	Total meetings
Total number of meetings held	8	6	4	4	4	3	29
G Moloi (Chairperson)	2	-	-	-	-	-	2
M Janse Van Rensburg (Chairperson)	6	-	4	-	-	3	13
M Padiaychee (Financial Director)	2	1	1	1	1	-	6
M Padiaychee (Acting Managing Director)	3	4	2	2	2	-	13
NA Macleod	5	-	4	-	4	2	15
NB Mabuya	5	-	-	3	-	3	11
N Govender	4	6	-	-	3	1	14
N Skeepers	7	-	-	4	4	3	18
M Msezane	7	1	4	-	-	1	13
C Tilly	8	6	-	4	-	1	19
J Mateya	2	-	-	-	-	-	2
C Motau	2	-	-	-	-	-	2
C Mbili	2	-	-	-	-	-	2

12.5. Audit committee

N Govender served as chairperson of the audit committee from 1 July 2011 to 24 April 2012. C Mbili was appointed as chairperson on the 25 April 2012. The committee met 6 times during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Local Government: Municipal Finance Management Act, Act 56 of 2003, the City of Johannesburg Metropolitan Municipality, as the shareholder, must appoint members of the audit committee. Notwithstanding the fact that non-executive directors appointed by the shareholder constituted the company's audit committee, National Treasury policy requires the appointment of further members to the audit committee who are not directors of the company. Three independent members were appointed to the audit committee in compliance with Section 166 of the Local Government: Municipal Finance Management Act, Act 56 of 2003.

The independent members of the audit committee are:

C Mbili	- attended 3 meetings	Retired 24 April 2012
M Malope	- attended 2 meetings	Resigned 06 October 2011
K Mdutshane	- attended 1 meeting (Board)	Appointed 24 April 2012
R Buys	- attended 1 meeting (Board)	Appointed 24 April 2012
V Mokwena	- attended 1 meeting	Appointed 20 September 2011

12.6. Internal audit

The company has an internal audit unit which is operational. This is in compliance with the Local Government Municipal Finance Management Act, Act 56 of 2003.

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Directors' Report

13. PARENT

The company's parent is the City of Johannesburg Metropolitan Municipality.

14. SPECIAL RESOLUTIONS

The company did not pass any special resolution during the year under review.

15. BANKERS

Amalgamated Banks of South Africa Limited (ABSA) served as the company's bankers throughout the financial year.

16. AUDITORS

The Auditor-General will continue in office in accordance with the Public Audit Act, Act 25 of 2004, section 92 of the Local Government: Municipal Finance Management Act, Act 56 of 2003 and section 90 of the Companies Act of South Africa, Act 71 of 2008.

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Certificate by Company Secretary for the year ended 30 June 2012

In terms of section 88(2)(e) of the Companies Act 71 of 2008 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 year ended 30 June 2012, all such returns and notices as required and that all such returns and notices are true, correct and up to date.

G J Luden

Johannesburg Water SOC limited
Company Secretary

Johannesburg
29 November 2012

Johannesburg Water SOC Limited

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Report of the Audit Committee

We are pleased to present our report for the financial year ended 30 June 2012 as recommended by the King III Report on Corporate Governance and Regulation 27 of the Treasury Regulations. The Audit Committee performs its functions in accordance with section 94 of the Companies Act of South Africa, Act 71 of 2008, and has adopted appropriate formal terms of reference in its Audit Committee Charter and has regulated its affairs in compliance with this Charter. The Audit Committee has discharged all its responsibilities as contained therein.

In the conduct of its duties, the Audit Committee has, inter alia, reviewed the following:

- the effectiveness of the internal control systems;
- the risk areas of the entity's operations covered in the scope of internal and external audits;
- the adequacy, reliability and accuracy of financial information provided by management and other users of such information;
- accounting and auditing concerns identified as a result of internal and external audits;
- the entity's compliance with legal and regulatory provisions;
- the effectiveness of the internal audit department;
- the activities of the audit department, including its annual work programme, co-ordination with external auditors, the reports of significant investigations and the responses of management to specific recommendations;
- the independence and objectivity of the external auditors;
- the entity's non-financial performance as set out in the Business Plan.

In terms of reporting on fruitless and wasteful expenditure, the Company complied by completing returns to the parent municipality on a regular basis. For the year under review, there was no fruitless and wasteful expenditure.

The Financial Director applied himself well and has managed the Company's finances to the satisfaction of the Committee.

Although the position of the Chief Internal Auditor was vacant for the year, the position was filled in an acting capacity throughout the financial year and was considered to be appropriate.

The Committee is of the opinion, based on the information and explanations given by management, internal audit department and discussion with the independent external auditors on the results of their audits, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements and accountability for assets and liabilities is maintained.

Having considered the matters set out in section 94(8) of the Companies Act of South Africa, Act 71 of 2008 as amended by the Company Law Amendment Act, the Committee is satisfied with the independence and objectivity of the external auditors.

Nothing significant, other than reported in the director's report, has come to the attention of the Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Audit Committee is satisfied that the financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

The Audit Committee has reviewed the annual financial statements for the year ended 30 June 2012 and considers that it complies, in all material respects, with the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended, and the Standards of Generally Recognised Accounting Practices.

C. Mbili

**Johannesburg Water SOC Limited
Chairperson of the Audit Committee**

**Johannesburg
26 November 2012**

**REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE
AND THE COUNCIL OF THE CITY OF JOHANNESBURG METROPOLITAN
MUNICIPALITY ON JOHANNESBURG WATER SOC LTD**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Johannesburg Water SOC Ltd set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Service charges revenue

6. Included in revenue for the sale of water of R3 349 843 000 (2011: R2 739 023 000) is an amount of R324 629 430 that was estimated for an extended period of time. Differences were identified between the billing data and the source data relating to meter readings without complete audit evidence to support the differences. The municipal entity could not provide sufficient appropriate audit evidence to confirm the bases to disregard actual meter reading and use estimates. Consequently, I was unable to confirm the accuracy and occurrence of the estimated service charges revenue.

Consumer debtors

7. As per paragraph 7 above, there were material deficiencies that were identified during the audit of the revenue billing and management system which raised uncertainties regarding the accuracy, cut-off, completeness and occurrence of revenue and receivables financial data. Due to the significance of the matters, I am unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation, allocation and rights pertaining to consumer debtors of R1 908 698 000 (2011: R1 377 449 000) as disclosed in note 9 to the financial statements.

Qualified opinion

8. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Water SOC Ltd as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA.

Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

10. As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during the year ended 30 June 2012 in the financial statements of Johannesburg Water SOC Ltd at, and for the year ended, 30 June 2011.

Material impairments

11. As disclosed in note 9 to the financial statements, material impairments to the amount of R5 360 647 000 (74%) were incurred on consumer debtors, as the recoverability of these amounts are doubtful.

Material losses

12. As disclosed in note 10 to the financial statements, material losses to the amount of R301 900 000 were incurred as a result of unaccounted for water.

Additional matters

13. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

14. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Other reports required by the Companies Act

15. As part of my audit of the financial statements for the year ended 30 June 2012, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

16. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

17. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.
18. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

19. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

20. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Revenue management

21. Contrary to requirement of the water by-laws of the municipality, water consumption was billed on estimates for more than six months.
22. Revenue received was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.
23. An adequate management, accounting and information system was not in place which recognised revenue when it was earned, accounted for debtors and accounted for receipts of revenue, as required by section 64(2)(e) of the MFMA.

Internal control

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the findings on compliance with laws and regulations included in this report.

Leadership

25. The accounting officer did not exercise oversight responsibility regarding financial reporting and compliance with MFMA.
26. Monitoring controls to ensure adherence to the internal policies and procedures for the correct recording of revenue and consumer debtors were not sufficient.

Financial and performance management

27. Monthly reconciliations between the various billing reports generated from the billing system were not adequately reviewed to identify potential errors in the billings to consumers.
28. Management did not ensure that adequate reasons for overriding or amending meter readings by the Billing department are received and resolved timeously.

Johannesburg

29 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Johannesburg Water SOC Limited

(Registration number 2000/029271/07)

Audited Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand thousand	Note(s)	2012	2011 Restated
ASSETS			
Current Assets			
Inventories	5	44 223	41 969
Trade receivables with group companies	6	143	431
Loans to shareholder	7	145 127	267 521
Other receivables	8	8 447	9 719
Consumer debtors: Exchange transactions	9	1 908 698	1 377 449
Cash and cash equivalents	11	26	25
		2 106 664	1 697 114
Non-Current Assets			
Property, plant and equipment	3	5 975 084	5 396 338
Intangible assets	4	36 557	35 065
		6 011 641	5 431 403
Total Assets		8 118 305	7 128 517
LIABILITIES			
Current Liabilities			
Trade payables with group companies	6	5 254	6 477
Loans from shareholder	7	436 525	508 994
Trade and other payables from exchange transactions	15	1 452 796	964 145
Provisions	16	13 800	12 000
		1 908 375	1 491 616
Non-Current Liabilities			
Loans from shareholder	7	2 540 772	2 545 581
Retirement benefit obligation	13	87 200	85 226
Unspent conditional grants	14	1 481	5 601
		2 629 453	2 636 408
Total Liabilities		4 537 828	4 128 024
Net Assets		3 580 477	3 000 493
NET ASSETS			
Contribution from shareholder	12	1	1
Accumulated surplus		3 580 476	3 000 492
Total Net Assets		3 580 477	3 000 493

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Statement of Financial Performance

Figures in Rand thousand	Note(s)	2012	2011 Restated
Revenue from exchange transactions	18	5 341 148	4 619 066
Cost of sales		(2 454 783)	(2 115 397)
Gross surplus		2 886 365	2 503 669
Other income	19	262 047	122 371
Revenue from non-exchange transactions	20	219 563	146 407
Operating expenses		(2 489 521)	(2 130 584)
Operating surplus	22	878 454	641 863
Interest revenue	27	1 775	2 390
Effective interest rate adjustment	28	6 243	6 711
Finance costs	29	(306 488)	(268 111)
Surplus for the year		579 984	382 853

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Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Share capital	Accumulated surplus	Total net assets
Balance at 01 July 2010 previously reported		1	2 627 096	2 627 097
Restatement	36		(9 457)	(9 457)
Balance at 01 July 2010 - restated		1	2 617 639	2 617 640
Surplus for the year - as restated			382 853	382 853
Balance at 01 July 2011		1	3 000 492	3 000 493
Surplus for the year			579 984	579 984
Balance at 30 June 2012		1	3 580 476	3 580 477
Note(s)			12	

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Audited Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand thousand	Note(s)	2012	2011 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from customers		4 917 219	4 060 862
Interest revenue	27	1 775	2 390
		<u>4 918 994</u>	<u>4 063 252</u>
Payments			
Cash paid to suppliers and employees		(4 114 584)	(4 006 799)
Finance costs	29	(306 488)	(268 111)
		<u>(4 421 072)</u>	<u>(4 274 910)</u>
Net cash flows from operating activities	31	<u>497 922</u>	<u>(211 658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(536 150)	(588 405)
Proceeds from disposal of property, plant and equipment and intangible assets	3&4&19	1 868	14 093
Purchase of intangible assets	4	(8 755)	(4 396)
Net cash flows from investing activities		<u>(543 037)</u>	<u>(578 708)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in loans with Shareholder	7	45 116	790 367
Net cash flows from financing activities		<u>45 116</u>	<u>790 367</u>
Net increase/(decrease) in cash and cash equivalents		1	1
Cash and cash equivalents at the beginning of the year		25	24
Cash and cash equivalents at the end of the year	11	<u>26</u>	<u>25</u>

Johannesburg Water SOC Limited

(Registration number 2000/029271/07)

Audited Annual Financial Statements for the year ended 30 June 2012

Summary of Accounting Policies

1. Basis of preparation

The audited 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, the Local Government: Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 71 of 2008.

The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. Accounting policies for material transactions, events or conditions not covered by the GRAP reporting Framework, have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board. The company has adopted GRAP 104 in accordance with the standard becoming effective during the current financial year.

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

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

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 judgement is inherent in the formation of estimates. Significant judgements and estimation uncertainty includes:

Useful lives of waste water, water networks and other non-current assets

The company's management determines the estimated useful lives and related depreciation charges for the waste water, water networks and other non-current assets. This estimate is based on industry norms. Management will adjust the depreciation charge where the useful lives of these assets have changed from previous estimates. Due to the nature of assets acquired from the City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement, the cost of re-assessing the useful lives of these assets will outweigh the benefits. Furthermore, the impact on the financial statements will be insignificant and therefore management have not re-assessed the useful lives of these assets.

Impairment of property, plant and equipment and other non-current and intangible assets

Property, plant and equipment and other non-current, and intangible assets, are reviewed annually by management for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Post retirement benefits

The present value of the post retirement obligations depend 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 a discount rate, rate of increase in employer post retirement medical contribution and expected increase in salaries. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The appropriate discount rate at the end of each financial year is determined by actuaries. 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 post retirement obligations. In determining the appropriate discount rate, the actuary considers the interest rates of government bonds, adjusted to reflect the margin on 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 post retirement liability.

Other key assumptions for post retirement obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

Johannesburg Water SOC Limited

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Audited Annual Financial Statements for the year ended 30 June 2012

Summary of Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

The company used a risk free interest rate to discount revenue and expenditure that impacts trade and other payables, trade payables with group companies, consumer debtors, other receivables, trade receivables with group companies and loans to and from shareholder.

Johannesburg Water SOC Limited

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Audited Annual Financial Statements for the year ended 30 June 2012

Summary of Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for debt impairment of consumer debtors

The allowance for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Management utilises judgement in evaluating credit risk related to customers. Judgement is based on various factors including, but not limited to, historical information available.

Valuation of water stock

The value of water held at year end is based on water levels multiplied by the cost of water at that date.

1.2 Property, plant and equipment

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or replace part of such assets. If a replacement part 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 transferred to the company by developers at no cost to the company is recognised as an asset when the project is signed off and approved by the company. The asset is recorded at fair value to construct the asset as indicated by the developer.

Cost model

Property, plant and equipment excluding land and capital work-in-progress, which is held for use in the production or supply of goods or services or for administrative purposes are stated in the Statement of Financial Position at cost less accumulated depreciation and any accumulated impairment losses. Depreciation commences when the assets are ready for their intended use.

Capital work-in-progress is carried at cost, and depreciated from the date the assets are technically complete, i.e. ready for intended use. Capital work-in-progress is disclosed as a separate category of property, plant and equipment.

Day to day repairs and maintenance expenses are charged to the Statement of Financial Performance during the financial year in which they are incurred. The cost of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits or service potential will flow to the company and the cost of the items can be measured reliably.

Land is regarded as having an indefinite useful life and is not depreciated. Depreciation is provided on all property, plant and equipment other than land and capital work-in-progress, to write down the cost, less estimated residual value, on a straight line basis over their estimated useful lives as follows:

Item	Useful life
Buildings	5 - 30 years
Communication equipment	2 - 7 years
Furniture and Fixtures	5 - 12 years
Computer equipment	5 - 15 years
Motor vehicles	5 - 12 years
Laboratory equipment	2 - 7 years
Minor plant	5 - 10 years
Office equipment	5 - 12 years
Plant and machinery	10 - 40 years

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Audited Annual Financial Statements for the year ended 30 June 2012

Summary of Accounting Policies

1.2 Property, plant and equipment (continued)

Waste water and water networks

- | | |
|------------------------------|----------------|
| • Pump stations - Civil | 60 - 100 years |
| • Pump stations - Mechanical | 5 - 15 years |
| • Pump stations - Electrical | 7 - 16 years |
| • Water meters | 4 - 10 years |
| • Pipelines and other | 60 - 100 years |

The residual values, depreciation methods and the useful lives of the asset categories are reviewed at each financial year-end and adjusted if necessary. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

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 company, and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost and comprise of computer software and servitudes. Cost includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and the costs can be measured reliably. All other expenditure is expensed as incurred.

Cost model

Intangible assets are carried at cost less any accumulated amortisation and any accumulated 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. Amortisation is not provided for these intangible assets. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. For all other intangible assets amortisation is provided on a straight line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed each year-end and adjusted if necessary.

By their nature, servitudes confer upon the holder a right in perpetuity over the property and as these rights have an indefinite useful life, they are not amortised.

An item of intangible assets is derecognised upon disposal or when no future economic benefits or service potential are expected from its use or disposal. The surplus or deficit arising from the derecognition of an item of intangible assets is included in the surplus or deficit when the item is derecognised. The surplus or deficit arising from the derecognition of an item of intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

Item	Useful life
Computer software	3 - 6 years

Johannesburg Water SOC Limited

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Summary of Accounting Policies

1.4 Financial instruments

Initial recognition

The company 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 recognised initially at fair value and, in the case of instruments not at fair value through profit or loss, including directly attributable transaction costs.

Financial assets and financial liabilities are recognised on the company's Statement of Financial Position when the company becomes party to the contractual provisions of the instrument.

Fair value determination

Management establishes fair value for financial instruments by using certain 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 relying as little as possible on entity-specific inputs.

Loans and receivables

Loans and receivables comprise trade receivables with group companies, loans to shareholder, other receivables, consumer debtors and cash and cash equivalents. Loans and receivables are subsequently measured at amortised costs using the effective interest method.

Payables from exchange transactions

Financial liabilities at amortised cost comprise trade payables with group companies, trade and other payables and loans from shareholder. These liabilities are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and are subsequently measured at amortised cost.

Johannesburg Water SOC Limited

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Audited Annual Financial Statements for the year ended 30 June 2012

Summary of Accounting Policies

1.4 Financial instruments (continued)

Impairment of Financial Assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments (more than 90 days overdue), the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For amounts due from loans and advances to customers carried at amortised cost, the company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the instrument's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the surplus or deficit.

Derecognition

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

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

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 company's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the income statement.

Gains and losses for Financial Assets

Gains and losses are recognised in the statement of financial performance when the asset is derecognised or impaired as well as through the amortisation process.

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Summary of Accounting Policies

1.4 Financial instruments (continued)

Gains and losses for Financial Liabilities

Gains and losses are recognised in the statement of financial performance when the liability is derecognised as well as through the amortisation process.

1.5 Income Tax

The company is an exempt entity in terms of Section 10(1)(t) of the Income Tax Act, Act 58 of 1962. As a result of the exemption no income tax has been provided for in the current financial year.

1.6 Leases

Finance leases

Finance leases are recognised as assets in the Statement of Financial Position at amounts equal to the fair value of the leased asset 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.

The 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 on the remaining balance of the liability.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place. Contingent rentals are expensed as incurred.

1.7 Inventories

Inventories consist of materials, components, fuel on hand and water stock..

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average cost formula.

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.

When inventories are utilised or consumed, the carrying amounts of those inventories are recognised as an expense in the period. 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. Reversals 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.

1.8 Impairment of non-financial assets

Property, plant and equipment and other non-current, and intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Johannesburg Water SOC Limited

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Summary of Accounting Policies

1.8 Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to the present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in surplus or deficit in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus/(deficit)

1.9 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

The majority of the company's employees are members of various defined contribution plans. A defined contribution plan is a retirement plan under which the company pays fixed contributions into separate trustee administered funds.

The company's contributions to the defined contribution plans are charged to the Statement of Financial Performance in the financial year to which they relate.

The company has no further payment obligations once the contributions have been paid.

Other post retirement obligations

The company provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees. This obligation is not funded by any underpinned assets.

The entitlement to post-retirement health care benefits, gratuities and housing subsidies 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 using the projected unit credit method of these obligations on an annual basis. The obligation is measured at the present value of the estimated future cash flows using interest rates of government securities that have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses and past service costs are charged to the Statement of Financial Performance as the costs occur.

1.10 Provisions and contingencies

Provisions are recognised when:

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

Johannesburg Water SOC Limited

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Audited Annual Financial Statements for the year ended 30 June 2012

Summary of Accounting Policies

1.10 Provisions and contingencies (continued)

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent assets and contingent liabilities are not recognised.

1.11 Bulk service contributions

Bulk service contributions are received by the company from developers for the potential expansion and/or augmentation of infrastructure relating to the provision of water and sanitation services to the development. When received the amounts are credited to the Statement of Financial Performance.

1.12 Government Grants

Government grants received are recognised as revenue, except to the extent that a liability is recognised with regards to conditions that give rise to a present obligation on the initial recognition of the asset. In cases that a liability is recognised, the carrying amount of the liability is reduced and the amount is recognised as revenue to the extent that the company satisfies the stipulated present obligations.

1.13 Revenue

Revenue comprises the invoiced value of sales in respect of operations in the provision of water and wastewater services and excludes investment and other income and value-added tax (VAT). Revenue from the distribution of water is recognised when consumed and the provision of sanitation services is recognised as and when the service has been provided. Average consumption is invoiced when meter readings have not been performed.

Deemed consumption areas are billed based on between 5kl and 20kl of water per stand per month, regardless of actual consumption.

Revenue is measured at the fair value of the consideration received or receivable excluding rebates and represents the amounts receivable for goods and services provided in the normal course of business.

1.14 Interest Revenue

Interest revenue is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use are capitalised as part of the costs of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

1.16 Presentation currency and rounding

The Annual Financial statements are presented in South African Rand rounded to the nearest thousand.

1.17 Budget information

The company has adopted National Treasury's recommended template for the disclosure of budget information for the current financial year. The company's budget is prepared on an accrual basis that is comparable with the financial statements.

Johannesburg Water SOC Limited

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Audited Annual Financial Statements for the year ended 30 June 2012

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

2012

2011
Restated

2. Statements and interpretations not yet effective

At the date of authorisation of these Annual Financial Statements, the following Standards and Interpretations were in issue but not yet effective:

- GRAP 18 - Segment Reporting.
- GRAP 20 - Related Party Disclosures
- GRAP 25 - Employee Benefits.
- GRAP 105 - Transfer of functions between entities under common control
- GRAP 106 - Transfer of functions between entities not under common control
- GRAP 107 - Mergers

The above standards are similar to existing standards applied by the company and are unlikely to impact the financial position or performance of the entity, but may impact the extent of disclosures provided.

3. 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	10 367	-	10 367	10 367	-	10 367
Buildings	276 698	(208 436)	68 262	273 026	(203 363)	69 663
Plant and machinery	1 372 080	(391 683)	980 397	1 368 174	(341 818)	1 026 356
Furniture and fixtures	13 439	(7 984)	5 455	11 394	(6 930)	4 464
Motor vehicles	249	(147)	102	225	(97)	128
Office equipment	14 394	(5 848)	8 546	13 716	(5 150)	8 566
Computer equipment	50 305	(27 762)	22 543	47 816	(23 935)	23 881
Capital work in progress	821 622	-	821 622	741 042	-	741 042
Communication equipment	13 070	(9 683)	3 387	11 958	(8 498)	3 460
Farming machinery	-	-	-	160	(160)	-
Laboratory equipment	23 337	(15 963)	7 374	25 562	(19 023)	6 539
Minor plant	55 141	(37 418)	17 723	53 279	(31 631)	21 648
Wastewater network	1 492 242	(127 213)	1 365 029	1 339 222	(110 441)	1 228 781
Water network	2 987 276	(325 025)	2 662 251	2 521 475	(270 032)	2 251 443
Finance leased assets	2 261	(235)	2 026	-	-	-
Total	7 132 481	(1 157 397)	5 975 084	6 417 416	(1 021 078)	5 396 338

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Audited Annual Financial Statements for the year ended 30 June 2012

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Developer funded network	Depreciation	Total
Land	10 367	-	-	-	-	-	10 367
Buildings	69 663	3 361	(100)	457	-	(5 119)	68 262
Plant and machinery	1 026 356	1 298	-	2 608	-	(49 865)	980 397
Furniture and fixtures	4 464	1 298	(2)	778	-	(1 083)	5 455
Motor vehicles	128	-	-	-	-	(26)	102
Office equipment	8 566	445	(6)	1 127	-	(1 586)	8 546
Computer equipment	23 881	5 705	(164)	513	-	(7 392)	22 543
Capital work in progress	741 042	306 061	-	(225 481)	-	-	821 622
Communication equipment	3 460	708	-	377	-	(1 158)	3 387
Laboratory Equipment	6 539	2 925	-	40	-	(2 130)	7 374
Minor plant	21 648	1 118	(61)	882	-	(5 864)	17 723
Wastewater network	1 228 781	18 657	-	27 935	106 428	(16 772)	1 365 029
Water network	2 251 443	192 313	-	187 645	85 844	(54 994)	2 662 251
Finance leased assets	-	2 261	-	-	-	(235)	2 026
	5 396 338	536 150	(333)	(3 119)	192 272	(146 224)	5 975 084

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Audited Annual Financial Statements for the year ended 30 June 2012

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

3. Property, plant and equipment (continued)

Land and buildings

Land and buildings to the value of R 78,629 (2011: R 80,030) purchased from the City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement, have not as yet been transferred into the name of Johannesburg Water SOC Limited. A register containing the information required in terms of paragraph 22(3) of schedule 4 of the Companies Act is available for inspection at the registered office of the company.

Capital work in progress

Capital work in progress comprises of the following significant classes:-

Plant and Machinery	R 580,788
Water network	R 195,338
Wastewater network	R 16,249
Other	R 29,247

Fully depreciated assets held at R1 (not in rand thousand)

Included in PPE are assets which currently have a book value of R1 (one rand). These assets were acquired from the City of Johannesburg as part of the sale of the business agreement. The above mentioned assets are correctly valued and accounted for in the annual financial statements in accordance with GRAP 17.

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Audited Annual Financial Statements for the year ended 30 June 2012

Notes to the Audited Annual Financial Statements

Figures in Rand thousand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Developer funded network	Depreciation	Total
Land	10 367	-	-	-	-	-	10 367
Buildings	78 023	677	(5 129)	11 106	-	(15 014)	69 663
Plant and machinery	815 305	35 586	-	226 685	-	(51 220)	1 026 356
Furniture and fixtures	4 754	528	(5)	118	-	(931)	4 464
Motor vehicles	154	-	-	-	-	(26)	128
Office equipment	9 846	295	(754)	614	-	(1 435)	8 566
Computer equipment	22 479	3 247	(23)	3 814	-	(5 636)	23 881
Assets under construction	729 261	488 343	-	(476 562)	-	-	741 042
Communication equipment	4 098	522	-	69	-	(1 229)	3 460
Farming machinery	1 070	-	(1 070)	-	-	-	-
Laboratory Equipment	8 211	545	-	12	-	(2 229)	6 539
Minor plant	24 544	1 460	-	33	-	(4 389)	21 648
Wastewater network	1 165 065	8 019	(813)	21 677	50 287	(15 454)	1 228 781
Water network	2 031 800	49 183	-	192 970	29 401	(51 911)	2 251 443
	4 904 977	588 405	(7 794)	(19 464)	79 688	(149 474)	5 396 338

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3. Property, plant and equipment (continued)

Capital work in progress

Capital work in progress comprises of the following significant classes:-

Water network	R 336,120
Plant and Machinery -	R 321,987
Wastewater network -	R 60,210
Other	R 22,725

Fully depreciated assets held at R1 (not in rand thousand)

Included in PPE are assets which currently have a book value of R1 (one rand). These assets were acquired from the City of Johannesburg as part of the sale of the business agreement. The above mentioned assets are correctly valued and accounted for in the annual financial statements in accordance with GRAP 17.

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4. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	1 727	-	1 727	1 701	-	1 701
Computer software	59 885	(25 055)	34 830	86 792	(53 428)	33 364
Total	61 612	(25 055)	36 557	88 493	(53 428)	35 065

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Servitudes	1 701	-	-	26	-	1 727
Computer software	33 364	8 755	(738)	3 093	(9 644)	34 830
	35 065	8 755	(738)	3 119	(9 644)	36 557

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Transfers	Amortisation	Total
Servitudes	901	800	-	-	1 701
Computer software	21 705	3 596	19 464	(11 401)	33 364
	22 606	4 396	19 464	(11 401)	35 065

5. Inventories

	2012	2011
Material, components and fuel	37 232	36 109
Water	8 492	7 697
Subtotal	45 724	43 806
Provision for inventory write downs	(1 501)	(1 837)
	44 223	41 969

Inventory consists of spares and consumables which will be utilised by the company in its daily business operations, as well as stock of water. The stock of water is computed based on volumes at year end in the water network, water towers and reservoirs. Water stock expensed is included as part of cost of sales.

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6. Trade receivables and (payables) with group companies

Fellow subsidiaries

Johannesburg City Parks NPC	(158)	(80)
Johannesburg Development Agency SOC Ltd	(434)	(1 777)
Johannesburg Roads Agency SOC Ltd	(4 662)	(4 620)
Pikitup Johannesburg SOC Ltd	143	431
	(5 111)	(6 046)

The above loans are short term (30 - 60 days) , unsecured and interest free.

Current assets	143	431
Current liabilities	(5 254)	(6 477)
	(5 111)	(6 046)

Credit quality of trade receivables with group companies

The credit quality of trade receivables with group companies that are neither past due nor impaired are considered fair by the company taking into account the historical information available and due to the fact that there has been no default in the past.

The trade receivables and payables with group companies are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. The carrying value of trade receivables and payables with group companies approximates fair value.

Trade receivables with group companies past due but not impaired

There are trade receivables with group companies which are past due and not impaired.

30 days past due	145	-
60 days past due	-	7
90 days past due	-	2
120 days past due	-	3

7. Loans to/(from) shareholder

City of Johannesburg Metropolitan Municipality - Other loans	(66 296)	(139 377)
City of Johannesburg Metropolitan Municipality - Conduit mirror loans	(2 521 056)	(2 460 259)
City of Johannesburg Metropolitan Municipality - Other non-exchange loans	49 129	-
City of Johannesburg Metropolitan Municipality - Post retirement benefit	75 762	77 552
City of Johannesburg Metropolitan Municipality - Capex drawdown	1 019	93 471
City of Johannesburg Metropolitan Municipality - Sweeping account	19 217	96 498
City of Johannesburg Metropolitan Municipality - Shareholder loans	(389 945)	(454 939)
	(2 832 170)	(2 787 054)

Other loans and the Capex drawdown are short term (30 - 60 days), unsecured and interest free.

Current assets	145 127	267 521
Non-current liabilities	(2 540 772)	(2 545 581)
Current liabilities (including short term portion of long term loans)	(436 525)	(508 994)
	(2 832 170)	(2 787 054)

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7. Loans to/(from) shareholder (continued)

The terms of loans to shareholder have not been renegotiated in the current or prior period.

The loans to/(from) shareholder are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. The carrying value of loans to/(from) shareholder approximates fair value.

Loans to shareholder past due but not impaired

At 30 June 2012, R 252 (2011: R 652) were past due but not impaired.

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

30 days past due	-	450
60 days past due	-	-
90 days past due	-	112
120 days past due	-	89
180 days past due	107	-

7.1. City of Johannesburg Metropolitan Municipality - Conduit mirror loans

Loans at the beginning of the year	(2 460 259)	(1 875 790)
New loans	(383 885)	(865 951)
Repayments	323 088	281 482
Balance at end of year	(2 521 056)	(2 460 259)

Conduit loans are repayable in equal quarterly installments over a period of 10 years from loan acquisition. These unsecured loans bear interest at a fixed rate of 10,2% to 12,42% (2011: 10,2% to 14,15%) .

FDA 1 (Caylon) is repayable in equal quarterly installments over a period of 10 years, commencing 30 September 2008. These unsecured loans bear interest at a variable rate linked to Jibar less 35 basis points resulting in a rate of 5,25% for the current financial year (2011: 5,23%)

FDA 2 (Caylon) is repayable in equal half yearly instalments over a period of 12 years, commencing 15 November 2014. These unsecured loans bear interest at a variable rate linked to Jibar plus 70 basis points resulting in a rate of 7,47% for the current financial year (2011: 7,40%)

7.2. City of Johannesburg Metropolitan Municipality - Shareholder loans

Shareholder loans at beginning of the year	(454 939)	(519 934)
Repayments	64 994	64 995
Balance at the end of the year	(389 945)	(454 939)

The unsecured loans bear interest at a nominal annual rate of 14,5% to 15% (2011: 14,5% to 15%) compounded monthly and are repayable in equal quarterly installments over a period of 10 years. The quarterly capital repayments commenced in 2009.

7.3. City of Johannesburg Metropolitan Municipality - Sweeping account

Bank Sweeping Account	19 217	96 498
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The bank sweeping account is an unsecured interest bearing loan to the shareholder with no fixed repayment terms. The loan earns interest at a variable rate which was 5,59% (2011: 5,24%) at the reporting date.

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8. Other receivables

Sundry debtor	12 340	12 644
Allowance for impairment	(3 893)	(2 925)
Total other receivables	8 447	9 719

Other receivables consists of the billing and recovery of sundry services which include laboratory fees and penalty charges to sewer effluent transgressors.

Credit quality of other receivables

Other receivables comprise of the recovery of sundry services. Management evaluates credit risk relating to these customers on an ongoing basis. The credit quality of other receivables that are neither past due nor impaired are considered fair by the company taking into account the historical information available.

Other receivables past due but not impaired

At 30 June 2012 R 5 (2011: R 1,077) was past due but not impaired.

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

30 days past due	5	-
60 days past due	-	57
90 days past due	-	110
120 days past due	-	682
181 past due	-	228

Other receivables impaired

As of 30 June 2012, other receivables of R 12,340 (2011: R 12,644) were considered for impairment testing. The allowance for impairment losses was R3,893 as of 30 June 2012 (2011: R2,925).

The classification and respective ageing categories considered by management during the testing for impairment are as follows:

Current (0 days)	8 572	8 642
1 - 30 days	67	-
31 - 60 days	130	57
61 - 90 days	182	110
91 - 120 days	57	682
121 - 365 days	196	3 153
> 365 days	3 136	-
Total other receivables	12 340	12 644

Reconciliation of allowance for impairment of other receivables

Opening balance	2 925	2 995
Allowance for impairment losses	968	(70)
	3 893	2 925

The creation and release of the allowance for impairment of other receivables have been included in operating expenses in the Statement of Financial Performance (note 24). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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9. Consumer debtors: Exchange transactions

Trade receivables	7 269 345	5 908 688
Allowance for impairment	(5 360 647)	(4 531 239)
	1 908 698	1 377 449

An impairment is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Accordingly, an impairment loss is recognised based on the ageing as well as the profile of debtors. The terms of the trade and other receivables have not been renegotiated during the current or prior period.

Extensive investigative work performed prior to 2004 in order to inform the direction of the company turnaround strategy identified that the deemed consumption areas were largely responsible not only for the high outstanding debtors, but also the higher than benchmark unaccounted for water level. The level of unaccounted for water for the year under review is 30.3%, (2011: 28.5%). The metered areas are considered to be within accepted norms, whilst the problem area has been identified as being the deemed consumption environment.

Credit quality of consumer debtors

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis and characteristics like collection levels are considered during evaluation for impairment. The credit quality of trade receivables that are neither past due nor impaired are considered fair by the company taking into account the historical information available.

Summary of consumer debtors by classification

Domestic consumers

Current (0 - 30 days)	833 346	463 982
0	182 618	105 038
61 - 90 days	113 929	104 891
91 - 120 days	141 732	99 889
121 - 365 days	709 699	583 836
> 365 days	2 700 648	2 146 954
	4 681 972	3 504 590
Less: Allowance for impairment	(3 552 079)	(2 830 679)
	1 129 893	673 911

Domestic consumers - Past due and impaired

91 - 120 days	(141 732)	(99 889)
121 - 365 days	(709 699)	(583 836)
> 365 days	(2 700 648)	(2 146 954)
	(3 552 079)	(2 830 679)

Domestic consumers - Past due and not impaired

Current (0 - 30 days)	833 346	463 982
31 - 60 days	182 618	105 038
61 - 90 days	113 929	104 891
	1 129 893	673 911

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9. Consumer debtors: Exchange transactions (continued)

Commercial consumers

Current (0 - 30 days)	537 671	434 223
31 - 60 days	94 315	73 216
61 - 90 days	58 730	92 447
91 - 120 days	89 963	56 544
121 - 365 days	356 977	390 037
> 365 days	1 214 620	1 172 351
	<u>2 352 276</u>	<u>2 218 818</u>
Less: Allowance for impairment	(1 661 560)	(1 614 818)
	690 716	604 000

Commercial consumers - Past due and impaired

91 - 120 days	(89 963)	(52 430)
121 - 365 days	(356 977)	(390 037)
> 365 days	(1 214 620)	(1 172 351)
	<u>(1 661 560)</u>	<u>(1 614 818)</u>

Commercial consumers - Past due and not impaired

Current (0 - 30 days)	537 671	434 223
31 - 60 days	94 315	73 216
61 - 90 days	58 730	92 447
91 - 120 days	-	4 114
	<u>690 716</u>	<u>604 000</u>

National and provincial government

Current (0 - 30 days)	63 120	71 800
31 - 60 days	14 038	9 891
61 - 90 days	10 931	17 847
91 - 120 days	10 113	8 193
121 - 365 days	36 225	34 299
> 365 days	100 670	43 250
	<u>235 097</u>	<u>185 280</u>
Less: Allowance for impairment	(147 008)	(85 742)
	88 089	99 538

National and provincial government - Past due and impaired

91 - 120 days	(10 113)	(8 193)
121 - 365 days	(36 225)	(34 299)
> 365 days	(100 670)	(43 250)
	<u>(147 008)</u>	<u>(85 742)</u>

National and provincial government - Past due and not impaired

Current (0 - 30 days)	63 120	71 800
31 - 60 days	14 038	9 891
61 - 90 days	10 931	17 847
	<u>88 089</u>	<u>99 538</u>

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9. Consumer debtors: Exchange transactions (continued)

Total consumer debtors

Current (0 -30 days)	1 434 137	970 005
31 - 60 days	290 971	188 145
61 - 90 days	183 590	215 185
91 - 120 days	241 808	164 626
121 - 365 days	1 102 901	1 008 172
> 365 days	4 015 938	3 362 555
	<hr/>	<hr/>
	7 269 345	5 908 688
Less: Allowance for impairment	(5 360 647)	(4 531 239)
	<hr/>	<hr/>
	1 908 698	1 377 449

Total consumer debtors - Past due and impaired

91 - 120 days	(241 808)	(160 513)
121 - 365 days	(1 102 901)	(1 008 172)
> 365 days	(4 015 938)	(3 362 554)
	<hr/>	<hr/>
	(5 360 647)	(4 531 239)

Total consumer debtors - Past due but not impaired

Current (0 - 30 days)	1 434 137	970 005
31 - 60 days	290 971	188 145
61 - 90 days	183 590	215 185
91 - 120 days	-	4 114
	<hr/>	<hr/>
	1 908 698	1 377 449

Reconciliation of allowance for impairment

Balance at beginning of the year	(4 531 239)	(3 757 901)
Increase in allowance	(1 012 207)	(775 807)
Impairment written off against allowance	182 799	2 469
	<hr/>	<hr/>
	(5 360 647)	(4 531 239)

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10. Financial assets by category

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

2012

	Loans and receivable	Other	Total
Consumer debtors	1 912 947	-	1 912 947
Effective interest rate adjustment	(4 249)	-	(4 249)
Total Consumer debtors:Exchange transactions	1 908 698	-	1 908 698
Other receivables	2 922	-	2 922
Prepayments	-	5 525	5 525
Total Other Receivables	2 922	5 525	8 447
Loans to shareholder	145 127	-	145 127
Cash	26	-	26
Trade Receivables	143	-	143
	2 056 916	5 525	2 062 441

2011

	Loans and receivable	Other	Total
Consumer debtors	1 379 000	-	1 379 000
Effective interest rate adjustment	(1 551)	-	(1 551)
Total Consumer debtors:Exchange transactions	1 377 449	-	1 377 449
Other receivables	5 438	-	5 438
Prepayments	-	4 281	4 281
	5 438	4 281	9 719
Loans to shareholder	267 521	-	267 521
Cash	25	-	25
Trade Receivables	431	-	431
	1 650 864	4 281	1 655 145

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	26	25
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The company has a sweeping arrangement with the City of Johannesburg Metropolitan Municipality whereby all cash is swept on a daily basis to the City of Johannesburg Metropolitan Municipality's bank account. Petty cash is reflected as being on hand. The cash owed to the company by the City of Johannesburg Metropolitan Municipality is reflected as an amount due from the shareholder. The amount due as at 30 June 2012 is R19 217 million (2011: R96,498 million).

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11. Cash and cash equivalents (continued)

Bank account information

Absa bank: Expenditure account	Account no: 4054394786	-	-
Absa bank: Revenue account	Account no: 4054394809	-	-
Absa bank: Salaries account	Account no: 4054394817	-	-
		<hr/>	<hr/>
		-	-

12. Contribution from shareholder

Authorised

1000 Ordinary shares of R1 each		<hr/>	<hr/>
		1	1

Issued

200 Ordinary shares of R1 each		<hr/>	<hr/>
		1	1

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13. Retirement benefit obligations

The actuarial valuations were performed by Independent Actuarial Consultants, who are independent post retirement plan administrators. It was concluded that the plan was in a sound financial position, taking into account the loan receivable (note 7) from the City of Johannesburg Metropolitan Municipality, to cover the liability.

Post-retirement liability

Provision:Post-Retirement Medical Obligation	13.1	33 491	34 589
Provision:Post-Retirement Housing Subsidy obligation	13.2	113	136
Provision:Post-Retirement Gratuity Obligation	13.3	53 596	50 501
Balance at end of year		87 200	85 226

13.1 Post retirement medical aid plan

The company has made provision for post retirement medical benefits covering 34 employees (2011: 37 employees), and 37 continuation members (2011: 36 continuation members). There are 2 medical schemes. Actuarial valuations are independently prepared annually using the projected unit credit method and a set of actuarial assumptions.

Reconciliation of post retirement medical aid plan

Opening balance		34 589	37 076
Benefits paid		(1 123)	(944)
Current service costs		316	323
Interest costs		2 971	3 352
Actuarial gain		(3 262)	(5 218)
Balance at end of year		33 491	34 589

Key assumptions used

Assumptions used on last valuation on 30 June 2012.

Discount rates used		8.60 %	8.60 %
Expected increase in salaries		6.70 %	5.60 %

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13. Retirement benefit obligations (continued)

In determining the appropriate discount rate, the actuary considers the interest rates of government bonds, adjusted to reflect the margin on 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 post retirement medical aid plan liability.

A sensitivity analysis with respect to a 1% change in the discount rate will have the following impact:

Change in assumptions

	1%	0%	-1%
Liability	R32,027	R33,491	R35,240
Percentage change	(4.4%)	0%	5.2%
Service Costs	R 183	R 316	R 202
Percentage Change	(4.4%)	0%	5.2%

Post Retirement Mortality

	Liability	Percentage Change	Service Costs	Percentage Change
2 years younger	R34,564	3.2%	R 197	3.0%

Other assumptions:

Age of Spouse	-	husbands five years older than wives
Mortality of in-service members	-	In accordance with the SA 85-90 ultimate table
Mortality of pensioners	-	In accordance with the PA(90) ultimate male and female tables rated down one year.

13.2 Post retirement housing subsidy plan

The company has made provision for post retirement housing subsidies covering 12 employees (2011: 14 employees). Actuarial valuations are independently prepared annually using the projected unit credit method and a set of actuarial assumptions.

Reconciliation of post retirement housing subsidy plan

Opening balance	136	48
Current service costs	5	2
Interest costs	12	4
Benefits Paid	-	(2)
Actuarial gain	(40)	84
Balance at end of year	113	136

Key assumptions used

Assumptions used on last valuation on 30 June 2012.

Discount rates used	8.60 %	8.60 %
Expected increase in salaries	6.70 %	5.60 %

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13. Retirement benefit obligations (continued)

In determining the appropriate discount rate, the actuary considers the interest rates of government bonds, adjusted to reflect the margin on 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 post retirement housing subsidy plan liability.

Change in assumptions

	1%	0%	-1%
Liability	109	113	117
Percentage change	(3.3%)	0%	3.5%
Service Costs	R3.63	R5.00	R3.89
Percentage Change	(3,3%)	0%	3.5%

13.3 Post retirement gratuity plan

The company has made provision for post retirement gratuity benefits covering 410 employees (2011: 453 employees). Actuarial valuations are independently prepared annually using the projected unit credit method and a set of actuarial assumptions.

Reconciliation of post retirement gratuity plan

Opening balance	50 501	47 699
Benefits paid	(5 784)	(7 594)
Interest Cost	3 432	4 312
Actuarial loss / (gain)	5 447	6 084
Balance at end of year	53 596	50 501

Key assumptions used

Assumptions used on last valuation on 30 June 2012.

Discount rates used	8.60 %	8.60 %
Expected increase in salaries	6.70 %	5.60 %

In determining the appropriate discount rate, the actuary considers the interest rates of government bonds, adjusted to reflect the margin on 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 post retirement gratuity plan liability.

Change in assumptions

	1%	0%	-1%
Liability	R50,858	R53,596	R56,632
Percentage change	(5.1%)	0%	5.7%

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13. Retirement benefit obligations (continued)

13.4 Net expense recognised in the statement of financial performance

Post retirement medical aid plan	1 098	2 487
Post retirement housing subsidy plan	23	(88)
Post retirement gratuity plan	(3 095)	7 746
Total included in employee related costs	(1 974)	10 145

13.5 Defined contribution plan

The company's liability is limited to its contributions to the plan.

The total company contribution to such schemes	47 453	43 183
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14. Unspent conditional grants

Unspent conditional grants comprise:

Unspent conditional grants and receipts

Government grants	1 481	5 601
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Government grants movement during the year

Balance at the beginning of the year	5 601	7 538
Received in current year	215 443	144 470
Utilised during the year	(219 563)	(146 407)
Balance at the end of the year	1 481	5 601

The unspent conditional grants have been contracted for. The projects were classified as work in progress at the reporting date resulting in partial fulfillment of the conditions attached to the funding.

15. Trade and other payables from exchange transactions

Trade payables	474 068	571 230
Payments received in advance	502 090	192 564
Accrued leave pay	37 112	32 780
Accrued bonus	17 403	16 401
Operating lease payables	17 339	13 777
Sundry Creditors	5 342	6 190
VAT	235 261	84 494
Consumer deposits	162 132	46 709
Finance lease liability	2 049	-
	1 452 796	964 145

The above are short term (30-60 days) , unsecured and interest free.

15.1 Trade payables

Gross trade payables	475 262	572 031
Effective interest rate adjustment	(1 194)	(801)
	474 068	571 230

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16. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	12 000	13 800	(12 000)	13 800

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	11 403	12 000	(11 403)	12 000

17. Financial liabilities by category

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

2012

	Financial liabilities	Other	Total
Trade and other payables from exchange transactions	709 537	-	709 537
Effective interest rate adjustment	-	(1 194)	(1 194)
South African Revenue Services	-	242 207	242 207
Customer Prepayments	-	502 245	502 245
Trade and other payables from exchange transactions	709 537	743 258	1 452 795
Trade payables with group companies	5 254	-	5 254
Loans from Shareholder	2 977 297	-	2 977 297
Provisions	-	13 800	13 800
	3 692 088	757 058	4 449 146

2011

	Financial liabilities	Other	Total
Trade and other payables from exchange transactions	680 587	-	680 587
Effective interest rate adjustment	-	(801)	(801)
South African Revenue Services	-	91 245	91 245
Customer Prepayments	-	193 114	193 114
Trade and other payables from exchange transactions	680 587	283 558	964 145
Trade payables with group companies	6 477	-	6 477
Loans from Shareholder	3 054 575	-	3 054 575
Provisions	-	12 000	12 000
	3 741 639	295 558	4 037 197

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18. Revenue from exchange transactions

Sale of water	3 349 843	2 739 023
Rendering of sanitation services	1 991 305	1 880 043
	5 341 148	4 619 066

19. Other income

Other income	33 077	8 922
Laboratory income	1 436	1 517
Developer funded asset income	192 272	79 688
Profit/(loss) on disposal of property, plant and equipment	797	(6 301)
Bulk service contributions released	34 465	38 545
	262 047	122 371

20. Revenue from non-exchange transactions

Government grants released	219 563	146 407
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21. Water Losses: Physical and Commercial

Water losses are included in Cost of sales. The level of physical and commercial losses for the year under review is 30.3%, (2011: 28.5%). The level of physical losses for the year under review is 13.2% (2011: 12.9%). The level of commercial losses for the year under review is 17.2% (2011: 15.6%).

The industry norm for water losses is 18%. Taking consideration hereof would result in a reduction of the level of water losses for the year under review to 12.3% [R301,9 million], (2011: 10.5% [R222,1million]).

Please refer to note 9 for additional information.

22. Expenses by nature

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

Operating lease charges - Contractual amounts

Premises	27 470	24 968
Motor vehicles	77 835	70 276
Equipment	1 029	1 298
	106 334	96 542

Operating expenses

Depreciation, amortisation and impairments		155 867	160 873
Employee costs	26	632 565	576 904
Allowance for debt impairment	24	858 767	591 491
Electricity and chemicals	25	157 595	142 552
Consumables		77 235	73 744
Insurance		7 752	3 792
Legal expenses		1 381	2 000
Repairs and maintenance		7 931	8 085
Security		22 622	20 900
Billing and meter reading charges		170 650	160 450

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23. Auditors remuneration

Fees	3 398	3 241
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24. Allowance for impairment (Bad debts)

Allowance for impairment	914 537	655 481
Interest on impaired accounts	(55 770)	(63 990)
	858 767	591 491

25. Electricity and Chemicals

Electricity	137 030	120 447
Chemicals	20 565	22 105
	157 595	142 552

26. Employee costs

Basic	445 764	419 209
Other allowances	71 198	63 419
Pension costs	55 049	50 801
Medical aid - company contributions	37 295	32 949
Leave pay	11 862	9 762
Post retirement benefit plan cost (Defined contribution plan)	8 881	(1 605)
Housing benefits and allowances	2 516	2 369
	632 565	576 904

Average number of employees employed during the year
- Permanent

2 420 2 409

27. Interest revenue

Interest earned - sweeping accounts	1 775	2 390
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28. Effective interest rate adjustment

Effective interest rate adjustment - revenue	20 490	20 105
Effective interest rate adjustment - expenditure	(14 247)	(13 394)
	6 243	6 711

The above represents the discounting of debtors and creditors.

29. Finance costs

Finance leases	55	-
Interest paid - Shareholder loans	306 433	268 111
	306 488	268 111

30. Taxation

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

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31. Cash generated from operations			
Surplus before taxation		579 984	382 853
Adjustments for:			
Depreciation and amortisation	3&4	155 867	160 873
Effective interest rate adjustment	28	(6 243)	(6 711)
Allowance for impairment	24	858 767	591 491
Movements in retirement benefit assets and liabilities	13	1 974	(7 343)
Movements in provisions	16	1 800	597
Other non-cash items		4 649	6 711
Profit on disposal of property, plant and equipment	19	797	(6 301)
Developer funded asset income	3	(192 272)	(79 688)
Changes in working capital:			
Inventories	5	(2 254)	(6 364)
Other receivables	8	1 272	782
Consumer debtors	9&24	(1 390 016)	(1 117 238)
Trade and other payables from exchange transactions	15	488 652	(129 685)
Unspent conditional grants	14	(4 120)	(1 937)
Net movement in balances with group companies	6	(935)	302
		497 922	(211 658)

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32. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment	654 341	686 105
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The commitments disclosed above relate only to construction contracts with suppliers. Other procurement contracts with suppliers are subject to the demand or requirements of Johannesburg Water and as such, there is no fixed future obligation or commitment in respect of these contracts.

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

This expenditure will be financed from:

Shareholder loans	424 358	439 410
Grant funding	229 983	236 695
Internal cash	-	10 000
	654 341	686 105

Operating leases - as lessee

Minimum lease payments due

• within one year	25 781	23 925
• in second to fifth year inclusive	113 647	109 475
• later than five years	33 426	63 379
	172 854	196 779

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

Finance leases - as Lessee

Minimum lease payments due

- within one year	856	-
- in second to fifth year inclusive	1 445	-
	2 301	-

Finance lease payments represent rentals payable by the company for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

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33. Related parties

Relationships

Parent

City of Johannesburg Metropolitan Municipality

Other members of the group

City of Johannesburg Property Company SOC Ltd
City Power Johannesburg SOC Ltd
Johannesburg City Parks NPC
Johannesburg Development Agency SOC Ltd
Johannesburg Metropolitan Bus Services SOC Ltd
Johannesburg Roads Agency SOC Ltd
Johannesburg Social Housing Company SOC Ltd
Metropolitan Trading Company SOC Ltd
Pikitup Johannesburg SOC Ltd
The Johannesburg Civic Theatre SOC Ltd
The Johannesburg Fresh Produce Market SOC Ltd
The Johannesburg Zoo NPC

Members of key management

Directors' emoluments and other Key Management Personnel Remuneration - Note 34

Other related parties

There were no related party declarations made during the year by any supplier, tenderer or employee in terms of Supply Chain Management Regulation 45.

Related party balances

Loan accounts - Owing by related parties

City of Johannesburg Metropolitan Municipality

78 832

128 144

Loan accounts - owing to related parties

City of Johannesburg Metropolitan Municipality

2 540 772

2 545 582

Short term portion of long term loans

370 228

369 617

2 911 000

2 915 199

Related party balances

Amounts owing by related parties

City of Johannesburg Metropolitan Municipality - General

130 930

243 445

Pikitup Johannesburg SOC Ltd - General

143

431

Johannesburg Roads Agency SOC Ltd - General

5

19

131 078

243 895

Amounts owing to related parties (excluding long term liabilities)

City of Johannesburg Metropolitan Municipality

422 326

484 918

Johannesburg City Parks NPC

404

80

Johannesburg Roads Agency SOC Ltd

6 787

4 639

Johannesburg Development Agency SOC Ltd

434

-

429 951

489 637

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33. Related parties (continued)

Related party transactions

Sales to related parties

City of Johannesburg Metropolitan Municipality	1 949	1 812
Pikitup Johannesburg SOC Ltd	373	378
Johannesburg Roads Agency SOC Ltd	25	26
	2 347	2 216

Purchases from related parties

City of Johannesburg Metropolitan Municipality	(287 894)	(246 099)
Johannesburg Social Housing Company SOC Ltd	(1 406)	(1 442)
Johannesburg City Parks NPC	(1 135)	-
Johannesburg Development Agency SOC Ltd	(381)	-
Johannesburg Roads Agency SOC Ltd	(17 177)	(8 169)
	(307 993)	(255 710)

Interest on shareholder loans and sweeping account

Interest earned on sweeping account (refer note 27)	1 775	2 390
Interest paid on shareholder loans (refer note 29)	(306 433)	(268 111)
	(304 658)	(265 721)

All transactions with group companies are conducted at arms length.

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34. Directors' emoluments and other Key Management Personnel Remuneration

The emoluments paid to the directors, senior management and members of the audit committee is reflected hereunder.

Executive directors

2012	Basic salary	Bonuses and performance related payments	Travel allowances	Contributions to pension funds and medical aid	Total
GT Dumas - Managing director	-	196	-	-	196
M Padiaychee - Acting Managing Director	826	-	-	92	918
M. Padiaychee - Financial Director	573	193	-	94	860
	1 399	389	-	186	1 974

2011	Basic salary	Bonuses and performance related payments	Travel allowances	Contributions to pension funds and medical aid	Total
GT Dumas - Managing director	1 030	254	232	136	1 652
M Padiaychee - Acting Managing Director	394	-	-	51	445
M. Padiaychee - Financial Director	848	176	24	120	1 168
	2 272	430	256	307	3 265

Non executive directors

Services rendered as director of company		2012	2011
Ms M van Rensburg	Retired 24/04/2012	160	148
Mr N Macleod	Retired 24/04/2012	150	134
Dr N Mabuya	Retired 24/04/2012	95	65
Mr N Govender		157	151
Ms N C Skeepers		147	103
Mr T C Modipane	Resigned 27/06/2011	-	38
Ms N Msezane		112	93
Mr C Tilly		145	82
Ms G Molo	Appointed 24/04/2012	42	-
Mr J Mateya	Appointed 24/04/2012	24	-
Mr C Motau	Appointed 24/04/2012	24	-
Ms C Mbili	Appointed 24/04/2012	18	-
		1 074	814

Services rendered as independent members of audit committee

Ms C Mbili	Retired 24/04/2012	42	46
Ms M Malope	Resigned 06/10/2011	20	53
Mr V Mokwena	Appointed 20/09/2011	7	-
Ms K Mdutshane	Appointed 24/04/2012	18	-
Mr R Buys	Appointed 24/04/2012	11	-
		98	99

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34. Directors' emoluments and other Key Management Personnel Remuneration (continued)

Senior Management

2012	Basic salary	Bonuses and performance related payments	Travel allowances	Contributions to pension funds and medical aid	Total
B Q Zimu (12 months)	1 137	171	-	150	1 458
J M Methula (7 months)	322	-	90	39	451
N J Mukwevho (6 months)	571	-	88	81	740
G J Luden (12 months)	911	32	-	180	1 123
J Mnisi (12 months)	881	31	96	148	1 156
	3 822	234	274	598	4 928
2011	Basic salary	Bonuses and performance related payments	Travel allowances	Contributions to pension funds and medical aid	Total
B Q Zimu (12 months)	905	150	121	152	1 328
L Jiya (8 months)	290	140	78	-	508
G J Luden (12 months)	866	27	-	156	1 049
J Mnisi (12 months)	834	27	96	137	1 094
	2 895	344	295	445	3 979

J Mnisi acted in the capacity of Managing Director for the period, 1 January 2012 to 29 February 2012.

B Q Zimu acted in the capacity of Managing Director for the period, 1 March 2012 to 13 May 2012.

G J Luden is currently acting in the capacity of Managing Director since 14 May 2012.

35. Comparatives restated

The comparative figures have been restated as a result of prior year adjustments as per note 36.

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36. Prior year adjustments (errors)

36.1 Revenue journal adjustments

During the current financial year, revenue adjustments amounting to R 1,088 were performed that related to prior periods. These adjustments relate primarily to reversals of water and sewer charges charged during the previous financial years. These adjustments have now been reflected as a prior year adjustment resulting in the comparatives being restated.

	2011	2010
Impact on Statement of Financial Position		
Increase/(decrease) in Consumer debtors: Exchange transactions	623	(1 711)
Impact on Statement of Financial Performance		
Increase/(decrease) in revenue from exchange transactions	623	(1 711)
Impact on Statement of Changes in Net Assets		
Increase/(decrease) in net surplus for the year	623	(1 711)

36.2 Post Retirement Benefit Gratuity Plan Adjustment

Information provided to the actuary was inadvertently not updated in the previous financial year by the actuary. The situation was corrected in the current year where the prior periods have been adjusted by R10,548 as follows:

	2011	2010
Impact on Statement of Financial Position		
Increase in retirement benefit obligation	2 802	7 746
Impact on Statement of Financial Performance		
Increase in operating expenses	2 802	7 746
Impact on Statement of Changes in Net Assets		
Decrease in net surplus for the year	(2 802)	(7 746)

36.3 Cumulative Impact on Statement of Changes in Net Assets

The cumulative impact of the Statement of Changes in Net Assets as a result of the prior year adjustments listed above is as follows:

	2011	2010
Impact on Statement of Changes in Net Assets		
Decrease in net surplus for the year	(2 179)	(9 457)

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37. Risk management

Financial risk management

The company's overall risk management program, in conjunction with the shareholder, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by a central treasury department at the shareholder under policies approved by the mayoral committee. The board of directors sanction a risk management policy which considers financial risk management within the organisation. The company has no exposure to foreign exchange risk.

Liquidity risk

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

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans from shareholder	671 799	655 603	1 753 293	1 722 452
Trade payables with group companies	5 111	-	-	-
Trade and other payables from exchange transactions	709 543	-	-	-
At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans from shareholder	750 192	611 097	1 541 573	1 461 464
Trade payables with group companies	6 046	-	-	-
Trade and other payables from exchange transactions	680 591	-	-	-

Interest rate risk

As the company has no significant interest-bearing assets or liabilities subject to interest rate fluctuations, the company's income and operating cash flows are substantially independent of changes in market interest rates.

The company's only interest-bearing assets or liabilities subject to interest rate fluctuations is a portion of the shareholder's loan linked to the Jibar interest rate and the bank sweeping account with the shareholder. Other than these items, the company's income and operating cash flows are substantially independent of changes in market interest rates. The table below illustrates the likely cash flow risk to the company in the event the interest rate fluctuates. An increase / (decrease) in the interest rate at the reporting date would have increased / (decreased) the surplus by the amounts shown below.

Sensitivity analysis for interest rate risk

Financial instrument	Current interest rate		
Bank sweeping (+1%)	5.53%	192	965
Bank sweeping (-1%)		(192)	(965)
Shareholder loan (Jibar linked) (+1%)	6.71%	7 331	(3 334)
Shareholder loan (Jibar linked) (- 1%)		(7 331)	3 334

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37. Risk management (continued)

Credit risk

Credit risks arise mainly from trade receivables with group companies, loans to shareholder, trade and other receivables and cash and cash equivalents. The company's cash resources are swept on a daily basis to the shareholder who manages the cash resources in a central treasury department.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The maximum exposure to credit risk is limited to the values disclosed in note 10.

38. Unauthorised, fruitless and wasteful expenditure

There was no unauthorised, fruitless and wasteful expenditure during the current and comparative years.

39. Deviations from formal procurement processes

Product Category

	Via Negotiations at Bid Committee	Via Price Quotations	Total Deviations
Emergencies	5 643	17 030	22 673
Sole Suppliers	12 253	7 119	19 372
Impracticality	43 966	18 448	62 414
	61 862	42 597	104 459

The table above indicates instances where it was impractical to invite competitive bids for specific requirements. The company's supply chain management policy and the Local Government Municipal Finance Management Act, 2003, as per Regulation 36(1) allows the Accounting Officer to dispense with the official procurement processes established, to procure any required goods or services through any convenient process which may include direct negotiations or price quotations in the following instances:

- Emergencies – where immediate action is necessary to avoid a dangerous or risky situation or misery or disaster
- Sole suppliers – where such goods or services are produced or available from a single provider only
- Special works of art or historical objects - where specifications are difficult to compile
- Any other exceptional cases where it is impractical or impossible to follow the official procurement processes

It is further noted that the deviations referred to above have been ratified by the Accounting Officer on a monthly basis and the appropriate reasons recorded, where officials or bid committees acted in terms of delegated powers which are purely of a technical nature. All these deviations have also in terms of the regulations been reported to the board of directors as required.

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40. Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	168	-
Irregular expenditure current year	-	168
Condoned	(168)	-
	<u>-</u>	<u>168</u>

During an audit of the company's vendor database, the company's declarations of interests' forms which are required to be completed and submitted by prospective service providers, had a discrepancy in the wording when compared to the requirements of the MFMA Regulation 44 (b).

Accordingly, this resulted in irregular expenditure of R168 being awarded via the quotations process to persons of which one of the shareholders is in the service of the state. The MFMA regulation 44 (b) prohibits awards to non natural persons of which any director, manager, principal shareholder or stakeholder is a person in the service of the state. The MFMA regulation 13 (c) (i) however does not necessarily prohibit such persons to submit an offer provided they declare that they are in the service of the state or have been in the service for the previous twelve months. It is further noted that the service provider involved in this instance is not connected with or related to any one employed by the company.

The board has subsequently condoned this expenditure in 2012.

41. Actual operating expenditure versus budgeted operating expenditure

Refer to Annexure A for the comparison of actual operating expenditure versus budgeted expenditure.

42. Actual capital expenditure versus budgeted capital expenditure

Refer to Annexure B for the comparison of actual capital expenditure versus budgeted capital expenditure per source of funding.

Capital budget for the the year	539 632	621 928
Actual spend for the year	(537 631)	(614 498)
	<u>2 001</u>	<u>7 430</u>
Actual spend as a percentage of budget	99.6 %	98.8 %

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43. Actual surplus versus budgeted surplus

Refer to Annexure A for a detailed comparison of actual results versus budgeted results.

Actual surplus for the year	579 984	382 853
Budget surplus for the year	(364 943)	(149 999)
Variance	215 041	232 854

44. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	397	7
Current year fee	3 413	3 254
Amount paid - current year	(3 413)	(2 857)
Amount paid - previous years	(397)	(7)
	-	397

PAYE and UIF

Opening balance	6 750	6 811
Current year contributions	93 937	88 705
Amount paid - current year	(86 991)	(81 955)
Amount paid - previous years	(6 750)	(6 811)
	6 946	6 750

Pension and Medical Aid Contributions

Current year contributions	136 494	122 798
Amount paid - current year	(136 494)	(122 798)
	-	-

45. Subsequent Events

There are no material events that require comment.

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Annexure A - Operating expenditure - Actual vs Budget

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance	Variance %
Revenue	5 302 636	-	5 302 636	5 364 188	61 552	1.16%
Service charges	5 302 636	-	5 302 636	5 364 188	61 552	1.16%
Cost of sales	(2 439 141)	-	(2 439 141)	(2 465 733)	(26 591)	(1.09%)
Bulk Purchases - Water	(2 439 141)	-	(2 439 141)	(2 465 733)	(26 591)	(1.09%)
Gross margin	2 863 494	-	2 863 494	2 898 455	34 961	1.22%
Gross margin %	54.0%		54.0%	54.0%		
Other income	218 264	18 193	236 457	481 758	245 301	103.74%
Other revenue	218 264	18 193	236 457	481 758	245 301	103.74%
Expenditure	(2 455 665)	-	(2 455 665)	(2 493 210)	(37 545)	(1.53%)
Employee related costs	(633 491)	-	(633 491)	(632 564)	927	0.15%
Contracted services	(502 807)		(502 807)	(459 944)	42 863	8.52%
Consultants fees	(8 791)	-	(8 791)	(11 779)	(2 987)	(33.98%)
General expenses - Other	(427 139)		(427 139)	(366 322)	60 816	14.24%
Repairs and maintenance	(8 461)	-	(8 461)	(7 966)	495	5.85%
Depreciation	(237 918)	-	(237 918)	(155 867)	82 051	34.49%
Provision for bad debts	(637 058)	-	(637 058)	(858 768)	(221 710)	(34.80%)
Surplus before interest	626 094	18 193	644 287	887 003	242 716	37.67%
Net interest & other	(279 344)	-	(279 344)	(304 714)	(25 370)	(9.08%)
Interest income	-	-	-	1 775	1 775	
Interest expense	(279 344)	-	(279 344)	(306 488)	(27 144)	(9.72%)
Surplus for the year before effective interest rate adjustments	346 750	18 193	364 943	582 289	217 346	59.56%
Net effective interest rate adjustment		-	-	(2 305)	(2 305)	
Surplus/(Loss) for the year	346 750	18 193	364 943	579 984	215 042	58.92%

NOTE:

1. The actual results exclude the Circular 9 adjustment in order to enhance comparability to the budget which excluded the impact of the interest rate adjustments.
2. The actual results do not balance to the amounts as disclosed in the remainder of the AFS due to the impact of Circular 9.
3. The net effective interest rate adjustment is disclosed separately to ensure that the total surplus agrees to the face of the statement of financial performance.

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Annexure B - Capital expenditure - Actual vs Budget

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance	Variance %
Total capital expenditure	541,264	(1,632)	539,632	537,631	(2,001)	(0.37%)
Sources of capital funds						
Loans	323,000	(19,825)	303,175	302,652	(523)	(0.17%)
Own Funding	20,000	-	20,000	19,706	(294)	(1.47%)
Grants and subsidies	198,264	18,193	216,457	215,273	(1,184)	(0.55%)
Bulk service contributions		-	-	-	-	
Total for the year	541,264	(1,632)	539,632	537,631	(2,001)	(0.37%)

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Detailed Income statement

Figures in Rand thousand	Note(s)	2012	2011 Restated
Revenue	18	5 341 148	4 619 066
Cost of sales		(2 454 783)	(2 115 397)
Gross surplus		2 886 365	2 503 669
Other income	19	262 047	122 371
Revenue from non-exchange transactions	20	219 563	146 407
Expenses (Refer to page 64)		(2 489 521)	(2 130 584)
Operating surplus		878 454	641 863
Interest revenue	27	1 775	2 390
Effective interest rate adjustment	28	6 243	6 711
Finance costs	29	(306 488)	(268 111)
Surplus for the year		579 984	382 853

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Detailed Income statement

Figures in Rand thousand	Note(s)	2012	2011 Restated
Operating expenses			
Allowance for impairment	24	(858 767)	(591 491)
Auditors remuneration	23	(3 398)	(3 241)
Bank charges		(134)	(170)
Billing and meter reading charges		(170 650)	(160 450)
Commission paid		(256)	(284)
Communication and Stakeholder relation costs		(10 736)	(30 559)
Consumables		(77 235)	(73 744)
Contracted services		(219 143)	(202 746)
Depreciation, amortisation and impairments		(155 867)	(160 873)
Electricity and chemicals	25	(157 595)	(142 552)
Employee costs	26	(632 565)	(576 904)
General operating expenses		(24 911)	(22 743)
Information Technology		(12 459)	(11 540)
Insurance		(7 752)	(3 792)
Lease rentals on operating lease		(106 334)	(96 542)
Legal expenses		(1 381)	(2 000)
Motor vehicle expenses		(3 468)	(2 614)
Printing and stationery		(1 522)	(2 771)
Repairs and maintenance		(7 931)	(8 085)
Security		(22 622)	(20 900)
Subscriptions		(536)	(473)
Telephone and fax		(13 126)	(14 592)
Travel - local and overseas		(1 133)	(1 518)
		(2 489 521)	(2 130 584)