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Johannesburg City Parks NPC  
(Registration number 2000/028782/08)  
Financial statements  
for the year ended 30 June 2013

The Auditor - General of South Africa

# Johannesburg City Parks NPC

(Registration number 2000/028782/08)

Financial Statements for the year ended 30 June 2013

## General Information

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<b>COUNTRY OF INCORPORATION AND DOMICILE</b>	South Africa
<b>LEGAL FORM OF ENTITY</b>	Municipal Entity
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	The company is a municipal entity and has been appointed as the greening, conservation and cemetery management agency for the City of Johannesburg Metropolitan Municipality. The company's mandate is to provide and manage parks, open spaces, environmental conservation services and cemeteries. During the period under review, the company was merged with Johannesburg Zoo whose mandate is the preservation and management of biodiversity through direct conservation action, education, research and recreation. The operating results and state of affairs of the company are fully set out in the attached financial statements.
<b>CHIEF FINANCE OFFICER (CFO)</b>	Clements R
<b>DIRECTORS</b>	Madumise MB* (Chairperson) Bogatsu SR* Clements R (Chief Financial Officer) Dolamo AM* Gordhan YN* Karim GH* Makgonye MJ* Mashanda TN* Nelana B (Managing Director) Simelane MJ* *Non-executive
<b>REGISTERED OFFICE</b>	40 De Korte Street Braamfontein 2017
<b>BUSINESS ADDRESS</b>	40 De Korte Street Braamfontein 2017
<b>POSTAL ADDRESS</b>	P O Box 2824 Johannesburg 2000
<b>CONTROLLING ENTITY</b>	City of Johannesburg Metropolitan Municipality incorporated in South Africa
<b>BANKERS</b>	ABSA Limited Standard Bank of South Africa Limited
<b>AUDITORS</b>	The Auditor - General of South Africa
<b>SECRETARY</b>	NA Shongwe
<b>COMPANY REGISTRATION NUMBER</b>	2000/028782/08
<b>ATTORNEYS</b>	Mncedisi Ndlovu & Sedumedi Attorneys Inc. Moodie & Robertson

# Johannesburg City Parks NPC

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### ABBREVIATIONS

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
CJMM	City of Johannesburg Metropolitan Municipality

# Johannesburg City Parks NPC

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## Directors' Responsibilities and Approval

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The directors are required by the Municipal Finance Management Act (Act 56 of 2003) and the Companies Act (Act 71 of 2008), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.


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

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

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

The financial statements are set out on pages 5 to 77.

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# Johannesburg City Parks NPC

(Registration number 2000/028782/08)

Financial Statements for the year ended 30 June 2013

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2013. The report is presented as recommended by the King III Report on Corporate Governance. We perform our functions in accordance with section 94(7)(f) of the MFMA and the Companies Act 71 of 2008.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 5 meetings were held.

Name of member	Number of meetings attended
Bogatsu SR* (Appointed 11 March 2013)	1
Dolamo AM* (Chairperson)	5
Dunnington GC"	3
H Moolla" (Appointed 11 March 2013)	1
Govender K"	5
Kanana A" (Retired 11 March 2013)	3
Mokhobo DR (Chairperson)* (Retired 11 March 2013)	3
* non executive director	" Independent audit committee member

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

### The effectiveness of internal control

The review of the quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

### Evaluation of financial statements

The audit committee has:

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

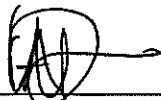
The audit committee concurs with and accepts the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

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

### Assessment of financial function

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



Chairperson of the Audit Committee

Date:

25/11/2013

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Director's Report

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The directors submit their report for the year ended 30 June 2013.

### 1. Incorporation

The entity was incorporated on 15 November 2000 and obtained its certificate to commence business on the same day.

### 2. Review of activities

#### Main business and operations

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

### 3. Going concern

We draw attention to the fact that at 30 June 2013, the entity had accumulated surpluses of R 104 196 000 (2012: R 96 061 000) and that the entity's total assets exceed its liabilities by R 134 154 000 (2012: R 124 159 000).

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

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

### 4. Transfer of entities under common control

The CJMM has approved that the Johannesburg Zoo be transferred to the entity. The transfer of functions was effective from 01 January 2013.

### 5. Directors' personal financial interest in contracts

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

### 6. Accounting policies

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

### 7. Shareholder's loan on incorporation

There were no changes to this loan during the year under review.

### 8. Non-current assets

The company acquired assets with a carrying value of R20 398 000 on acquisition of the Johannesburg Zoo in terms of agreement.

The company acquired minor plant at a cost of R1 482 000 (2012: R2 873 000).

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Director's Report

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### 9. Hawks investigation

A Hawks investigation was conducted in the year 2010/11 and a report was presented to the Board in December 2011. This resulted in the formation of a Special Board Committee which is mandated by the Board to interrogate the allegations contained in the report as well as to gather additional information to substantiate the allegations where necessary and give recommendations to the Board.

### 10. Directors

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

Name	Nationality	Changes
Bogatsu SR*	South African	
Clements R (Chief Financial Officer)	South African	
Diaho M*	South African	Resigned 11 March 2013
Dolamo AM*	South African	
Gordhan YN*	South African	Appointed 11 March 2013
Karim GH*	South African	
Madumise MB* (Chairperson)	South African	
Makgonye MJ*	South African	Appointed 11 March 2013
Mashanda TN*	South African	Appointed 11 March 2013
Mokhobo DR*	South African	Resigned 11 March 2013
Nelana B (Managing Director)	South African	Appointed 11 March 2013
Rawat R*	South African	Resigned 11 March 2013
Simelane MJ*	South African	
Westgate DA*	South African	Resigned 11 March 2013

\*Non-executive

### 11. Corporate governance

#### General

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

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

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

#### Board of directors

The board:

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

#### Chairperson and managing director

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

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

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Financial Statements for the year ended 30 June 2013

## Director's Report

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### Remuneration

The upper limits of the remuneration of the managing director, is determined by the controlling entity, and the directors determine the remuneration within this limits.

### Directors meetings

The directors met on 7 separate occasions during the financial year under review. The directors planned to meet at least 4 times per annum.

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

Name	Board meeting	Audit Committee meeting	Social and Ethics Committee meeting	Operations Committee meeting	Human Resources Committee meeting
Total number of meetings held	7	5	1	2	3
Madumise MB* (Chairperson)	6		1		3
Bogatsu SR*	7	1		1	2
Bulmuko Nelana (Managing Director)	4	1	1	1	1
Clements R	7	5	1	2	2
Dolamo AM*	7	5			1
Diaho M*	2				
Gordan YM*	3		1		1
KarimGH*	7			2	
Makgonye MJ*	3		1	1	
Mashanda TN*			1		1
Mokhobo DR*	3	3			
Rawat R*	4				2
Simelane MJ*	6			2	
Westgate DA*	3			1	
	-	-	-	-	-

### Audit committee

For the current financial year the chairperson of the audit committee was Mr DR Mokhobo until 11 March 2013. Thereafter Ms AM Dolamo was appointed as the chairperson of the audit committee. Both are/were a non-executive directors. The committee met 5 times during the financial year to review matters necessary to fulfil its role.

### 12. Controlling entity

The entity's controlling entity is City of Johannesburg Metropolitan Municipality.

### 13. Bankers

ABSA Limited

Standard Bank of South Africa Limited

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

### 14. Auditors

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

# Johannesburg City Parks NPC

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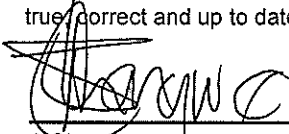
Financial Statements for the year ended 30 June 2013

## Company Secretary's Certification

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### Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



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A Shengwe  
Company Secretary

Place of Signature

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand thousand	Note(s)	2013	Restated 2012
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	4	1 815	3 274
Loans to shareholders	5	222 820	210 174
Receivables from exchange transactions	6	137 209	83 500
VAT receivable	7	5 268	7 646
Cash and cash equivalents	9	510	77
		<b>367 622</b>	<b>304 671</b>
<b>Non-Current Assets</b>			
Zoo animals	10	16 872	-
Property, plant and equipment	11	60 628	56 082
Intangible assets	12	2 881	3 704
Loans to shareholders	5	64 138	65 952
		<b>144 519</b>	<b>125 738</b>
Non-Current Assets		144 519	125 738
Current Assets		367 622	304 671
<b>Total Assets</b>		<b>512 141</b>	<b>430 409</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	13	7 443	3 740
Payables from exchange transactions	14	233 679	191 269
VAT payable	15	5 130	8 330
Provisions	16	21 546	16 662
		<b>267 798</b>	<b>220 001</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	13	13 900	12 964
Retirement benefit obligation	8	96 405	73 285
		<b>110 305</b>	<b>86 249</b>
Non-Current Liabilities		110 305	86 249
Current Liabilities		267 798	220 001
<b>Total Liabilities</b>		<b>378 103</b>	<b>306 250</b>
Assets		512 141	430 409
Liabilities		(378 103)	(306 250)
<b>Net Assets</b>		<b>134 038</b>	<b>124 159</b>
Shareholder's loan on incorporation	17	29 958	28 098
Accumulated surplus		104 080	96 061
<b>Total Net Assets</b>		<b>134 038</b>	<b>124 159</b>

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand thousand	Note	2013	Restated 2012
<b>Revenue</b>			
Sale of horticultural products		97	-
Rental facilities and equipment		2 237	1 717
Cemetery fees		19 555	19 055
External services		34 556	39 142
Other revenue - exchange		7 712	5 782
Interest received - investment		18 838	15 747
Government grants & subsidies	19	505 516	457 182
Other revenue - Non-exchange		1 438	4 653
Fair value adjustments		(2 805)	(2 723)
<b>Total revenue</b>		<b>587 144</b>	<b>540 555</b>
<b>Expenditure</b>			
Employee related costs	22	(399 496)	(330 837)
Depreciation and amortisation	25	(15 355)	(13 229)
Finance costs	26	(8 347)	(6 713)
Debt impairment	23	(2 173)	(23 299)
Repairs and maintenance		(11 853)	(16 733)
General expenses	21	(149 326)	(171 233)
<b>Total expenditure</b>		<b>(586 550)</b>	<b>(562 044)</b>
Total revenue		587 144	540 555
Total expenditure		(586 550)	(562 044)
<b>Operating surplus (deficit)</b>		<b>594</b>	<b>(21 489)</b>
(Loss) gain on disposal of assets and liabilities		(47)	430
Actuarial (losses)/gains from employee benefit obligations		-	(2 005)
		<b>(47)</b>	<b>(1 575)</b>
Surplus (deficit) before taxation		547	(23 064)
<b>Surplus (deficit) for the year</b>		<b>547</b>	<b>(23 064)</b>
<b>Attributable to:</b>			
Owners of the controlling entity		547	(23 064)

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## Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Shareholder's loan	Accumulated surplus	Total equity
<b>Balance at 01 July 2011</b>		<b>28 098</b>	<b>119 125</b>	<b>147 223</b>
Changes in net assets				
Deficit for the year		-	(23 064)	(23 064)
Total changes		-	(23 064)	(23 064)
<b>Balance at 01 July 2012</b>		<b>28 098</b>	<b>96 061</b>	<b>124 159</b>
Changes in net assets				
Surplus for the year		-	547	547
Net assets of Zoo at 31 December 2012		1 860	7 472	9 332
Total changes		1 860	8 019	9 879
<b>Balance at 30 June 2013</b>		<b>29 958</b>	<b>104 080</b>	<b>134 038</b>

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## Statement of Cash Flows

Figures in Rand thousand	Note	2013	Restated 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Rendering of services		94 302	87 436
Municipal subsidy		505 516	457 182
Interest income		18 838	15 747
		<u>618 656</u>	<u>560 365</u>
<b>Payments</b>			
Employee costs		(399 496)	(337 456)
Suppliers		(168 188)	(219 112)
Finance costs		(6 615)	(6 041)
		<u>(574 299)</u>	<u>(562 609)</u>
Total receipts		618 656	560 365
Total payments		(574 299)	(562 609)
<b>Net cash flows from operating activities</b>	28	<u><b>44 357</b></u>	<u><b>(2 244)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	11	(18 261)	(8 246)
Proceeds from sale of property, plant and equipment	11	211	507
Purchase of other intangible assets	12	(1 077)	(1 048)
Purchase of zoo animals	10	(16 872)	-
Shareholder's loan (advanced)/repaid		(10 832)	(1 570)
		<u>(46 831)</u>	<u>(10 357)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement in retirement benefit obligations		-	1 061
Finance lease capital receipts (payments)		2 907	14 629
		<u>2 907</u>	<u>12 624</u>
<b>Net cash flows from financing activities</b>		<u><b>2 907</b></u>	<u><b>12 624</b></u>
<b>Net increase in cash and cash equivalents</b>		<b>433</b>	<b>23</b>
Cash and cash equivalents at the beginning of the year		<u>77</u>	<u>54</u>
<b>Cash and cash equivalents at the end of the year</b>	9	<u><b>510</b></u>	<u><b>77</b></u>

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2013</b>											
<b>Financial Performance</b>											
Investment revenue	19 998	(925)	19 073	-	-	19 073	18 838	(235)		99 %	94 %
Transfers recognised - operational	510 462	(4 946)	505 516	-	-	505 516	505 516	-		100 %	99 %
Other own revenue	135 638	(56 450)	79 188	-	-	79 188	62 790	(16 398)		79 %	46 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>666 098</b>	<b>(62 321)</b>	<b>603 777</b>	<b>-</b>	<b>-</b>	<b>603 777</b>	<b>587 144</b>	<b>(16 633)</b>		<b>97 %</b>	<b>88 %</b>
Employee costs	(377 930)	2 090	(375 840)	-	-	(375 840)	(399 496)	-	(23 656)	106 %	106 %
Debt impairment	(48)	-	(48)	-	-	(48)	(2 173)	-	(2 125)	4 527 %	4 527 %
Depreciation and asset impairment	(10 456)	(3 000)	(13 456)	-	-	(13 456)	(15 355)	-	(1 899)	114 %	147 %
Finance charges	(7 795)	-	(7 795)	-	-	(7 795)	(8 347)	-	(552)	107 %	107 %
Other expenditure	(269 869)	63 231	(206 638)	-	-	(206 638)	(161 226)	-	45 412	78 %	60 %
<b>Total expenditure</b>	<b>(666 098)</b>	<b>62 321</b>	<b>(603 777)</b>	<b>-</b>	<b>-</b>	<b>(603 777)</b>	<b>(586 597)</b>	<b>-</b>	<b>17 180</b>	<b>97 %</b>	<b>88 %</b>
Total revenue (excluding capital transfers and contributions)	666 098	(62 321)	603 777	-	-	603 777	587 144	-	(16 633)	97 %	88 %
Total expenditure	(666 098)	62 321	(603 777)	-	-	(603 777)	(586 597)	-	17 180	97 %	88 %
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>547</b>	<b>-</b>	<b>547</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Surplus/(Deficit)	-	-	-	-	-	-	547	-	547	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	-	-	-	-	-	-	547	-	547	DIV/0 %	DIV/0 %
<b>Surplus/(Deficit) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>547</b>	<b>-</b>	<b>547</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Appropriation Statement

Figures in Rand thousand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2012</b>				
<b>Financial Performance</b>				
Investment revenue				15 747
Transfers recognised - operational				457 182
Other own revenue				68 056
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>540 985</b>
Employee costs	-	-	-	(330 837)
Debt impairment	-	-	-	(23 299)
Depreciation and asset impairment	-	-	-	(13 229)
Finance charges	-	-	-	(6 713)
Other expenditure	-	-	-	(189 971)
<b>Total expenditure</b>	-	-	-	<b>(564 049)</b>
Total revenue (excluding capital transfers and contributions)	-	-	-	540 985
Total expenditure	-	-	-	(564 049)
<b>Surplus/(Deficit)</b>				<b>(23 064)</b>
Surplus/(Deficit)	-	-	-	(23 064)
Surplus (Deficit) after capital transfers and contributions	-	-	-	(23 064)
<b>Surplus/(Deficit) for the year</b>				<b>(23 064)</b>

# Johannesburg City Parks NPC

(Registration number 2000/028782/08)

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1. Presentation of Financial Statements

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

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

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

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

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

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

##### Trade receivables

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

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

##### Impairment testing

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

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

##### Provisions

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

##### Post retirement benefits

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

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

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### 1.1 Transfer of functions between entities under common control (continued)

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

#### Effective interest rate

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

#### Allowance for doubtful debts

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

### 1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Depreciation begins when the assets are available for use and ceases at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognised.

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

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

Items of Zoo animals are recognised as assets when it is probable that:

- . the company controls the asset as a result of past events;
- . it is probable that future economic benefits or service potential associated with the asset will flow to the company; and
- . the fair value or cost of the asset can be measured reliably.

Animals are accounted for in terms of GRAP 17. The majority of animals are received as donations and transfers from other similar institutions for no consideration or from procreation. These assets are recorded at a deemed cost, and are depreciated accordingly.

Market determined prices or values are not available for certain animals due to lack of market because they are not commodities, as well as restrictions on trade of exotic animals which precludes the determination of a fair value.

The Johannesburg Zoo also acquires animals through supply chain processes and this newly acquired animals are carried at cost less accumulated depreciation and any impairment losses. the offspring of newly acquired animals shall be recorded at a deemed cost and will also be depreciated accordingly.

The useful lives of items of property, plant and equipment have been assessed as follows. The useful lives are reviewed annually.

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

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

#### Zoo animals

• Amphibia	4 - 16years
• Arachnida	2 - 20 years
• Aves	4 - 64 years
• Mammalia	6 - 64 years
• Pisces	1 - 35 years
• Reptilia	7 - 80 years
• Insecta	4 years
Motor vehicles	5 years

### 1.3 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Computer software	3 years

### 1.4 Financial instruments

#### Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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### 1.4 Financial instruments (continued)

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

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

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

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

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

#### Initial recognition and measurement

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

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

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

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

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

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

#### Subsequent measurement

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

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

#### Fair value determination

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

#### Impairment of financial assets

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

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

Impairment losses are recognised in surplus or deficit.

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### 1.4 Financial instruments (continued)

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

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

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

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

#### Loans to (from) economic entities

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

Loans to economic entities are classified as loans and receivables.

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

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## Accounting Policies

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### 1.4 Financial instruments (continued)

#### Receivables from exchange transactions

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

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

Trade and other receivables are classified as loans and receivables.

#### Payables from exchange transactions

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

#### Bank overdraft and borrowings

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

#### Financial liabilities and equity instruments

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

#### Gains and losses

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

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

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### 1.4 Financial instruments (continued)

#### Derecognition

##### Financial assets

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

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

Financial assets are derecognised using trade settlement date accounting.

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

##### Financial liabilities

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

### 1.5 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

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

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

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

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

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### 1.5 Leases (continued)

#### Operating leases - lessee

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

### 1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

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

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

### 1.7 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

#### Identification

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

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

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

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use the entity:

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Cash-generating units

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

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

#### Reversal of impairment loss

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

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

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## Accounting Policies

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

### 1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the entity to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

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

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

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

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

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

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

### 1.9 Shareholder's loan on incorporation

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

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

### 1.10 Employee benefits

#### Short-term employee benefits

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

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

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

#### Defined contribution plans

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

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

#### Defined benefit plans

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

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

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

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

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

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### 1.10 Employee benefits (continued)

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

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

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

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

#### Other post retirement obligations

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

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

### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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## Accounting Policies

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### 1.11 Provisions and contingencies (continued)

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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### 1.12 Revenue from exchange transactions

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

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

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

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

#### Measurement

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

#### Rendering of services

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

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

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

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

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

#### Interest, royalties and dividends

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

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

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

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

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

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

### 1.13 Revenue from non-exchange transactions

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

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## Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

#### Recognition

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

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

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

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

#### Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

#### Services in-kind

Services in-kind are not recognised.

### 1.14 Cost of sales

When inventories are sold, exchanged or distributed the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. If there is related revenue, the expense is recognised when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all deficits of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

### 1.15 Investment income

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

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## Accounting Policies

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### 1.16 Borrowing costs

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

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

### 1.17 Comparative figures

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

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.19 Fruitless and wasteful expenditure

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

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

### 1.20 Irregular expenditure

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

### 1.21 Offsetting

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

### 1.22 Gratuities

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

### 1.23 Conditional grants and receipts

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

### 1.24 Budget information

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

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## Accounting Policies

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### 1.24 Budget information (continued)

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012-07-01 to 2013-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the financial statements. Refer to note 38 & 42.

### 1.25 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

### 1.26 Foreign exchange gains and losses

#### Initial measurement

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

#### Subsequent measurement

##### Subsequent Treatment of Monetary Items:

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

##### Subsequent Treatment of Non-Monetary Items:

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

#### Recognition of Foreign Exchange Differences

Foreign exchange gains and losses arising from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange rate component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the Statement of Financial Performance, any exchange rate component of that gain or loss shall also be recognised in the Statement of Financial Performance.

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## Accounting Policies

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### 1.27 Transfer of functions between entities under common control

#### Definitions

An acquirer is the entity that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

A transferor is the entity that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

#### Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which entity to the transaction or event is the transferor(s) and which entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which entity is the acquirer and which entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

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## Accounting Policies

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### 1.27 Transfer of functions between entities under common control (continued)

#### Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

#### Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

#### Determining what is part of the transfer of functions transaction

Where the entity and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction
- the timing of the transaction

#### Effective settlement of a pre-existing relationship between the entity (as acquirer) and transferor in a transfer of functions

A pre-existing relationship between the entity (as acquirer) and the transferor may be contractual or non-contractual. If a transfer of functions in effect settles a pre-existing relationship, the entity (as acquirer) recognises a gain or loss, measured as follows:

- for a pre-existing non-contractual relationship, fair value.
- for a pre-existing contractual relationship, the lesser of the following:
  - the amount by which the binding arrangement is favourable or unfavourable from the perspective of the entity (as acquirer) when compared with terms for current market transactions for the same or similar items.
  - the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If the latter is less, the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the entity (as acquirer) had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

#### Other criteria for the entity (as acquirer)

The assets acquired and liabilities assumed that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the transfer date.

Costs that the entity expects, but which it is not obliged to incur in the future to effect its plan to exit an activity of the transferor or to terminate the employment of, or relocate the transferor's employees, is not accounted for as part of the liabilities at the transfer date. The entity does not recognise those costs as part of a transfer of functions. Instead, the entity recognises these costs in its financial statements after the transfer has occurred, in accordance with the applicable Standards of GRAP.

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.27 Transfer of functions between entities under common control (continued)

#### Accounting by the entity as acquirer

##### Initial recognition and measurement

As of the transfer date, the entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the entity de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

##### Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the entity reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the entity retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The entity considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The entity recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the entity recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the entity revises comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the entity revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

### 1.28 VAT

#### VAT receivable and payable

To the extent that VAT input receivable exceeds VAT output payable, the amount is recognised as a receivable (asset) in the statement of financial position. If the VAT output payable exceeds VAT input receivable the amount is recognised as a payable (liability).

VAT liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.29 Use of estimates

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

### 1.30 Presentation of currency

These financial statements are presented in South African Rand.

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

### 2. General - new Companies Act

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

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

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

# Johannesburg City Parks NPC

(Registration number 2000/028782/08)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand thousand

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### 3. New standards and interpretations

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

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

##### **GRAP 103: Heritage Assets**

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

A heritage asset should be recognised as an asset only if:

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

The standard requires judgement in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Where the entity holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the notes to the financial statements.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, the entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 states that a heritage asset should not be depreciated, but the entity should assess at each reporting date whether there is an indication that it may be impaired.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the municipality applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- . on 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 a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 32 Changes in accounting policy

#### **GRAP 21: Impairment of Non cash generating Assets**

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

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand thousand

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### 3. New standards and interpretations (continued)

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

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

The present value of the remaining service potential of a non cash generating asset is determined using one of the following approaches:

- . Depreciated replacement cost approach;
- . Restoration cost approach; or
- . Service units approach.

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 32 Change in accounting policy

### GRAP 26: Impairment of Cash generating Assets

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

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

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

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

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

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

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

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand thousand

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### 3. New standards and interpretations (continued)

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 32 Changes in Accounting Policy.

#### GRAP 104: Financial Instruments

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

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

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

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

Short term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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

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

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non derivative host contract;

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

- . held for trading;
- . a non derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- . an investment in a residual interest for which fair value can be measured reliably; and
- . other instruments that do not meet the definition of financial instruments at amortised cost or cost.

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

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

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

#### 3.2 Standards and Interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations:

##### **GRAP 1 (as revised 2012): Presentation of Financial Statements**

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The entity has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

##### **GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors**

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The entity has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

##### **GRAP 7 (as revised 2012): Investments in Associates**

Amendments were made to definitions. A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The entity has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

##### **GRAP 9 (as revised 2012): Revenue from Exchange Transactions**

Amendments were made to the scope and definitions.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The entity has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

##### **GRAP 12 (as revised 2012): Inventories**

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

Amendments were made to measurement after recognition.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The entity has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 13 (as revised 2012): Leases**

Amendments were made to disclosures.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 16 (as revised 2012): Investment Property**

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 17 (as revised 2012): Property, Plant and Equipment**

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The entity has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 27 (as revised 2012): Agriculture (replaces GRAP 101)**

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

# Johannesburg City Parks NPC

(Registration number 2000/028782/08)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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Figures in Rand thousand

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### 3. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2013.

The entity has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

#### **GRAP 31 (as revised 2012): Intangible Assets (replaces GRAP 102)**

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

Changes made comprise three areas that can be summarised as follows:

- . consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31;
- . the deletion of guidance and examples from interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102; and
- . changes to ensure consistency between the Standards of GRAP, or to clarify existing principles.

All amendments are to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The entity has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

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

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the entity to recognise:

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

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

- . short term employee benefits;
  - all short term employee benefits;
  - short term compensated absences;
  - bonus, incentive and performance related payments;
- . post employment benefits: defined contribution plans;
- . other long term employee benefits; and
- . termination benefits.

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The entity expects to adopt the standard for the first time in the 2014 annual financial statements.

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

#### GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between entities under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

Although not yet effective, the entity has adopted the principles of GRAP 105.

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

#### GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

#### GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, no acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

#### GRAP 20: Related Parties

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

The entity (in this standard referred to as the reporting entity) shall apply this standard in:

- . identifying related party relationships and transactions;
- . identifying outstanding balances, including commitments, between the municipality and its related parties;
- . identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- . determining the disclosures to be made about those items.

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## Notes to the Financial Statements

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Figures in Rand thousand

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### 3. New standards and interpretations (continued)

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard sets out the requirements, inter alia, for the disclosure of:

- . control;
- . related party transactions; and
- . remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

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## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

#### 3.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

##### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the entity within a particular region.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the annual financial statements.

##### **IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue**

This interpretation of the Standards of GRAP now addresses the manner in which the entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and

(b) non exchange revenue in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 annual financial statements.

The impact of this interpretation is currently being assessed.

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## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
<b>4. Inventories</b>		
Vet supplies	93	-
Consumable stores	742	619
Food and Beverage	156	3
Tree inventory	790	2 652
Fuel	23	-
Cleaning materials	11	-
	<u>1 815</u>	<u>3 274</u>
<b>5. Loans to shareholder</b>		
City of Johannesburg Metropolitan Municipality - Notional loans - see below The above loans are unsecured and have no fixed terms of repayment. They bear interest at rates determined annually by actuarial valuations, based on market yields of government bonds. The current interest rate is 8.6% per annum.	64 138	65 952
Sweeping account The above loan is unsecured and has no fixed terms of repayment. The loan bears interest at rates determined from time to time by the City of Johannesburg Treasury, based on average call rates of banks.	222 820	210 174
	<u>286 958</u>	<u>276 126</u>
There was no default during the period of principal, interest, sinking fund or redemption terms of loans receivable.		
There was no renegotiation of the terms of the loans during the period under review.		
The loans to shareholder are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.		
Non-current assets	64 138	65 952
Current assets	222 820	210 174
	<u>286 958</u>	<u>276 126</u>
<b>Fair value of loans to shareholder</b>		
Loans to shareholder	286 957	276 126
<b>Notional loans</b>		
Loans at beginning of the year	65 952	66 832
Receipts	(5 171)	(4 386)
Interest	3 356	3 506
	<u>64 137</u>	<u>65 952</u>

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

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## Notes to the Financial Statements

Figures in Rand thousand

### 5. Loans to shareholder (continued)

#### Sweeping account

Loans at beginning of the year	210 174	207 724
Loan repaid by shareholder	(13 141)	(597 207)
Additional loan to shareholder	-	588 129
Interest received	12 743	11 528
Zoo sweeping account	13 044	-
	<u>222 820</u>	<u>210 174</u>

### 6. Receivables from exchange transactions

Allowance for bad debts	(30 875)	(30 411)
Fair value adjustment of debtors	(2 867)	(2 726)
Fuel deposits	202	182
Prepayments	3 400	-
Related party debtors	135 761	85 725
Trade debtors	31 588	30 730
	<u>137 209</u>	<u>83 500</u>

#### Trade and other receivables pledged as security

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

#### Credit quality of trade and other receivables

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

Revenue within the cemetery fee environment is recognised on a cash basis, as the economic benefit of the service passes when the funds have been received. Returned cheques within this environment result in the blacklisting of the undertaker concerned. Revenue within the external services environment is exclusively with government, including group companies.

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

Trade and other receivables are non-interest bearing and are generally repayable between 1 and 3 months.

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

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

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

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 467 (2012: R 3 847) were past due but not impaired.

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

3 months past due	389	418
6 months past due	78	3 429

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## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 6. Receivables from exchange transactions (continued)

#### Trade and other receivables impaired

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

Blink Dance Studios	-	42
CJMM	52	250
City Power	-	739
Unisa	-	(2)
Overpayments to retired employees	-	33
	<u>52</u>	<u>1 062</u>

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	30 406	10 963
Provision for impairment	15 080	29 976
Amounts written off as uncollectible	(595)	-
Reversed during the year	(14 080)	(10 533)
	<u>30 811</u>	<u>30 406</u>

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

### 7. VAT receivable

VAT	<u>5 268</u>	<u>7 646</u>
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VAT receivable represents a net input tax amount receivable from SARS.

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 8. Employee benefit obligations

#### 8.1 Defined benefit plan

##### Post-retirement liability

Post-retirement medical aid plan	(12 129)	(10 192)
Post-retirement housing subsidy plan	(271)	(13)
Retirement gratuity plan	(84 005)	(63 080)
	<u>(96 405)</u>	<u>(73 285)</u>

##### 8.1.1 Post retirement medical aid plan

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

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

##### Movements for the year

Opening balance	10 192	12 512
Benefits paid	(608)	(442)
Acquired on acquisition of Zoo	778	-
Net expense recognised in the statement of financial performance	1 767	(1 878)
	<u>12 129</u>	<u>10 192</u>

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

Current service cost	60	84
Interest cost	938	1 075
Actuarial (gains) losses	769	(3 037)
	<u>1 767</u>	<u>(1 878)</u>

##### Notional loan account

Opening balance	19 719	18 717
Interest received	1 004	1 002
<b>Balance at end of year</b>	<u>20 723</u>	<u>19 719</u>

##### Key assumptions used

Assumptions used on last valuation on 31 July 2013 done by independent actuarial consultants.

Discount rates used	7,89 %	8,60 %
Expected rate of return on assets	7,89 %	8,60 %
Expected increase in salaries	6,67 %	6,70 %

# Johannesburg City Parks NPC

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 8. Employee benefit obligations (continued)

#### 8.1.2 Post retirement housing subsidy plan

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

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

#### Movements for the year

Opening balance	13	26
Acquired on acquisition of Zoo	258	-
Net expense recognised in the statement of financial performance	-	(13)
	<u>271</u>	<u>13</u>

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

Current service cost	11	1
Interest cost	23	2
Actuarial (gains) losses	(34)	(16)
	<u>-</u>	<u>(13)</u>

#### Key assumptions used

Assumptions used on last valuation on 31 July 2013 done by independent actuarial consultants.

Discount rates used	7,89 %	8,60 %
Expected rate of return on assets	7,89 %	8,60 %
Expected increase in salaries	6,67 %	6,70 %

#### 8.1.3 Post retirement gratuity plan

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

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

# Johannesburg City Parks NPC

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## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
<b>8. Employee benefit obligations (continued)</b>		
<b>Movements for the year</b>		
Opening balance	63 080	57 681
Benefits paid	(5 171)	(4 614)
Acquired on acquisition of Zoo	4 604	-
Net expense recognised in the statement of financial performance	21 492	10 013
	<b>84 005</b>	<b>63 080</b>
<b>Net expense recognised in the statement of financial performance</b>		
Interest cost	5 788	4 955
Actuarial (gains) losses	15 704	5 058
	<b>21 492</b>	<b>10 013</b>
<b>Notional loan account</b>		
Opening balance	46 232	48 116
Interest received	2 353	2 502
Payments against account	(5 171)	(4 386)
<b>Balance at end of year</b>	<b>43 414</b>	<b>46 232</b>
<b>Key assumptions used</b>		
Assumptions used on last valuation on 31 July 2013 done by independent actuarial consultants .		
Discount rates used	7,89 %	8,60 %
Expected rate of return on assets	7,89 %	8,60 %
Expected increase in salaries	6,67 %	6,70 %

### 8.2 Defined contribution plan

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

The total economic entity contribution to such schemes	40 133	20 997
The amount recognised as an expense for defined contribution plans is	40 133	20 997

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

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## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 8. Employee benefit obligations (continued)

#### Defined contribution funds

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

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

#### Defined benefits funds

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

#### Hybrid funds

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund

Management, as a result of insufficient information of the multi-employer plans being available, could not determine the appropriate share of the obligation, plan assets and associated costs of any of the defined benefits funds. Accordingly, all funds have been accounted for using a defined-contribution basis at the municipal entity level.

However, full-defined benefit accounting has been applied at the group level in the accounts of the Group for the City of Johannesburg Pension Fund, Johannesburg Municipal Pension Fund, South African Local Authorities Pension Fund and Soweto City Council Pension Fund. The City of Johannesburg Metropolitan Municipality has undertaken to carry all pension obligations up to 30 June 2013.

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

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty and POS cash	237	77
Bank balances	273	-
	<u>510</u>	<u>77</u>

No cash and cash equivalents were pledged as security.

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## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 9. Cash and cash equivalents (continued)

The entity had the following ABSA Limited and Standard Bank of South Africa Limited bank accounts

Cheque account number	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
4054428422	96	-	-	96	(60)	(32 553)
4054428391	-	-	-	-	-	1
4068745070	(1)	-	-	(1)	-	-
4075909673	180	-	-	180	-	-
000197092	(2)	-	-	(2)	-	-
000197122	-	-	-	(589)	-	-
<b>Total</b>	<b>273</b>	<b>-</b>	<b>-</b>	<b>(316)</b>	<b>(60)</b>	<b>(32 552)</b>

### 10. Zoo animals

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	18 824	(1 952)	16 872	-	-	-

#### Reconciliation of zoo animals - 2013

	Opening balance	Acquired on acquisition of Zoo	Total
Zoo animals	-	16 872	16 872

#### Non - Financial information

##### Quantities of each zoo animal

Amphibia	249	-
Arachnida	12	-
Aves	586	-
Pisces	99	-
Reptilia	188	-
Mamalia	721	-
<b>Total</b>	<b>1 855</b>	<b>-</b>

### 11. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	27 551	(3 801)	23 750	25 293	(3 027)	22 266
Finance lease assets - office equipment	5 591	(5 015)	576	3 139	(2 040)	1 099
IT equipment	14 225	(12 237)	1 988	11 274	(10 207)	1 067
Leasehold improvements	6 076	(3 041)	3 035	6 051	(1 994)	4 057
Minor plant	30 496	(23 674)	6 822	27 816	(20 189)	7 627
Motor vehicles	3 531	(2 033)	1 498	-	-	-
Office equipment	12 624	(9 575)	3 049	9 724	(6 712)	3 012
Finance lease asset - fleet	23 841	(5 245)	18 596	16 738	(1 305)	15 433
Park facilities	554	(554)	-	554	(554)	-
Spare parts	1 314	-	1 314	1 521	-	1 521
<b>Total</b>	<b>125 803</b>	<b>(65 175)</b>	<b>60 628</b>	<b>102 110</b>	<b>(46 028)</b>	<b>56 082</b>

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## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Acquired on acquisition of Zoo	Disposals	Depreciation	Total
Land and buildings	22 266	2 257	-	-	(773)	23 750
Finance lease assets - office equipment	1 099	-	454	-	(977)	576
IT equipment	1 067	2 392	20	(25)	(1 466)	1 988
Leasehold improvements	4 057	25	-	-	(1 047)	3 035
Minor plant	7 627	1 482	832	(15)	(3 104)	6 822
Motor vehicles	-	-	1 498	-	-	1 498
Office equipment	3 012	1 776	422	(11)	(2 150)	3 049
Finance lease assets - fleet	15 433	7 103	-	-	(3 940)	18 596
Spare parts	1 521	-	-	(207)	-	1 314
	<b>56 082</b>	<b>15 035</b>	<b>3 226</b>	<b>(258)</b>	<b>(13 457)</b>	<b>60 628</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Reclassification of lease	Depreciation	Total
Land and buildings	23 025	9	-	-	(768)	22 266
Finance lease assets - office equipment	1 509	448	-	-	(858)	1 099
IT equipment	1 516	1 290	(60)	-	(1 679)	1 067
Leasehold improvements	2 865	2 053	-	-	(861)	4 057
Minor plant	9 098	2 873	(15)	-	(4 329)	7 627
Office equipment	2 823	1 413	(2)	-	(1 222)	3 012
Finance lease asset - fleet	-	-	-	16 738	(1 305)	15 433
Park facilities	(1)	-	-	-	1	-
Spare parts	1 361	160	-	-	-	1 521
	<b>42 196</b>	<b>8 246</b>	<b>(77)</b>	<b>16 738</b>	<b>(11 021)</b>	<b>56 082</b>

#### Pledged as security

None of the company's assets are pledged as security except for finance lease assets with a carrying value of R576 (2012: R1099).

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

#### Assets subject to lease (Net carrying amount)

Leasehold improvements	3 035	4 057
Finance lease assets - office furniture and equipment	576	1 099
Finance lease asset - fleet	18 596	15 433
	<b>22 207</b>	<b>20 589</b>

#### Details of properties

Land and buildings comprise of property situated at 40 De Korte Street, in the township of Braamfontein, Johannesburg, Registration Division I.R, The Province of Gauteng; measuring in the extent of 995 square metres, and held by deed of transfer No. T 043009/07. The property was purchased at a consideration of R12 882 000 and was transferred into the name of Johannesburg City Parks on 2007/08/06. The market value of the property as determined by an independent valuer, was R21 928 000 at 04 July 2013.

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

There was no impairment of property, plant and equipment during the financial year under review, (2012: Nil).

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

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Figures in Rand thousand 2013 2012

### 12. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	15 905	(13 024)	2 881	14 510	(10 806)	3 704

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Acquired on acquisition of Zoo	Amortisation	Total
Computer software	3 704	777	300	(1 900)	2 881

#### Reconciliation of intangible assets - 2012

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

#### Pledged as security

No intangible assets were pledged as security.

### 13. Finance lease obligation

#### Minimum lease payments due

- within one year	7 443	3 900
- in second to fifth year inclusive	17 126	15 206
- later than five years	1 448	-
	<u>26 017</u>	<u>19 106</u>
less: future finance charges	(4 673)	(2 402)
<b>Present value of minimum lease payments</b>	<b><u>21 344</u></b>	<b><u>16 704</u></b>

#### Present value of minimum lease payments due

- within one year	5 586	3 740
- in second to fifth year inclusive	14 228	12 964
- later than five years	1 530	-
	<u>21 344</u>	<u>16 704</u>
Non-current liabilities	13 900	12 964
Current liabilities	7 443	3 740
	<u>21 343</u>	<u>16 704</u>

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

The average lease term is 3 years and the average effective borrowing rate is 9% (2012: 9%).

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

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

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

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## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
<b>14. Payables from exchange transactions</b>		
Accrued leave pay	20 615	4 289
Accrued payroll cost	5 179	653
Amounts held in trust - bulk services contribution for capital expenditure	120 662	99 952
Amounts received in advance	213	54
Amounts received in advance for capital developments and other items	510	579
Fair value adjustment	(62)	(3)
Learnership grant	198	8
Other accrued expenses	5 174	1 843
Related party creditors	7 426	26 238
Trade payables	73 764	57 656
	<u>233 679</u>	<u>191 269</u>

Trade and other payables are carried at amortised cost.

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

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

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

### 15. VAT payable

Vat payable	<u>5 130</u>	<u>8 330</u>
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VAT payable represents a net output tax amount payable to SARS.

### 16. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Performance bonuses	16 662	20 613	(16 662)	20 613
Other creditors and audit fees	-	933	-	933
	<u>16 662</u>	<u>21 546</u>	<u>(16 662)</u>	<u>21 546</u>

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Performance bonuses	13 526	16 661	(13 525)	16 662

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

### 17. Shareholder's loan on incorporation

Shareholder's loan	<u>29 958</u>	<u>28 098</u>
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The Shareholder's loan was advanced on incorporation and it is treated as part of net assets as opposed to a financial liability. The loan has no fixed repayment terms and does not bear interest.

# Johannesburg City Parks NPC

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## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
<b>18. Revenue</b>		
Sale of horticultural products	97	-
Rental facilities and equipment	2 237	1 717
Cemetery Fees	19 555	19 055
External services	34 556	39 142
Other revenue	7 712	5 782
Interest received - investment	18 838	15 747
Government grants & subsidies	505 516	457 182
Miscellaneous other non-exchange revenue	1 438	4 653
Fair value adjustments	(2 805)	(2 723)
	<b>587 144</b>	<b>540 555</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Sale of horticultural products	97	-
Rental facilities and equipment	2 237	1 717
Cemetery fees	19 555	19 055
External services	34 556	39 142
Miscellaneous other exchange revenue	7 712	5 782
Interest received - investment	18 838	15 747
	<b>82 995</b>	<b>81 443</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Transfer and other revenue</b>		
Government grants & subsidies	505 516	457 182
Other revenue - non exchange	1 438	4 653
Fair value adjustments	(2 805)	(2 723)
	<b>504 149</b>	<b>459 112</b>
<b>19. Grants and subsidies</b>		
Municipal subsidy	505 516	457 182
<b>20. Other revenue</b>		
Admission - zoo	2 748	-
Bad debts recovered	1 396	3 419
Decorations	49	4
Foreign exchange	-	87
Insurance recoveries	116	245
Other zoo sundry income	1 824	-
Project Admin Fee	380	123
Recoveries from suppliers	-	41
Recovery of transfer costs	-	909
Recycling income	-	1
Rental income	878	739
Tender receipts	321	214
	<b>7 712</b>	<b>5 782</b>
<b>The amount included in other revenue arising from non-exchange transactions is as follows:</b>		
Donations received	157	213
EPWP grant	168	3 328
SETA grant	663	1 112
	<b>988</b>	<b>4 653</b>

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## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
<b>21. General expenses</b>		
Advertising	973	749
Animal Costs	2 278	8
Auditors remuneration	1 105	804
Bank charges	265	213
Cleaning	1 098	802
Conferences and seminars	404	755
Consulting and professional fees	3 169	3 073
Consumables	478	400
Cost of sales rendering of services	26 566	38 327
EPWP grant project costs	216	3 328
Electricity	11 285	15 089
Entertainment	569	502
Farm expenses	146	-
Fleet costs	36 743	43 831
Fruitless and wasteful expenditure	35	21
Fuel and oil	2 276	2 457
Gas	257	101
Gifts	49	47
Hire of equipment	507	468
Horticulture	9 492	8 823
IT cost	2 932	2 353
Insurance	4 372	4 678
Marketing	2 321	2 047
Membership and subscription fees	453	155
Minor assets	396	-
Other sundry expenses	298	123
Pesticides	333	174
Placement fees	1 859	49
Postage and courier	3	2
Printing and stationery	2 804	2 381
Promotions	5	-
Refreshments	809	677
Waste management	416	415
Refuse	1 244	1 127
Rental of equipment and cemetery	90	296
Security (guarding of municipal property)	18 359	16 454
Software expenses	1 284	1 544
Telephone and fax	3 036	2 847
Training	1 506	1 432
Travel - local	146	311
Travel - overseas	371	66
Uniforms	272	2 357
Venue expenses	55	-
Veterinary department	69	-
Water	7 982	11 947
	<b>149 326</b>	<b>171 233</b>

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## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
<b>22. Employee related costs</b>		
Bonuses	24 892	22 840
Car allowance	8 737	8 127
EPWP labour costs	48 397	59 979
Employee funeral insurance	471	491
Employee related costs : Gratuities	754	-
Employee wellness	992	1 534
Housing benefits and allowances	4 433	4 560
Leave pay	14 166	(7 604)
Other employee costs	185	256
Other payroll levies	85	61
Overtime payments	10 929	7 325
Pension and provident fund contributions	8 40 133	20 997
Salaries and wages	237 980	206 398
Skills Development Levy	2 693	2 320
Unemployment Insurance Fund	2 072	1 751
Workmens Compensation Act Insurance	2 577	1 802
	<u>399 496</u>	<u>330 837</u>
<b>Remuneration of executive directors</b>		
Salary	737	507
Travelling allowance	47	33
	<u>784</u>	<u>540</u>
<b>Remuneration of non executive directors</b>		
Fees	<u>1 130</u>	<u>1 479</u>
<b>23. Debt impairment</b>		
Bad debts provision	2 121	22 976
Debts impaired	52	323
	<u>2 173</u>	<u>23 299</u>
<b>24. Interest revenue</b>		
<b>Interest revenue</b>		
Interest: Sundry IFRS FV adjustment	2 733	714
Loans to shareholder	16 105	15 033
	<u>18 838</u>	<u>15 747</u>
	<u>18 838</u>	<u>15 747</u>
The amount included in Interest revenue arising from non-exchange transactions amounted to R12 743, (2012: R 11 528.)		
<b>25. Depreciation and amortisation</b>		
Property, plant and equipment	<u>15 355</u>	<u>13 229</u>
<b>26. Finance costs</b>		
Trade and other payables	-	9
Finance leases	1 732	672
Fair value adjustments on payables	81	-
Interest on employee benefit obligations	6 534	6 032
	<u>8 347</u>	<u>6 713</u>
<b>27. Auditors remuneration</b>		
Fees	<u>1 105</u>	<u>804</u>

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## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 28. Cash generated from (used in) operations

Surplus (deficit)	547	(23 064)
<b>Adjustments for:</b>		
Depreciation and amortisation	15 355	13 229
(Gain)/loss on sale of assets	47	(430)
Actuarial losses/(gains) on employee benefit obligations	-	2 005
Finance costs - finance leases	1 732	672
Bad debts	2 173	23 299
Movements in retirement benefit liabilities	23 120	3 066
Movement in provisions	4 884	3 136
Other non-cash items	(7)	(2)
Net assets of Zoo at 31 December 2012	9 330	-
Reclassification of specialised vehicles leases	-	(16 738)
<b>Changes in working capital:</b>		
Inventories	1 459	(345)
Receivables from exchange transactions	(53 698)	27 339
Impairment of receivables from exchange transactions	(2 173)	(23 299)
Payables from exchange transactions	42 410	(12 453)
VAT	(822)	1 341
	<b>44 357</b>	<b>(2 244)</b>

### 29. Commitments

#### Commitments in respect of capital expenditure:

##### Authorised and not yet contracted for

• Property, plant and equipment	15 007	7 500
• Infrastructure (Zoo)	20 823	-
• Parks, gardens and road islands	26 209	28 400
• Cemeteries	27 000	22 000
• Nature Conservation	6 000	-
• Biological assets	2 231	-
• Software	2 500	1 000
	<b>99 770</b>	<b>58 900</b>

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

Government grants	78 070	50 400
Internal cash	21 700	8 500
	<b>99 770</b>	<b>58 900</b>

##### Operating leases – fleet

##### Minimum lease payments due

- within one year	-	34 987
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Operating lease payments represent rentals payable by the entity to the CJMM for certain vehicles in terms of the lease agreement with the CJMM. No contingent rent is payable.

### 30. Contingent liabilities and assets

There is a claim against the company for possible contractual non-performance brought by Full Circle Construction for R1 707 733.90. The company has opposed the matter and filed defendant's plea.

There is a claim against the company for restitution of land brought by A Million Up Investments 81 (Pty) Ltd for R17 812.50.

Summons have been instituted against Lindie Lombard and Sonwabiso Maduna for the amount of R22 000.00.

There is a claim against BoogyTymz for an amount of R454 746.00. The matter is proceeding in the South Gauteng High Court.

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## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 31. Related parties

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

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

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

#### Related party balances

##### Amounts included in Loans,

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

City of Johannesburg Metropolitan Municipality	132 875	78 602
City of Johannesburg Property Company SOC Ltd	195	111
City Power Johannesburg SOC Ltd	1 753	6 438
Johannesburg Roads Agency SOC Ltd	444	121
Johannesburg Water SOC Ltd	482	404
Pikitup Johannesburg SOC Ltd	12	67
	<u>135 761</u>	<u>85 743</u>

##### Amounts included in Loans,

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

City of Johannesburg Metropolitan Municipality	6 731	24 574
City Power Johannesburg SOC Ltd	40	188
Johannesburg Roads Agency SOC Ltd	597	1 383
The Johannesburg Civic Theatre SOC Ltd	24	63
The Johannesburg Fresh Produce Market (Pty) Ltd	33	-
The Johannesburg Zoo NPC	-	30
	<u>7 425</u>	<u>26 238</u>

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## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 31. Related parties (continued)

#### Related party transactions

##### Income from related parties

City Power Johannesburg SOC Ltd	16 926	18 617
City of Johannesburg Metropolitan Municipality	517 966	489 401
City of Johannesburg Property Company SOC Ltd	755	-
Johannesburg Roads Agency SOC Ltd	736	215
Johannesburg Water SOC Ltd	856	1 369
Pikitup Johannesburg SOC Ltd	64	59
	<u>537 303</u>	<u>509 661</u>

##### Purchases from related parties

City Power Johannesburg SOC Ltd	59	192
City of Johannesburg Metropolitan Municipality	27 736	33 307
Johannesburg Civic Theatre SOC Ltd	118	113
Johannesburg Metropolitan Bus Services SOC Ltd	17	18
Johannesburg Roads Agency (Pty) Ltd	802	-
Johannesburg Social Housing Company SOC Ltd	2 440	-
The Johannesburg Fresh Produce Market (Pty) Ltd	462	-
	<u>31 634</u>	<u>33 630</u>

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

Supplier	Name of family member	Capacity of employment	Amount of award	
			2013	2012
Maawu Radebe	LY Maawu	Teacher	0	336
Makwenzeke Grass Cutting	P Sibiyi	HR Officer	28	85
N & H Demolishing & Earthworks	R Maharaj	Traffic Officer	406	1 794
Phuti Trading Supply	PA Mabure	Teacher	250	276
Ntuma Civils & Solutions CC	BJ Tukisi	Comp. commissioner	0	496

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## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 32. Directors' and emoluments

#### Executive

##### 2013

	Emoluments	Other benefits*	Total
Clements R (Chief Financial Officer)	1 229	242	1 471
Nelana B (Managing Director)	737	47	784
	<b>1 966</b>	<b>289</b>	<b>2 255</b>

##### 2012

	Emoluments	Other benefits*	Total
Cooke G (Acting Managing Director)	507	33	540

#### Non-executive

##### 2013

	Directors' fees	Total
Madumise MB* (Chairperson)	297	297
Bogatsu SR*	150	150
Diaho M*	19	19
Dolamo AM*	136	136
Gordhan YN*	36	36
Karim GH*	129	129
Makgonye MJ*	39	39
Mashanda TN*	24	24
Mokhobo DR*	83	83
Rawat R*	98	98
Simelane MJ*	76	76
Westgate DA*	43	43
	<b>1 130</b>	<b>1 130</b>

##### 2012

	Directors' fees	Total
Bahula*	367	367
Madumise MB* (Chairperson)	40	40
Bogatsu SR*	152	152
Diaho M*	15	15
Dolamo AM*	140	140
Johnson Sparrow PL*	38	38
Karim GH*	350	350
Mokhobo DR*	104	104
Ramsingh VB*	14	14
Rawat R*	160	160
Simelane MJ*	15	15
Westgate DA*	84	84
	<b>1 479</b>	<b>1 479</b>

#### Remuneration of independent audit committee members

##### 2013

	Emoluments	Total
Dunnington GC	35	35
Govender K	55	55
Kanana A	139	139
Moolla H	31	31
	<b>260</b>	<b>260</b>

##### 2012

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## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 32. Directors' and emoluments (continued)

	Emoluments	Total
Dunnington GC	38	38
Govender K	30	30
Kanana A	159	159
	<u>227</u>	<u>227</u>

### 33. Prior period errors

The correction of the errors resulted in adjustments as follows for 2012:

External services invoices duplicated		18
Operating lease reclassified		(1 597)
Depreciation on capitalised specialised vehicles leases		305
Interest on finance lease		545
Deficit as previously reported	-	22 798
Minor rounding differences	-	(5)
Depreciation on specialised vehicles		1 305
Operating lease reclassified		(1 597)
Interest on finance lease		545
Prior year errors as stated above	-	<u>18</u>
Surplus restated	-	23 064

### 34. Risk management

#### Capital risk management

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

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

Debt is considered to be current and non-current liabilities, and equity as net assets as noted in the statement of financial position .

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

There are no externally imposed capital requirements.

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

The debt: equity ratio at 2013 and 2012 respectively were as follows: 75:25 and 71:29.

#### Financial risk management

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

#### Liquidity risk

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

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

# Johannesburg City Parks NPC

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## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 34. Risk management (continued)

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Shareholder's loan	-	-	-	29 958
Finance lease obligations	660	1 443	-	-
Trade and other payables: government	28 975	-	-	-
Trade and other payables: corporates	73 448	-	-	-
Other payables	4 551	-	-	-

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

#### Interest rate risk

The entity has significant interest-bearing assets. This has direct bearing on the entity's income and operating cash flows. The asset subject to the above is the sweeping account with the City of Johannesburg Metropolitan Municipality. The following table highlights the likely cashflow risk to the entity in the event of an interest rate fluctuation. The current interest rate is 5.59%

	2013	2012
Interest rate		
4.59%		
5.59%	(2 346)	(2 078)
6.59%	2 346	2 078

#### Credit risk

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

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

Financial instrument	2013	2012
Loan to shareholder - notional loans	64 137	65 952
Shareholder's loan	222 820	210 174
Trade and other receivables	158 769	83 521

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## Notes to the Financial Statements

Figures in Rand thousand 2013 2012

### 34. Risk management (continued)

#### Price risk

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

	2013 Fuel price per litre Cost	2012 Cost
+R0.50	(605)	(540)
<b>Current</b>	-	-
-R0.50	605	540

### 35. Over expenditure

#### Reconciliation of over expenditure

Over expenditure current year	-	1 596
Over expenditure awaiting authorisation	-	(1 596)
	<u>-</u>	<u>-</u>

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

The expenditure relates to amounts spent on leasehold improvements.

### 36. Fruitless and wasteful expenditure

#### Reconciliation of fruitless and wasteful expenditure

Opening balance	9	-
Expenditure current year	6	9
	<u>15</u>	<u>9</u>

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

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

#### 2013

Interest on late payment of creditors - R6

#### 2012

Interest on late payment of creditors - R9

# Johannesburg City Parks NPC

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## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
<b>37. Irregular expenditure</b>		
Procurement without three quotations	281	853
Procurement without having followed a tender process	236	631
	<u>517</u>	<u>1 484</u>
<b>38. Reconciliation between budget and statement of financial performance</b>		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net surplus (deficit) per the statement of financial performance	547	(23 064)
<b>Adjusted for:</b>		
External services revenue was lower than budget due to loss of major customer in the GPG and low work orders from CJMM and City Power	11 280	44 278
Fair value adjustment were not included in budget due to uncertainty	-	2 743
Cemetery fees were lower than budget due to low level of bookings	1 607	3 468
Bad debts and transfer cost recovered	-	(4 289)
Over-recovery of revenue under various items due to good operations	(464)	(185)
Low interest on sweeping account due to low interest rate	235	4 224
Bookings of events lower than anticipated - low rental income	999	358
Employee related costs were above budget mainly due to actuarial loss on employee benefit obligations, spent on EPWP salaries for grass-cutting, leave pay accrual adjustments, salary parity payments and temporary salaries relating to merger reorganisation	19 342	(12 714)
Provision for bad debts on External Services	-	22 414
Depreciation was underestimated hence the adverse variance	1 902	3 451
Repairs and maintenance was reprioritised to payroll to cover parity cost	(9 356)	(2 610)
Finance cost	-	(1 577)
Saving on water, electricity, fleet, Horticultural development and other expenses due to financial management	(13 867)	(13 174)
Fair value adjustments	-	2 005
Low cost of sales due to low work orders as per external services revue above	(7 600)	(25 328)
Actuarial gains and interest anticipated were not realised as per actuarial report from evaluators	5 028	-
Saving under fleet cost due to lower rates from new service provider	(8 849)	-
Saving under Hire of cemetery Equipment due to low grave bookings	(621)	-
Other	(183)	-
<b>Net surplus per approved budget</b>	<u>-</u>	<u>-</u>
<b>39. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Current year fee	1 105	804
Amount paid - current year	(1 105)	(804)
	<u>-</u>	<u>-</u>
<b>PAYE and UIF</b>		
Current year expenditure	40 272	35 901
Amount paid - current year	(40 272)	(35 901)
	<u>-</u>	<u>-</u>
<b>Pension and medical aid deductions</b>		
Current year expenditure	53 654	47 031
Amount paid - current year	(53 654)	(47 031)
	<u>-</u>	<u>-</u>
<b>VAT</b>		

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## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
<b>39. Leases (Effects of transitional provisions) (continued)</b>		
VAT receivable	5 268	7 646
VAT payable	5 130	8 330
	<u>10 398</u>	<u>15 976</u>

VAT input receivables are shown in note 7.

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

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Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
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### 40. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the financial statements.

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

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

In terms of section 36 of JCP Supply Chain Policy, the Accounting Officer in certain instances is allowed to dispense with the official procurement processes. The following instances were authorised by the Accounting Officer during the 2013 financial year:

1. Purchase order number REQ6185 for procurement of tuition was made to Mancosa for the amount of R8 250.00 as a preferred institution of learning.

2. Purchase order number REQ6235 for procurement of training was made to Commerce Edge for the amount of R3 450.00 as a preferred institution of learning.

3. Purchase order number REQ6404 for procurement of training was made to Milpark business School for the amount of R7 710.00 as a preferred institution of learning.

4. Purchase order number REQ6428 for procurement of training was made to IMM Graduate School for the amount of R22 789.48 as a preferred institution of learning.

5. Purchase order number REQ6434 for procurement of training was made to The Institute of Internal Auditors for the amount of R1 275.00 as a preferred institution of learning..

6. Purchase order number REQ6446 for procurement of training was made to Wits Business School for the amount of R35 000.00 as a preferred institution of learning.

6. Purchase order number REQ6626 for procurement of event was made to Gordon Frank for the amount of R26 000.00 as he provides a unique type of service.

7. Purchase order number REQ6485 for procurement of training was made to Rosebank College for the amount of R7 850.00 as a preferred institution of learning.

8. Purchase order number REQ6557 for procurement of training was made to Boston City Campus for the amount of R20 100.00 as a preferred institution of learning.

9. Purchase order number REQ6496 for procurement of seminar was made to Amahubesi Training CC for the amount of R15 937.00 as a preferred institution of learning.

10. Purchase order number REQ6708 for procurement of conference was made to EAP Association for the amount of R40 297.00 as they are the sole providers of such conference.

11. Purchase order number REQ6186 for procurement of training was made to Regent Business School for the amount of R26 700.00 as a preferred institution of learning.

12. Purchase order number REQ6708 for procurement of EAPA conference was made to EAPA Association for the amount of R40 297.00 as they are the sole providers of such conference.

13. Purchase order number REQ6845 for procurement of performance excellence was made to Ndwalaza Training for the amount of R12 999.00 as the supplier is offering unique service.

14. Purchase order number REQ6916 for procurement of staff training was made to Independent Examination Board for the amount of R4 240.00 as they are the sole providers of such training.

15. Purchase order number REQ7256 for procurement of director development presentation was made to The Institute of Directors in Southern Africa for the amount of R10 369.23 as they are the sole providers of such training.

16. Purchase order number REQ9956 for procurement of forensic investigation was made to Grant Thornton for the amount of R285 000.00 as direct negotiations were done due to sensitivity of the matter.

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## Notes to the Financial Statements

Figures in Rand thousand

2013

2012

### 41. Assets subject to restrictions

There are no assets that have been recognised, but which are subject to restrictions.

### 42. Transfer of assets and liabilities from The Johannesburg Zoo NPC

Non current assets	20 396	-
Current assets	19 505	-
Non current liabilities	(6 977)	-
Current liabilities	(23 593)	-
Contribution from shareholder	(1 860)	-
Transfer from The Johannesburg Zoo NPC	(7 471)	-
	<u>-</u>	<u>-</u>

The CJMM has approved that the Johannesburg Zoo be transferred to the entity. The transfer of functions was effective from 01 January 2013.