Johannesburg Metropolitan Bus Services SOC Limited
(Registration number 2000/004704/07)
Trading as Metrobus
Financial statements
for the year ended 30 June 2013

Auditor General - Johannesburg

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Providing a public bus service to the commuters of The City of Johannesburg and also the hiring out of its buses to individuals and organisations
CHIEF FINANCE OFFICER (CFO)	Ms Xoliswa Mhlongo(Acting CFO)
REGISTERED OFFICE	PO Box 1787 Johannesburg 2000
BUSINESS ADDRESS	Transportation House 1 Raikes Road Braamfontein 2000
POSTAL ADDRESS	PO Box 1787 Johannesburg 2000
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	Standard Bank South Africa
AUDITORS	Auditor General - Johannesburg
SECRETARY	Philipa Maduka
COMPANY REGISTRATION NUMBER	2000/004704/07
TAX REFERENCE NUMBER	9294142147
LEVEL OF ASSURANCE	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
PREPARER	The financial statements were internally compiled by: Mr Patrick Matanhire (Finance Manager)
PUBLISHED	30 November 2013
VALUE ADDED TAX NUMBER	4750224570

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the 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 Standards of Generally Recognised Accounting Practice (GRAP).

The financial statements are based on appropriate accounting policies.

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 board of directors sets standards for internal control aimed at reducing the risk of error 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 year 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 risks 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 board of directors is 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 the annual finacial statements with the aim of expressing an opinion on the annual financial statements of the Johannesburg Metropolitan Bus Services SOC Limited. The financial statements have been examined by the entity's external auditors and their report is presented on page 4.

Director	**Director**
Mr. Lawrence Maqekoane	**Adv. Ghandi Badela**

Directors' Report

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

1. INCORPORATION

The entity was incorporated on 01 March 2000 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

The Johannesburg Metropolitan Bus Services SOC Limited is a Municipal Entity of The City of Johannesburg Metropolitan Municipality. The entity is engaged in providing a public bus service to the commuters of the City of Johannesburg and also the hiring out of its buses to individuals and organisations and operates principally in South Africa.

The operating results and state of affairs of the entity are clearly set out in full in the attached annual financial statements. Further comments, other than the comments provided below, will be included in the Annual Report.

The company recorded a net deficit of R 28,740,598 (2012: deficit R 53,326,602) for the year under review. This is mainly attributabled to increased cost of repairs and maintenance and fare revenue collection and contracts revenue below targets.

3. GOING CONCERN

We draw attention to the fact that at 30 June 2013, the entity had accumulated deficits of R (143,115,897) , (2012: R (114,699,825) and that the entity's total liabilities exceed its assets by R (6,387,649) (2012: R 2,022,024).

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 company is wholly dependent on the City of Johannesburg Metropolitan Municipality for continued funding of its operations. The financial statements are prepared on the basis that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the company`s operations, and will be providing the required funding of operations accordingly.

Should the subsidies be withdrawn, it is management and the Board's opinion that the company would not be in a position to continue as a going concern on its current mandate. Management and the Board is unaware of any reason that could cause the City of Johannesburg Metropolitan Municipality to withdraw its financial support and therefore have no reason to believe that the company would not be operating in the forseeable future.

The City of Johannesburg Metropolitan Municipality has provided an operating subsidy of R330 million (2013: R319million) for the forthcoming 2013/2014 financial year to cover operating expenditure incurred. The shareholder has been looking into options of restructuring the company into a viable entity and this year saw the approval of a turnaround strategy in June 2013, details of which were presented in the form of a business plan, mainly covering the following points:

- New business model which allows Metrobus to focus mainly on management of buses.
- Acquisition of about one hundred and fifty (150) buses which will use dual-fuel.
- Improved service for commuter convenience focusing on the corridors and economic nodes, based on a new operational plan which provides for optimized and integrated routes.
- New agreement between Metrobus and its shareholder, stipulating performance measures and monitoring mechanisms.
- New financial model based on a fee per kilometre to replace the current subsidy.

This turnaround strategy will address the insolvency issue at Metrobus.

Directors' Report

4. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report, not otherwise dealt with in the financial statements, which significantly affect the financial position of the company or the results of its operations that would require adjustments to or disclosure in the annual financial statements.

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5. SHARE CAPITAL

There were no changes in the authorised or issued share capital of the entity during the year under review. The entire shareholding of the company is held by The City of Johannesburg Metropolitan Municipality.

6. BORROWING LIMITATIONS

In terms of the sale of business agreement, Johannesburg Metropolitan Bus Services (Pty) Limited does not have the authority to borrow funds on its behalf. All external funding is managed under the auspecies of the City of Johannesburg Metropolitan Municipality Assets and Liability Committee (ALCO).

7. NON-CURRENT ASSETS

There were no major changes on the details of the nature of the non-current assets of the entity during the year.

8. DIVIDENDS

No dividends were declared or paid to shareholders during the year.

9.

The directors of the entity during the year and to the date of this report are as indicated in the general information on page one of the financial statements

10. SECRETARY

The secretary of the entity is Philipa Maduka of:

Business address	
	Transportation House 1 Raikes Road Braamfontein 2001
Postal address	
	PO Box 1787 Johannesburg 2000

11. CORPORATE GOVERNANCE

General

The entity is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the entity supports 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 III Report on Corporate Governance for South Africa. The entity discusses the responsibilities of management in this respect at Board meetings and monitors the entity's compliance with the code on a quarterly basis.

Directors' Report

The salient features of the entity's adoption of the Code are 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:
  - 9 non-executive directors, all of whom are independent directors as defined in the Code; and
  - 1 executive director.•

Directors' Report

Chairperson and chief executive

The Chairperson is a non-executive and independent director, as defined by the Code.

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Human Resources and Remuneration Committee

The remuneration of the Managing Director who is the only executive director of the entity is determined by the Board of directors within the upper limits determined by the City of Johannesburg Metropolitan Municipality in terms of MFMA.

The members of the Human Resources and Remuneration Committee are Mr K Setzin (Chairman), W Dukuza and M Mojapelo. The Committee met on seven seperate occassions during the financial year.

Social and Ethics Committee

The members of the Social and Ethics Committee Ms N Bhatyi (Chairperson), Mr M Moerane and Mr Mntambo (Who later resigned).

Executive meetings

The Board and various committees have met on 33 separate occasions during the financial year.

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

The following meetings were held by the Board and its sub commitees:

Name	Board Meeting	Audit and Risk Committee meeting	HR and REM Committee Meeting	Chairperson's Meetings	Chairperson's Quarterly Meeting	AGM and Other	Total
Total number of meetings held	8	6	7	-	1	11	33
A G Badela (Chairman)	4				1	5	10
V.Z Mntambo (Ex-Chairman)	4			4			
K.H Setzin	8		7			1	16
D Nyalunga-Nyakale	6	5	1			1	13
M Mojapelo	8		7			2	17
W Dukuza	7		5			3	15
Kumaran Naidoo		3					3
N Batyi	6					3	9
M Moerane	7					5	12
B Mbokazi	3	5				2	10
R Kenosi		2				3	5
N Selamolela		1					1
B Lombard	4					2	6
K Moyo		6				1	7
L Maqekoane	8	6	6			9	29

Audit and risk committee

The committee met 6 times during the financial year to review matters necessary to fulfil its role.

Members of the Audit and Risk Committee are Mr K Naidoo (Chairperson), D Nyalunga, B Mbokazi, N Selamolela and K Moyo.

Directors' Report

In terms of Section 166 of the Municipal Finance Management Act, The City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, Municipal Finance Management Act requires that the parent municipalities should appoint further members of the entity's audit committees who are not directors of the municipal entity onto the audit committee.

Directors' Report

Internal audit

The entity has co-sourced its internal audit function to Nexia SAB&T effective 1 February 2012. This is in compliance with the Municipal Finance Management Act, 2003. The entity has also outsourced an Internal Audit Manager, whose services were available throughout the year.

12. CONTROLLING ENTITY

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

13. BANKERS

The company's banker is the Standard Bank of South Africa Limited (SBSA), in terms of the agreement with the City of Johanneburg Metropolitan Municipality and its subsidiaries.

The management of the Treasury function within the company is managed under the auspecies of Johannesburg Metropolitan Municipality Assets and Liabiliies Committee and Treasury department.

14. AUDITORS

Auditor General - Johannesburg will continue in office for the next financial period in accordance with the Public Audit Act no. 25, section 92 of the Municipal Financial Management Act no. 56 of 2003 and section 270(2) of the Companies Act.

Company Secretary's Certification

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, for the year ended 30 June 2013, 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.

Philipa Maduka
Company Secretary

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
ASSETS			
Current Assets			
Inventories	3	11,437,880	17,595,361
Receivables from exchange transactions	5	5,813,827	3,293,504
Prepayments	7	3,957,826	3,744,557
Insurance Fund	12	3,399,242	323,593
Cash and cash equivalents	8	192,556	417,390
		24,801,331	**25,374,405**
Non-Current Assets			
Property, plant and equipment	9	214,195,256	213,131,960
Intangible assets	10	5,588,396	6,151,893
Loans to shareholders	4	30,848,189	31,598,534
		250,631,841	**250,882,387**
Total Assets		**275,433,172**	**276,256,792**
LIABILITIES			
Current Liabilities			
Loans from shareholders	4	135,791,793	117,797,882
Other financial liabilities	13	18,042,416	16,485,290
Finance lease obligation	14	585,288	891,087
Payables from exchange transactions	15	42,139,937	36,765,840
VAT payable	16	92,105	86,715
Deferred income	17	4,105,537	4,366,415
Provisions	18	6,484,963	6,230,763
		207,242,039	**182,623,992**
Non-Current Liabilities			
Other financial liabilities	13	44,336,700	62,379,110
Finance lease obligation	14	50,082	820,715
Retirement benefit obligation	6	30,192,000	32,455,000
		74,578,782	**95,654,825**
Total Liabilities		**281,820,821**	**278,278,817**
Net Assets		**(6,387,649)**	**(2,022,025)**
NET ASSETS			
Share capital	19	54,774,330	54,774,330
Reserves			
Revaluation reserve	20	81,953,918	57,578,944
Accumulated deficit		(143,115,897)	(114,375,299)
Total Net Assets		**(6,387,649)**	**(2,022,025)**

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Rendering of services		114,682,966	108,106,452
Miscellaneous other revenue		2,900,000	6,643,477
Administration and management fees received		319,449,980	293,919,000
Acturial gain		2,657,245	7,355,000
Other income		3,340,429	5,142,975
Interest received - investment		1,655,409	183,890
Total revenue		**444,686,029**	**421,350,794**
Expenditure			
Personnel	24	(212,646,713)	(203,197,227)
Depreciation and amortisation		(29,778,851)	(35,310,378)
Reversal of impairments/ (Impairment loss)		(9,257,419)	(4,491,771)
Finance costs	26	(13,888,993)	(15,717,327)
Bad debts		(269,530)	(1,843,136)
Repairs and maintenance		(66,640,712)	(69,540,596)
General Expenses	40	(53,218,227)	(54,975,925)
Diesel		(79,909,344)	(77,527,852)
Insurance expense		(6,533,234)	(8,245,756)
Total expenditure		**(472,143,023)**	**(470,849,968)**
Operating deficit	23	**(27,456,994)**	**(49,499,174)**
Loss on disposal of assets and liabilities		(1,283,604)	(3,827,428)
Deficit for the year		**(28,740,598)**	**(53,326,602)**
Attributable to:			
Owners of the controlling entity		(28,740,598)	(53,326,602)

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Share premium	Total share capital	Associated NDR	Accumulated defecit	Total equity
Opening balance as previously reported		13,726,387	41,047,943	54,774,330	37,579,455	(67,702,228)	24,651,557
Adjustments							
Prior year adjustments	33	-	-	-	-	6,653,531	6,653,531
Balance at 01 July 2011 as restated		**13,726,387**	**41,047,943**	**54,774,330**	**37,579,455**	**(61,048,697)**	**31,305,088**
Changes in net assets							
Deficit for the year		-	-	-	-	(53,326,602)	(53,326,602)
Offsetting of depreciation		-	-	-	19,999,489	-	19,999,489
Total changes		-	-	-	19,999,489	(53,326,602)	(33,327,113)
Opening balance as previously reported		13,726,387	41,047,943	54,774,330	57,578,944	(122,760,164)	(10,406,890)
Adjustments							
Prior year adjustments	33	-	-	-	-	8,384,865	8,384,865
Balance at 01 July 2012 as restated		**13,726,387**	**41,047,943**	**54,774,330**	**57,578,944**	**(114,375,299)**	**(2,022,025)**
Changes in net assets							
Deficit for the year		-	-	-	-	(28,740,598)	(28,740,598)
Revaluation for the year		-	-	-	24,374,974	-	24,374,974
Total changes		-	-	-	24,374,974	(28,740,598)	(4,365,624)
Balance at 30 June 2013		**13,726,387**	**41,047,943**	**54,774,330**	**81,953,918**	**(143,115,897)**	**(6,387,649)**

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		319,449,980	293,919,000
Other receipts		114,682,966	114,590,259
Other cash item		3,340,418	10,552,393
		437,473,364	419,061,652
Payments			
Employee costs		(209,761,478)	(211,950,968)
Suppliers		(138,448,231)	(153,036,322)
Finance costs		(13,888,993)	(15,717,327)
Other payments		(64,022,378)	(68,008,814)
		(426,121,080)	(448,713,431)
Net cash flows from operating activities	27	**11,352,284**	**(29,651,779)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(7,792,878)	(6,458,422)
Proceeds from sale of property, plant and equipment	9	-	893,310
Purchase of other intangible assets	10	(1,891,127)	(341,472)
Reduction in insurance fund		(3,701,842)	5,821,497
Net cash flows from investing activities		**(13,385,847)**	**(85,087)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		(16,485,284)	(43,812,563)
Repayment of shareholders loan		18,744,256	67,574,818
Finance lease payments		(450,243)	(460,824)
Net cash flows from financing activities		**1,808,729**	**23,301,431**
Net increase/(decrease) in cash and cash equivalents		**(224,834)**	**(6,435,435)**
Cash and cash equivalents at the end of the year	8	**192,556**	**417,389**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	128,422,855	-	**128,422,855**	114,682,966	**(13,739,889)**	
Miscellaneous other revenue	8,101,680	-	**8,101,680**	2,900,000	**(5,201,680)**	
Administration and management fees received	306,450,000	13,000,000	**319,450,000**	319,449,980	**(20)**	
Financial intruments - Fee income	-	-	**-**	2,657,245	**2,657,245**	
Other income	2,833,465	-	**2,833,465**	3,340,429	**506,964**	
Interest received - investment	796,000	-	**796,000**	1,655,409	**859,409**	
Total revenue from exchange transactions	**446,604,000**	**13,000,000**	**459,604,000**	**444,686,029**	**(14,917,971)**	
Expenditure						
Personnel	(220,508,000)	2,555,000	**(217,953,000)**	(212,646,713)	**5,306,287**	
Depreciation and amortisation	(43,175,000)	-	**(43,175,000)**	(29,778,851)	**13,396,149**	
Impairment loss/ Reversal of impairments	-	-	**-**	(9,257,419)	**(9,257,419)**	
Finance costs	(14,603,000)	-	**(14,603,000)**	(13,888,993)	**714,007**	
Bad debts	-	-	**-**	(269,530)	**(269,530)**	
Repairs and maintenance	(43,725,000)	-	**(43,725,000)**	(66,640,712)	**(22,915,712)**	
General Expenses	(124,593,000)	(15,555,000)	**(140,148,000)**	(139,660,805)	**487,195**	
Total expenditure	**(446,604,000)**	**(13,000,000)**	**(459,604,000)**	**(472,143,023)**	**(12,539,023)**	
Operating deficit	**-**	**-**	**-**	**(27,456,994)**	**(28,496,717)**	
Loss on disposal of assets and liabilities	-	-	**-**	(1,283,604)	**(1,283,604)**	
Deficit before taxation	**-**	**-**	**-**	**(28,740,598)**	**(28,740,598)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(28,740,598)**	**(28,740,598)**	
Reconcilation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	17,183,000	-	**17,183,000**	11,437,880	**(5,745,120)**	
Receivables from exchange transactions	7,362,000	-	**7,362,000**	5,813,827	**(1,548,173)**	
Prepayments	-	-	**-**	3,957,826	**3,957,826**	
Insurance Fund	-	-	**-**	3,399,242	**3,399,242**	
Cash and cash equivalents	-	-	**-**	192,556	**192,556**	
	24,545,000	**-**	**24,545,000**	**24,801,331**	**256,331**	
Non-Current Assets						
Property, plant and equipment	209,079,000	-	**209,079,000**	214,195,256	**5,116,256**	
Intangible assets	6,152,000	-	**6,152,000**	5,588,396	**(563,604)**	
Loans to shareholders	31,599,000	-	**31,599,000**	30,848,189	**(750,811)**	
	246,830,000	**-**	**246,830,000**	**250,631,841**	**3,801,841**	
Total Assets	**271,375,000**	**-**	**271,375,000**	**275,433,172**	**4,058,172**	
Liabilities						
Current Liabilities						
Loans from shareholders	152,877,000	-	**152,877,000**	135,791,793	**(17,085,207)**	
Other financial liabilities	4,366,000	-	**4,366,000**	18,042,416	**13,676,416**	
Finance lease obligation	-	-	**-**	585,288	**585,288**	
Payables from exchange transactions	26,750,000	-	**26,750,000**	42,139,937	**15,389,937**	
VAT payable	-	-	**-**	92,105	**92,105**	
Deferred income	-	-	**-**	4,105,537	**4,105,537**	
Provisions	6,231,000	-	**6,231,000**	6,484,963	**253,963**	
	190,224,000	**-**	**190,224,000**	**207,242,039**	**17,018,039**	
Non-Current Liabilities						
Other financial liabilities	66,176,000	-	**66,176,000**	44,336,700	**(21,839,300)**	
Finance lease obligation	-	-	**-**	50,082	**50,082**	
Retirement benefit obligation	32,455,000	-	**32,455,000**	30,192,000	**(2,263,000)**	
	98,631,000	**-**	**98,631,000**	**74,578,782**	**(24,052,218)**	
Total Liabilities	**288,855,000**	**-**	**288,855,000**	**281,820,821**	**(7,034,179)**	
Net Assets	**(17,480,000)**	**-**	**(17,480,000)**	**(6,387,649)**	**11,092,351**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital	54,774,000	-	**54,774,000**	54,774,330	**330**	
Reserves						
Revaluation reserve	60,458,000	-	**60,458,000**	81,953,918	**21,495,918**	
Accumulated defecit	(132,712,000)	-	**(132,712,000)**	-	**132,712,000**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	(17,480,000)	**-**	**(17,480,000)**	**136,728,248**	**154,208,248**	
Minority interest	-	-	**-**	(143,115,897)	**(143,115,897)**	
Total Net Assets	**(17,480,000)**	**-**	**(17,480,000)**	**(6,387,649)**	**11,092,351**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	306,450,000	13,000,000	**319,450,000**	319,449,980	**(20)**	
Interest income	796,000	-	**796,000**	-	**(796,000)**	
Other receipts	139,358,000	-	**139,358,000**	114,682,966	**(24,675,034)**	
Other cash item	-	-	**-**	3,340,418	**3,340,418**	
	446,604,000	**13,000,000**	**459,604,000**	**437,473,364**	**(22,130,636)**	
Payments						
Employee costs	(220,508,000)	2,555,000	**(217,953,000)**	(209,761,478)	**8,191,522**	
Suppliers	(168,318,000)	(15,555,000)	**(183,873,000)**	(138,205,943)	**45,667,057**	
Finance costs	(14,603,000)	-	**(14,603,000)**	(14,131,281)	**471,719**	
Other payments	-	-	**-**	(64,022,378)	**(64,022,378)**	
	(403,429,000)	**(13,000,000)**	**(416,429,000)**	**(426,121,080)**	**(9,692,080)**	
Net cash flows from operating activities	**43,175,000**	**-**	**43,175,000**	**11,352,284**	**(31,822,716)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(6,500,000)	(3,986,000)	**(10,486,000)**	(7,792,878)	**2,693,122**	
Proceeds from sale of property, plant and equipment	-	-	**-**	(1,891,127)	**(1,891,127)**	
Reduction in insurance fund	-	-	**-**	(3,701,842)	**(3,701,842)**	
Net cash flows from investing activities	**(6,500,000)**	**(3,986,000)**	**(10,486,000)**	**(13,385,847)**	**(2,899,847)**	
Cash flows from financing activities						
Proceeds from borrowings	-	-	**-**	(16,485,284)	**(16,485,284)**	
Repayment of shareholder loans	(36,675,000)	3,986,000	**(32,689,000)**	18,744,256	**51,433,256**	
Finance lease payments	-	-	**-**	(450,243)	**(450,243)**	
Net cash flows from financing activities	**(36,675,000)**	**3,986,000**	**(32,689,000)**	**1,808,729**	**34,497,729**	
Net increase/(decrease) in cash and cash equivalents	-	-	**-**	(224,834)	**(224,834)**	
Cash and cash equivalents at the beginning of the year	-	-	**-**	417,390	**417,390**	
Cash and cash equivalents at the end of the year	**-**	**-**	**-**	**192,556**	**192,556**	

Reconcilation

Appropriation Statement

Figures in Rand

	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**
2013											
Financial Performance											
Investment income	796,000	-	796,000	-		796,000	1,655,409		859,409	208 %	208 %
Other own revenue	445,808,000	13,000,000	458,808,000	-		458,808,000	443,030,620		(15,777,380)	97 %	99 %
Total revenue (excluding capital transfers and contributions)	**446,604,000**	**13,000,000**	**459,604,000**	**-**		**459,604,000**	**444,686,029**		**(14,917,971)**	**97 %**	**100 %**
Employee costs	(220,508,000)	2,555,000	(217,953,000)	-	-	(217,953,000)	(212,646,713)	-	5,306,287	98 %	96 %
Debt impairment	-	-	-			-	(269,530)	-	(269,530)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(43,175,000)	-	(43,175,000)			(43,175,000)	(29,778,851)	-	13,396,149	69 %	69 %
Finance charges	(14,603,000)	-	(14,603,000)	-	-	(14,603,000)	(13,888,993)	-	714,007	95 %	95 %
Other expenditure	(168,318,000)	(15,555,000)	(183,873,000)	-	-	(183,873,000)	(215,316,650)	-	(31,443,650)	117 %	128 %
Total expenditure	**(446,604,000)**	**(13,000,000)**	**(459,604,000)**	**-**	**-**	**(459,604,000)**	**(471,900,737)**	**-**	**(12,296,737)**	**103 %**	**106 %**
Surplus/(Deficit)	**-**	**-**	**-**	**-**		**-**	**(27,214,708)**		**(27,214,708)**	**DIV/0 %**	**DIV/0 %**
Surplus/(Deficit) for the year	**-**	**-**	**-**	**-**		**-**	**(27,214,708)**		**(27,214,708)**	**DIV/0 %**	**DIV/0 %**

Accounting Policies

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.

The applicable GRAP standards consists of the following:

GRAP1: Presentation of Financial Statements.

GRAP2: Cash Flow Statements.

GRAP3: Accounting Policies, Changes in Accounting Estimates and Errors.

GRAP4: The Effect of changes in Foreign Exchange Rates.

GRAP5: Borrowing Costs.

GRAP9: Revenue from Exchange Transactions.

GRAP10: Financial Reporting in Hyperinflationary Economies

GRAP 11: Construction Contracts

GRAP12: Inventories.

GRAP13: Leases.

GRAP14: Events after the reporting date.

GRAP 16: Investment Property

GRAP17: Property, Plant and Equipment.

GRAP19: Provisions, Contigent and Liabilities and Contigent Assets.

GRAP21: Impairment of Non-Cash Generating assets.

GRAP23: Revenue from Non-Exchange transaction (Taxes and transfers)

GRAP24: Presentation of Budget Information in financial statements.

GRAP26: Impairment of Cash-Generating assets.

GRAP31: Intangible assets.

GRAP100: Non-Current Assets held for Sale and Discontinued Operations.

GRAP104: Financial Instruments.

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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements in conformity with GRAP management is required to make judgements, estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formulation 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 and/or loans and receivables

The entity assesses its trade receivables and loans and 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 judgements 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 and loans and receivables is calculated on a portfolio basis, based on historical loss, 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. Refer to note

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Management judgement is required to assess future work performance scores in order to determine what the possible bonus payments in future periods will be. Management uses historical information for this assessment. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

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 income include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

The entity used the discounting rate provided by the treasury function of the City of Johannesburg for future cash flows which is the average rate of the sweeping account.

Allowance for doubtful debts

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

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, 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 entity; 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.

Accounting Policies

1.2 Property, plant and equipment (continued)

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.

Land and Buildings is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Average useful life
Land	Indefinite
Buildings	15 - 35 years
Plant and machinery	6 - 16 years
Furniture and fixtures	6 - 20 years
Motor vehicles	4 - 17 years
Office equipment	6 - 10 years
IT equipment	3 - 10 years
Leasehold improvements	8 - 10 years
Major components of Buses (Engines, Gearboxes)	5 - 8 years
Ancillary fleet equipment and security	6 -15 years
Fare Collection Equipment	6 - 10 years
Buses	10 - 30 years
Tools and loose gear	2 -11 years

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

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

Items of entity are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Accounting Policies

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 entity 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.

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.

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

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

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

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	2 -12 years

1.4 Financial instruments

Classification

The entity classifies financial instruments, or their component part , on initial recognition as a financial assets, a financial liabilities or an equity instrument in accordance with the subject of the contractual agreement.

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.

Initial recognition and measurement

Accounting Policies

1.4 Financial instruments (continued)

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.

Subsequent measurement

Fair value determination

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

Impairment of financial assets

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

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

Impairment losses are recognised in surplus or deficit.

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

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

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because 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, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Accounting Policies

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 that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

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

Held for sale assets

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment'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 investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the entity has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

Accounting Policies

1.4 Financial instruments (continued)

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

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

Derecognition

Financial assets

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

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

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

Financial liabilities

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

Impairment of financial assets

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

Assets are carried at amortised cost.

Accounting Policies

1.4 Financial instruments (continued)

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

1.5 Leases

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

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 on the remaining balance of the liability.

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

Operating leases - lessee

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

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired 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.

Accounting Policies

1.6 Inventories (continued)

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 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.8 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.

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.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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:

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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 test 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.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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.

Accounting Policies

1.8 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).

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

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

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

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

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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

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

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

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

1.9 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]

1.10 Employee benefits

Short-term employee benefits

Accounting Policies

1.10 Employee benefits (continued)

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

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

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

Defined contribution plans

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

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

Defined benefit plans

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.

Certain pension funds allow members to purchase additional service in terms of the fund's rules. This is reflected in the statement of financial performance when the expense is incurred.

The economic 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.

Actuarial gains and losses are recognised in full in the period in which they arise as income or expenditure for all defined benefit plans.

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 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 entity 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.

Accounting Policies

1.11 Provisions and contingencies (continued)

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.

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.

Contingent assets and contingent liabilities are not recognised.

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.

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.

Accounting Policies

1.13 Revenue from non-exchange transactions

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

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

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

1.14 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.

1.15 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.16 Comparative figures

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

1.17 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.

1.18 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.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

Accounting Policies

1.19 Irregular expenditure (continued)

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

1.20 Presentation of currency

These financial statements are presented in South African Rands.

1.21 Offsetting

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

1.22 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.23 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.

1.24 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.

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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 Jul 12 to 30 Jun 13.

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

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

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.

Accounting Policies

1.25 Related parties (continued)

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.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

Johannesburg Metropolitan Bus Services SOC Limited is an entity of the City of Johannesburg Metropolitan Municipality incorporated in South Africa. Refer to note 37 for the list of the related parties (other entities owned by The City) and the outstanding balances for transactions entered into during the year.

1.26 Prepayments

Prepayments consists mainly of licenses for Vehicles and Buses and Software licenses which are payable on an annual basis. The costs are being released to the Statement of Financial Performance over a period relating to the prepayment.

Notes to the Financial Statements

Figures in Rand	2013	2012

2. Changes in accounting policy

The financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) on a basis consistent with prior years.

The following standards of GRAP were in issue but not yet effective or adopted during the period under review:

GRAP 18 - Segment reporting
GRAP 20 - Related party disclosure
GRAP 25 - Employee benefits
GRAP 103 - Heritage assets
GRAP 105 - Transfer of functions between entities under common control
GRAP 106 - Transfer of functions between entities not under common control
GRAP 107 - Mergers

The effect as a result of the adoption of the above GRAP standards will have not material impact on the financial statements.

3. Inventories

	2013	2012
Consumable stores	222,805	196,691
Spare parts	15,425,815	20,319,534
Tag stock	1,258,441	1,307,128
Uniform Stock	55,903	80,415
Fuel (Diesel, Petrol)	64,416	1,527,514
Less: Provision for obsolescence	(5,589,500)	(5,835,921)
	11,437,880	**17,595,361**

Provision for obsolescence stock is made up of:

1) Spare parts that are obsolete (R3.5 million).
2) Slow moving stock of R2 million that might in future periods not realise its value.

4. Loans to/(from) shareholders

	2013	2012
City of Johannesburg Metropolitan Municipality - Notional loans Terms and conditions: These are non interest bearing loans with no repayment conditions. They relate to the Post retirement Liabilities of employees who were transferred from the parent municipality at formation, refer to note 6.1 for further breakdown of the balance. Refer to note 6 for information regarding the Retirement Liabilities.	30,848,189	31,598,534
City of Johannesburg Metropolitan Municipality - Sweeping account Terms and conditions: A loan paying interest at Prime less 4.5% with no repayment conditions. The movement is due to loan repayments that fell due during the year, as well as the losses incurred.	(135,791,793)	(117,797,882)
	(104,943,604)	**(86,199,348)**

	2013	2012
Non-current assets	30,848,189	31,598,534
Current liabilities	(135,791,793)	(117,797,882)
	(104,943,604)	**(86,199,348)**

Credit quality of loans to shareholders

Figures in Rand	2013	2012

4. Loans to/(from) shareholders (continued)

The credit quality of loans to shareholders that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

Fair value of loans to and from shareholders

Loans from shareholders	30,848,189	32,219,638

Sweeping account

Loans at beginning of the year	(117,797,970)	(49,504,023)
Receipts	436,866,072	365,505,979
Repayments	(454,859,983)	(454,859,983)
	(135,791,881)	**(138,858,027)**

5. Receivables from exchange transactions

Trade debtors	7,283,009	2,961,529
Staff debtors	355,378	269,878
Deposits	20,702	20,702
Bad debt provision	(5,931,428)	(2,661,898)
Sundry debtors	2,489,874	2,682,399
Insurance debtor	20,894	20,894
Other intercompany debtors	1,575,398	-
	5,813,827	**3,293,504**

Trade debtors

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 30,000 (2012: R 363,522) were past due but not impaired.

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

1 month past due	-	336,338
2 months past due	-	2,649
3 months past due	30,000	24,535

Trade and other receivables impaired

As of 30 June 2013, trade and other receivables of R 5,931,428 (2012: R 2,279,195) were impaired and provided for.

The ageing of these amounts are as follows:

1 to 6 months	3,000,000	1,901,695
Over 6 months	2,779,332	377,500

The carrying amount of trade and other receivables are denominated in Rand

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2,661,898	818,762
Provision for impairment	3,269,530	1,843,136
	5,931,428	**2,661,898**

Notes to the Financial Statements

Figures in Rand	2013	2012

5. Receivables from exchange transactions (continued)

	Government Entities	Business	Other debtors		Total
1 - 30 days	172,510	2,787,336	-	-	2,959,846
31-60 days	5,430	1,506,219	-	-	1,511,649
61-90 days	-	2,496,000	-	-	2,496,000
91-180 days	4,400	25,602	-	-	30,002
181-360 days	3,180	-	-	-	3,180
+361 days	263,436	-	19,896	-	283,332
	448,956	**6,815,157**	**19,896**	**-**	**7,284,009**

6. Employee benefit obligations

6.1 Defined benefit plan

Post-retirement liability

	2013	2012
Post-Retirement Medical Aid Plan	(18,004,000)	(18,547,000)
Post-Retirement Housing Subsidy Plan	(226,000)	(208,000)
Retirement Gratuity Plan	(11,962,000)	(13,700,000)
	(30,192,000)	**(32,455,000)**

6.1.1 Post retirement medical aid plan

Movements for the year

	2013	2012
Opening balance	18,547,000	17,879,000
Benefits paid	-	(494,000)
Net expense recognised in the statement of financial performance	(543,000)	1,162,000
	18,004,000	**18,547,000**

Net expense recognised in the statement of financial performance

	2013	2012
Current service cost	30,000	85,000
Interest cost	1,586,000	1,536,000
Actuarial (gains) losses	(2,159,000)	(459,000)
	(543,000)	**1,162,000**

Notes to the Financial Statements

Figures in Rand	2013	2012

6. Employee benefit obligations (continued)

Notional loan account

Opening balance	20,226,000	19,204,000
Interest received	1,029,503	1,022,000
Balance at end of year	**21,255,503**	**20,226,000**

Key assumptions used

The principal actuarial assumptions used were as follows on 30 June 2013.

Discount rates used	7.00 %	8.60 %
Expected rate of return on assets	7.00 %	8.60 %
Expected increase in salaries	7.00 %	6.70 %

Other assumptions:

Age of spouse - Husbands 5 Years older than wives.

Mortality of in-service members - In accordance with the SA 85-90 (Light) ultimate table (not rated down for females in current year).

Mortality of pensioners - In accordance with the PA(90) ultimate male and female tables (rated down 2 years for females and males)

6.1.2 Post retirement housing subsidy plan

Movements for the year

Opening balance	208,000	270,000
Benefits paid	-	(66,000)
Net expense recognised in the statement of financial performance	18,000	4,000
	226,000	**208,000**

Net expense recognised in the statement of financial performance

Current service cost	7,000	10,000
Interest cost	18,000	23,000
Actuarial (gains) losses	(7,000)	(29,000)
	18,000	**4,000**

Key assumptions used

Assumptions used on last valuation on 30 June 2013.

Discount rates used	7.00 %	8.60 %
Expected rate of return on assets	7.00 %	8.60 %

Figures in Rand	2013	2012

6. Employee benefit obligations (continued)

6.1.3 Post retirement gratuity plan

Amounts recognised in the Statement of financial position

Movements for the year

Opening balance	13,700,000	19,630,000
Benefits paid	(2,417,755)	(749,000)
Net expense recognised in the statement of financial performance	679,755	(5,181,000)
	11,962,000	**13,700,000**

Net expense recognised in the statement of financial performance

Interest cost	1,171,000	1,686,000
Actuarial (gains) losses	(491,245)	(6,867,000)
	679,755	**(5,181,000)**

Notional loan account

Opening balance	11,378,000	11,675,000
Interest received	625,917	625,000
Benefits payments	(2,417,755)	(922,000)
Balance at end of year	**9,586,162**	**11,378,000**

Key assumptions used

Assumptions used on last valuation on 30 June 2013.

Discount rates used	7.00 %	8.60 %
Expected rate of return on assets	7.00 %	8.60 %
Expected increase in salaries	7.00 %	6.70 %

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(30,192,000)	(32,455,000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	32,455,000	37,779,000
Benefits paid	(2,417,755)	(1,309,000)
Net expense recognised in the statement of financial performance	154,755	(4,015,000)
Closing balance	**30,192,000**	**32,455,000**

Notes to the Financial Statements

Figures in Rand	2013	2012

6. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	37,000	95,000
Interest cost	2,775,000	3,245,000
Actuarial (gains) losses	(2,657,245)	(7,355,000)
Total included in employee related costs	**154,755**	**(4,015,000)**

7. Prepayments

Prepayments	3,957,826	3,744,557

Prepayments consists mainly of Vehicles and Bus Licenses (2013:R3,394,785), and Software Licenses fees (2013:R563,041), (2012:R3,744,557) payable on an annual basis. The cost are being released to the Statement of Financial Performance over a period relating to the prepayment.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	69,521	67,100
Bank balances	123,035	350,290
	192,556	**417,390**

Notes to the Financial Statements

Figures in Rand

9. 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	22,699,000	-	22,699,000	15,172,610	-	15,172,610
Buildings	41,468,507	(482,591)	40,985,916	40,258,710	(8,518,487)	31,740,223
Plant and machinery	4,485,336	(3,016,069)	1,469,267	4,404,396	(2,652,063)	1,752,333
Furniture and fixtures	3,143,795	(2,354,878)	788,917	3,117,902	(2,183,947)	933,955
Motor vehicles	3,443,829	(1,963,922)	1,479,907	3,239,773	(1,568,083)	1,671,690
Office equipment	3,613,070	(2,319,912)	1,293,158	4,058,070	(2,319,791)	1,738,279
IT equipment	6,347,897	(3,878,686)	2,469,211	5,803,168	(3,285,305)	2,517,863
Other property, plant and equipment	4,814,981	(4,486,456)	328,525	4,814,981	(4,379,275)	435,706
Fare collection equipment	12,238,515	(11,792,484)	446,031	12,265,980	(11,450,384)	815,596
Specialised vehicles	150,768,235	(9,598,510)	141,169,725	183,802,229	(28,549,374)	155,252,855
Tools and loose gear	2,713,200	(1,647,601)	1,065,599	2,535,160	(1,434,310)	1,100,850
Total	**255,736,365**	**(41,541,109)**	**214,195,256**	**279,472,979**	**(66,341,019)**	**213,131,960**

Notes to the Financial Statements

Figures in Rand	2013	2012

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Total
Land	15,172,610	-	-	7,526,390	-	-	22,699,00
Buildings	31,740,223	343,535	-	11,480,524	(2,578,366)	-	40,985,91
Plant and machinery	1,752,333	80,940	-	-	(364,006)	-	1,469,26
Furniture and fixtures	933,955	36,747	(979)	-	(180,806)	-	788,91
Motor vehicles	1,671,690	204,056	-	-	(395,839)	-	1,479,90
Office equipment	1,738,279	-	(97,789)	-	(347,332)	-	1,293,15
IT equipment	2,517,863	615,446	(8,633)	-	(655,465)	-	2,469,21
Other property, plant and equipment	435,706	-	-	-	(107,181)	-	328,52
Fare collection equipment	815,596	-	-	-	(369,565)	-	446,03
Specialised vehicles	155,252,855	6,324,994	(1,176,153)	5,365,682	(22,100,924)	(2,496,729)	141,169,72
Tools and loose gear	1,100,850	187,160	(1,532)	-	(220,879)	-	1,065,59
	213,131,960	**7,792,878**	**(1,285,086)**	**24,372,596**	**(27,320,363)**	**(2,496,729)**	**214,195,25**

Notes to the Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	15,172,610	-	-	-	-	15,172,610
Buildings	33,677,397	395,268	-	-	(2,332,442)	31,740,223
Plant and machinery	1,553,317	-	(13,210)	575,210	(362,984)	1,752,333
Furniture and fixtures	740,934	91,024	(10,686)	335,400	(222,717)	933,955
Motor vehicles	1,843,115	51,474	(77,689)	70,678	(215,888)	1,671,690
Office equipment	2,050,697	284,982	-	1,745	(599,145)	1,738,279
IT equipment	3,113,993	251,252	(163,103)	124,087	(808,366)	2,517,863
Other property, plant and equipment	664,287	-	-	-	(228,581)	435,706
Fare collection equipment	1,155,271	-	-	27,465	(367,140)	815,596
Specialised vehicles	160,672,016	5,565,482	(1,278,999)	18,754,314	(28,459,958)	155,252,855
Tools and loose gear	1,268,655	103,976	(20,675)	110,590	(361,696)	1,100,850
	221,912,292	**6,743,458**	**(1,564,362)**	**19,999,489**	**(33,958,917)**	**213,131,960**

Notes to the Financial Statements

Figures in Rand	2013	2012

9. Property, plant and equipment (continued)

Pledged as security

	2013	2012
2006 Mercedes Benz Buses Used to secure borrowings granted by the City of Johannesburg Metropolitan Municipality	55,596,258	56,695,475

Revaluations

Land and buildings are re-valued independently every 2 years. The revaluations took place in the current year, the valuation was performed by an independent valuer appointed by Metrobus. The values were determined with reference to the current market prices taking similar buildings into account.

All specialised vehicles were revalued during the current financial year.
The valuation was performed by an independent valuer appointed by Metrobus. The values were determined with reference to the vehicles active market prices taking into account kilometers travelled and other factors.

The revaluation resulted in an increase in the revaluation reserve of R24,372,595. (Buses R5,365,682 and Land and Buildings R19,006,914)

10. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	9,394,487	(3,806,091)	5,588,396	7,503,360	(1,351,467)	6,151,893

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	6,151,893	1,891,127	(2,454,624)	5,588,396

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	7,537,356	341,472	(1,351,478)	(375,457)	6,151,893

Notes to the Financial Statements

Figures in Rand	2013	2012

11. Deferred tax

Deffered tax asset / (liability)

Increase/(Decrease) in tax losses available for set off against future taxable income	6,742,722	6,401,683
Originating temporary difference on tangible fixed assets	(6,854,806)	(475,730)
Income received in advance (Deferred Income)	(4,105,537)	(4,366,415)
Other movements	(2,267,342)	(7,790,301)
Provisions	6,484,963	6,230,763
	-	-

12. Insurance fund

Movement for the year		
Opening balance	323,593	6,353,778
Contributions to the fund	3,075,649	-
Claims against the fund	-	(6,030,185)
	3,399,242	**323,593**

The company has a Bus Fleet Self Insurance Fund which is administered by Guardrisk, an insurance fund administrator. Contributions to this insurance contingency fund are made at the discretion of the company's directors. The premiums paid into Guardrisk belong to the City for as long as no claims are incurred for those premiums. The premiums payable by Metrobus for this self insurance arrangement is used for the payment of insurance excesses applicable on the Metrobus claim. Claims against the fund are processed as and when qualifying incidents occur.

In addition to this self insurance component, the company has another insurance (arranged through Indwe, the City's appointed brokers). This insurance caters for all losses over and above the excesses refered above and expensed immediately.

13. Other financial liabilities

Liabilities		
Structured loans City of Johannesburg Metropolitan Municipality 2007 Capex Loan. The loan carries interest at 9% per annum and is repayable in fixed quarterly installments until 30 June 2017.	55,767,745	70,684,109
Non Annuity Loans City of Johannesburg Metropolitan Municipality 2008 Capex Loan. The loan carries interest at 10.9% per annum and is repayable in fixed quarterly installments until 30 June 2018	6,611,371	8,180,291
	62,379,116	**78,864,400**
Total other financial liabilities	**62,379,116**	**78,864,400**
Non-current liabilities		
At amortised cost	44,336,700	62,379,110
Current liabilities		
At amortised cost	18,042,416	16,485,290

Notes to the Financial Statements

Figures in Rand	2013	2012

14. Finance lease obligation

	2013	2012
Minimum lease payments due		
- within one year	585,288	891,087
- in second to fifth year inclusive	92,260	986,651
	677,548	1,877,738
less: future finance charges	(42,177)	(165,936)
Present value of minimum lease payments	**635,371**	**1,711,802**
Present value of minimum lease payments due		
- within one year	585,289	891,087
- in second to fifth year inclusive	50,082	820,715
	635,371	**1,711,802**
Non-current liabilities	50,082	820,715
Current liabilities	585,288	891,087
	635,370	**1,711,802**

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

The average lease term was 3 years and the average effective borrowing rate was 5% (2012: 5%).

All leases have fixed repayments.

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

15. Payables from exchange transactions

	2013	2012
Trade payables and Accruals	23,977,798	13,987,668
Accrued leave pay	16,781,928	16,784,247
Other accrued expenses	-	5,765,666
Sundry creditors	353,930	-
Related party creditor	1,026,281	228,259
	42,139,937	**36,765,840**

16. VAT payable

	2013	2012
Tax payables	92,105	86,715

VAT payable relates to the advertising revenue , the insurance related claims billing and own accident repairs recoveries, less related expenditure.

17. Deferred income

Deferred income refers to the liability relating to passenger trips sold in advance through the Smartcards Multi-Journey Software. The deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket accordingly.

Movement during the year

	2013	2012
Balance at the beginning of the year	4,366,415	3,227,872
Additions during the year	(260,878)	1,138,543
	4,105,537	**4,366,415**

18. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Provision for incentive bonus and 13th cheques	6,230,763	11,443,235	(11,189,035)	6,484,963

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Provision for incentive bonus and 13th cheques	6,349,121	9,392,637	(9,510,995)	6,230,763

The provision is management's best estimate of the future performance bonus payout in respect of the past year based on past experience.

The provision for service bonuses is expected to realise during November 2013, as the annual service bonuses are paid to employees during November.

19. Share capital

	2013	2012
Authorised		
1 000 Ordinary shares of R1 each	1,000	1,000

	2013	2012
Reconciliation of number of shares issued:		
Reported as at 01 July 2012	2	2

- unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

	2013	2012
Issued		
Ordinary	2	2
Ordinary Type A	13,726,385	13,726,385
Share premium	41,047,943	41,047,943
	54,774,330	**54,774,330**

20. Revaluation reserve

Assets were revalued to market values in terms of the articles of association, revaluation reserves are classified as non-distributable reserves. The whole balance is treated as a non-distributable reserve, and consist of unrealised revaluation surpluses.

	2013	2012
Opening balance	57,578,944	37,579,455
Change during the year	24,374,974	19,999,489
	81,953,918	**57,578,944**

Notes to the Financial Statements

Figures in Rand	2013	2012

21. Revenue

Rendering of services	114,682,966	108,106,452
Miscellaneous other revenue	2,900,000	6,643,477
Administration and management fees received	319,449,980	293,919,000
Financial intruments - Fee income	2,657,245	7,355,000
Other income - (rollup)	3,340,429	5,142,975
Interest received - investment	1,655,409	183,890
	444,686,029	**421,350,794**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	114,682,966	108,106,452
Miscellaneous other revenue	2,900,000	6,643,477
Administration and management fees received	319,449,980	293,919,000
Financial intruments - Fee income	2,657,245	7,355,000
Other income - (rollup)	3,340,429	5,142,975
Interest received - investment	1,655,409	183,890
	444,686,029	**421,350,794**

22. Other revenue/income

Administration and management fees received - related party	319,449,980	293,919,000
Actuarial gains	2,657,245	7,355,000
Sundry revenue	3,340,429	5,142,975
	325,447,654	**306,416,975**

23. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	517,116	389,251
Equipment		
• Contractual amounts	1,455,265	2,880,749
	1,972,381	**3,270,000**

Loss on sale of property, plant and equipment	(1,283,604)	(3,827,428)
Impairment on property, plant and equipment	2,496,729	-
Impairment on intangible assets	-	375,457
Impairment on trade and other receivables	3,000,000	1,968,757
Amortisation on intangible assets	2,454,624	1,351,466
Depreciation on property, plant and equipment	27,324,227	33,958,912
Employee costs	212,646,713	203,197,227

Notes to the Financial Statements

Figures in Rand		2013	2012

24. Employee related costs

Employee related costs : Salaries and wages		150,330,793	145,182,686
Housing benefits and allowances		1,447,408	1,517,240
Overtime payments		16,760,717	16,669,711
Bonus		10,987,038	10,379,528
Travel, motor car, accommodation, subsistence and other allowances		1,988,917	2,160,917
Other payroll levies		8,236,275	6,768,907
Post-employment benefits - Pension - Defined contribution plan	6	21,769,334	19,801,807
Long-service awards		1,350	-
Board members fees and retainers		1,124,881	716,431
		212,646,713	**203,197,227**

Remuneration of chief finance officer (Acting Managing Director since 1st September 2011)

Annual Remuneration	929,969	882,921
Car Allowance	3,500	12,000
Performance Bonuses	-	101,430
Contributions to UIF, Medical and Pension Funds	88,182	65,071
Other	164,069	89,460
	1,185,720	**1,150,882**

Ex-General Manager (Human Resources)

Annual Remuneration	58,195	645,142
Car Allowance	7,400	84,500
Contributions to UIF, Medical and Pension Funds	1,245	104,921
Other	85,026	8,112
	151,866	**842,675**

General Manager (Human Resources)

Annual Remuneration	264,111	-
Car Allowance	39,200	-
Contributions to UIF, Medical and Pension Funds	16,959	-
Other	4,000	-
	324,270	**-**

Notes to the Financial Statements

Figures in Rand	2013	2012

24. Employee related costs (continued)

Remuneration: Ex-Acting Chief Finance Officer

	2013	2012
Annual Remuneration	212,324	358,800
Car Allowance	20,000	26,566
Performance Bonuses	25,725	-
Contributions to UIF, Medical and Pension Funds	18,323	32,400
Other	141,823	-
	418,195	**417,766**

Remuneration: Company Secretary

	2013	2012
Annual Remuneration	456,409	556,907
Car Allowance	64,938	84,000
Performance Bonuses	-	57,192
Contributions to UIF, Medical and Pension Funds	6,729	8,454
Other	16,145	14,331
	544,221	**720,884**

GM: Operations

	2013	2012
Annual Remuneration	787,618	823,196
Car Allowance	39,161	41,088
Performance Bonuses	-	99,057
Contributions to UIF, Medical and Pension Funds	103,523	81,806
Other	174,168	9,908
	1,104,470	**1,055,055**

25. Investment revenue

	2013	2012
Interest revenue		
Interest earned - Advertising	1,655,409	183,890

Average Earning or paying interest rate for the year is 6.75%

26. Finance costs

	2013	2012
Non-current borrowings	13,888,993	15,717,327

Notes to the Financial Statements

Figures in Rand	2013	2012

27. Cash (used in) generated from operations

Deficit	(28,740,598)	(53,326,602)
Adjustments for:		
Depreciation and amortisation	29,778,851	35,310,378
Gain on sale of assets and liabilities	1,283,604	3,827,428
Impairment deficit	9,257,419	4,491,771
Debt impairment	269,530	1,843,136
Movements in retirement benefit assets and liabilities	(2,263,000)	(5,324,000)
Movements in provisions	254,200	(118,358)
Changes in working capital:		
Inventories	2,396,791	(1,068,872)
Receivables from exchange transactions	(5,520,323)	3,490,653
Consumer debtors	(269,530)	(1,843,136)
Prepayments	(213,269)	4,872,030
Payables from exchange transactions	5,374,097	(22,959,838)
VAT	5,390	15,088
Deferred income	(260,878)	1,138,543
	11,352,284	**(29,651,779)**

28. Commitments

Commitments in respect of capital expenditure:

Authorised and not yet contracted for		
• Property, plant and equipment	15,677,000	6,500,000
This expenditure will be financed from:		
Internal cash	15,677,000	6,500,000

Operating leases – as lessee (Buildings)

Minimum lease payments due		
Premises - Contractual amounts	450,863	391,364

29. Contingencies

Economic entity

Ex employees

There are several labour disputes that exist between Metrobus and ex-employees. Should the disputes be settled in favour of the former employees, management estimates Metrobus could incur or be liable for claims of backpay up to R250,000. At this moment the disputes are still uncertain.

Notes to the Financial Statements

Figures in Rand	2013	2012

30. Related parties

Relationships	
Controlling entity	The City of Johannesburg Metropolitan Municipality
Other members of the group	City Housing Company (Soc) Ltd
	City of Johannesburg Property Company (Soc) Ltd
	Group co ID 3
	City Power Johannesburg (Soc) Ltd
	Johannesburg City Parks NPC
	Johannesburg Development Agency (Soc) Ltd
	Johannesburg Metropolitan Bus Services (Soc) Ltd
	Johannesburg Roads Agency (Soc) Ltd
	Johannesburg Tourism Company NPC
	Johannesburg Water (Soc) Ltd
	Metropolitan Trading Company (Soc) Ltd
	Pikitup Johannesburg (Soc) Ltd
	Roodepoort City Theatre NPC
	The Johannesburg Civic Theatre (Soc) Ltd
	The Johannesburg Fresh Produce Market (Soc) Ltd
	The Johannesburg Zoo NPC
	Group co ID 18
	Group co ID 19
	Constitutional Hill Development Company (Soc) Ltd
	Johannesburg Social Housing Company (Soc) Ltd

Related party balances

	2013	2012
Trade and other receivables regarding related parties		
City of Johannesburg Metropolitan Municipality	182,280	153,881
Trade and other payables regarding related parties		
City of Johannesburg Metropolitan Municipality	942,065	476,592
Johannesburg Social Housing Company (Pty) Ltd	84,216	-
	1,026,281	**476,592**
Loans from shareholders		
City of Johannesburg Metropolitan Municipality	166,616,150	165,063,748

Related party transactions

	2013	2012
Subsidy from related parties		
City of Johannesburg Metropolitan Municipality (Subsidy)	319,449,980	293,919,000
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	7,062,972	6,413,590
Johannesburg Social Housing Company (Soc) Ltd	440,836	534,513
	7,503,808	**6,948,103**
Other receipts from related parties		
City of Johannesburg Metropolitan Municipality	1,539,191	625,000
Interest paid to related party		
City of Johannesburg Metropolitan Municipality	(6,680,599)	(8,123,586)

31. Directors' emoluments

No emoluments were paid to the executive directors or any individuals holding a prescribed office during the year. Refer note 27 for remuneration.

Non-executive

2013

	Directors' fees	Total
A G Badela (Chairperson)	109,120	109,120
Vincent Zwelibanzi Mntambo	137,115	137,115
N Selamolela	4,960	4,960
Comfort Bunting	8,267	8,267
Kenneth Hallet Setzin	155,744	155,744
W Dukuza	86,770	86,770
Kumaran Naidoo	54,560	54,560
N Batyi	61,414	61,414
M Moerane	79,363	79,363
M Mojapelo	102,190	102,190
Suzan Badanile Nyalunga	103,170	103,170
Maureen Manyama-Matome	8,267	8,267
H Sutherland	16,533	16,533
R Kenosi	47,616	47,616
K Moyo	59,520	59,520
B Mbokazi	60,512	60,512
B Lombard	29,760	29,760
	1,124,881	**1,124,881**

2012

	Directors' fees	Total
Jeremiah Nkeli	19,840	19,840
Vincent Zwelibanzi Mntambo (Chairman)	188,675	188,675
Comfort Bunting	42,160	42,160
Kenneth Hallet Setzin	112,096	112,096
Kumaran Naidoo	51,088	51,088
Suzan Badanile Nyalunga	88,300	88,300
Maureen Manyama-Matome	29,760	29,760
DL Roberts	54,560	54,560
R Kenosi	50,592	50,592
DP van der Nest	59,520	59,520
R Wajoodeen	19,840	19,840
	716,431	**716,431**

Figures in Rand	2013	2012

32. Change in estimate

Property, plant and equipment

The useful life of Property, Plant and Equipment was re-assessed and this resulted in an increase in the useful life of those assets that are going to reach the end of its useful life in the near future but will still be in use. These assets are still in a good working condition based on the asset verification performed at year end. The useful life and residual value adjustment resulted in a decrease in depreciation in the current year amounting to R 4, 711,708.

33. Prior period errors

Management discovered a number of errors that were made in the previous preriods for which comparative figures have been restated accordingly.
- There was no accrual provided for the Insurance in the prior year amounting to R 5 765 666 . This resulted in understatement of insurance expense in the prior period. The error has been corrected and led to an increase in insurance expense and a correcponding increase in accruals

-There was an error in the previous years Inventory valuation amounting to R 2 619 199 and comparative figures have been restated accordingly.

- Finance leases were incorrectly classified and accounted for in the previous financial years amounting to R1,038,355 Comparative figures have been restated accordingly.

- IT equipment relating to the company's backup system had not been capitalised, Comparative figures have been restated with the related cost and accumulated depreciation totaling R1,826,313 and R547,896 respectively.

- Certain assets were depreciated incorrectly resulting in a negative Net Book Value of R84,459 in the previous year.

	2013	2012
Statement of financial position		
Increase in accruals	-	(5,765,666)
decrease in inventories	-	(2,619,199)
Increase in finance lease liability	-	(1,038,355)
Increase in fixed assets IT equipment	-	1,826,318
Increase in Accumulated depreciation IT equipment	-	(547,896)
Decrease in accumulated depreciation	-	84,459
	-	**(8,060,339)**

	2013	2012
Statement of financial performance		
Increase in insurance expenses	-	5,765,666
Increase in stock loss	-	2,619,199
Increase in depreciation	-	280,805
Increase in finance leases charges	-	76,387
	-	**8,742,057**

Notes to the Financial Statements

Figures in Rand	2013	2012

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 in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 4, 14, 13, cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the entity monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

Financial risk management

The entity’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity’s financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the City of Johannesburg Metropolitan Municipality. entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity’s operating units. The City of Johannesburg Metropolitan Municipality provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Notes to the Financial Statements

Figures in Rand	2013	2012

34. Risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2013	2012
Trade and other receivables	7,284,009	4,576,551

Price risk / Market risk

The entity is exposed to commodity price risk regarding fuel. At present the company is investigating means to mitigate this risk but was unable to find measures to mitigate this risk for the past financial period, other than entering into a service agreement at the most favourable terms available with one of the major fuel suppliers.

Both diesel and bus part prices are also influenced by fluctuation in exchange rates. Management has very limited control over these fluctuations, but management does explore options to transfer risk of exchange rate fluctuations to suppliers by entering into fixed price contracts where ever possible.

35. Going concern

We draw attention to the fact that this entity is wholly dependent on The City of Johannesburg Metropolitan Municipality for continued funding of its operations. Should the subsidies be withdrawn, it is the opinion of management that the entity would not be in a position to continue as a going concern on its current mandate. The City of Johannesburg Metropolitan Municipality has continued to show strong support financially and management thefore has no reason to believe that the company would not be operating in the foreseeable future.

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.

36. Events after the reporting date

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report, not otherwise dealt with in the financial statements, which significantly affect the financial position of the company or the results of its operations that would require adjustments to or disclosure in the annual financial statements.

37. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	26,429	26,429
Fruitless and wasteful expenditure current year	(26,429)	-
	-	**26,429**

The amount for fruitless and wasteful expenditure relates to traffic fines encurred during the prior years.

2013

Notes to the Financial Statements

Figures in Rand	2013	2012

38. Irregular expenditure

Reconciliation of irregular expenditure

	2013	2012
Opening balance	-	29,323,787
Irregular expenditure current year	19,658,888	49,350,176
Approved by Council or condoned	(16,113,263)	(78,673,963)
Unauthorised expenditure awaiting authorisation	(3,545,625)	-
	-	**-**

Details of irregular expenditure – current year

	2013	2012
Month-to-month extensions The irregular expenditure relate to month-to-month extensions that were granted to existing suppliers pending tender procedures. The tender procedures have been completed for 100% of all contracts involving month to month extensions.	1,811,004	13,770,556
Non-application of SCM Policy The irregular expenditure relate to proper tender procedures not being followed. The tender procedures have been completed in 100% of all contracts were proper tender procedures had previously not been followed.	1,450,915	3,236,208
Quation based The irregular expenditure relate quotation based supliers. Declerations of independance were not obtained for these suppliers. Declarations have subsequently been obtained, and were requested during the year.	111,522	-
Contract amount exceeded. The irregular expenditure relate to contracts on which the contracted amounts have been exceeded. The expenditure is directly related to unexpected or unplanned bus breakdowns which cannot be foreseen, but which have to be fixed. The tender procedures have been completed in 100% of all contracts involving contract amounts being exceeded.	765,832	18,451,726
Deviations The expenditure relate to deviations approved by the accounting officer as required by the procurement regulations . Deviations based on urgency and emergency have been approved by the Accounting officer.	15,519,615	13,891,686
	19,658,888	**49,350,176**

39. Additional disclosure in terms of Municipal Finance Management Act

VAT

	2013	2012
VAT payable	92,105	86,715

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

Notes to the Financial Statements

The following supplimentary information (note 42) does not form part of the annual financial statements and is unaudited

40. Annexure A: General Expenses

Figures in Rand	2013	2012
Advertising	3,469,216	363,119
Assessment rates & municipal charges	73,808	43,173
Auditors Remuneration	2,159,598	444,576
Bank charges	515,302	195,907
Cleaning	3,537,417	3,144,097
Commission paid	4,060,830	3,739,757
Computer expenses	4,075,287	562,420
Consulting and professional fees	7,589,589	10,722,336
Diesel	79,909,344	77,527,852
Entertainment	323,211	622,586
Insurance	6,533,234	14,011,423
Conferences and seminars	220,778	295
Lease rentals on operating lease	1,972,381	3,270,000
Motor vehicle expenses	8,680,829	8,454,616
Placement fees	855,278	505,035
Postage and courier	407	8,821
Printing and stationery	882,224	869,618
Royalties and license fees	486,799	353,876
Security (Guarding of municipal property)	5,628,747	5,935,607
Staff welfare	188,912	158,085
Subscriptions and membership fees	14,892	210,783
Telephone and fax	2,046,539	2,029,355
Training	303,571	1,242,040
Travel - local	24,420	18,892
Electricity	3,269,831	4,468,972
Water and utilities	321,819	328,761
Water and utilities	156,078	208,578
Uniforms	771,614	220,774
Leave expense	1,347,050	1,088,179
Rendering of services	241,800	-
	139,660,805	**140,749,533**