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Johannesburg Metropolitan Bus Services (Proprietary) Limited
(Registration number 2000/004704/07)
Trading as Metrobus
Annual financial statements for
the year ended 30 June 2010

Johannesburg Metropolitan Bus Services (Proprietary) Limited

(Registration number 2000/004704/07)

Trading as Metrobus

Annual Financial Statements for the year ended 30 June 2010

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
The following is included in the scope of operation:	Number of Depots: 3 Size of Vehicle fleet: 30 (2009: 30) Size of Bus fleet: 499 (2009:497) Number of Employees: 898 (2009: 980)
Directors	Vincent Zwelibanzi Mntambo (Chairman) Jeremiah Nkeli Comfort Bunting Kenneth Hallet Setzin David Llewellyn Roberts Kumaran Naidoo Herman Johan van Laar Suzan Badanile Nyalunga Maureen Manyama-Matome
Registered office	PO Box 1787 Johannesburg 2000
Business address	Transportation House 1 Raikes Road Braamfontein 2000
Postal address	PO Box 1787 Johannesburg 2000
Parent	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
Bankers	Absa Bank Limited
Auditors	Auditor General - Johannesburg
Secretary	Phillipa Maduka
Company registration number	2000/004704/07
Attorneys	Kevin Moodley & Associates
Value Added Tax number	4750224570
Income Tax Number	9294142147

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ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards

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

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(Registration number 2000/004704/07)

Trading as Matrobus

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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 annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2011 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.

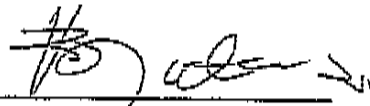
The entity is largely dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the City of Johannesburg Metropolitan Municipality has neither the intention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

The external auditors are responsible for independently reviewing the annual financial statements with the aim of expressing an opinion on the annual financial statements of the Johannesburg Metropolitan Bus Services (Proprietary) Limited. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

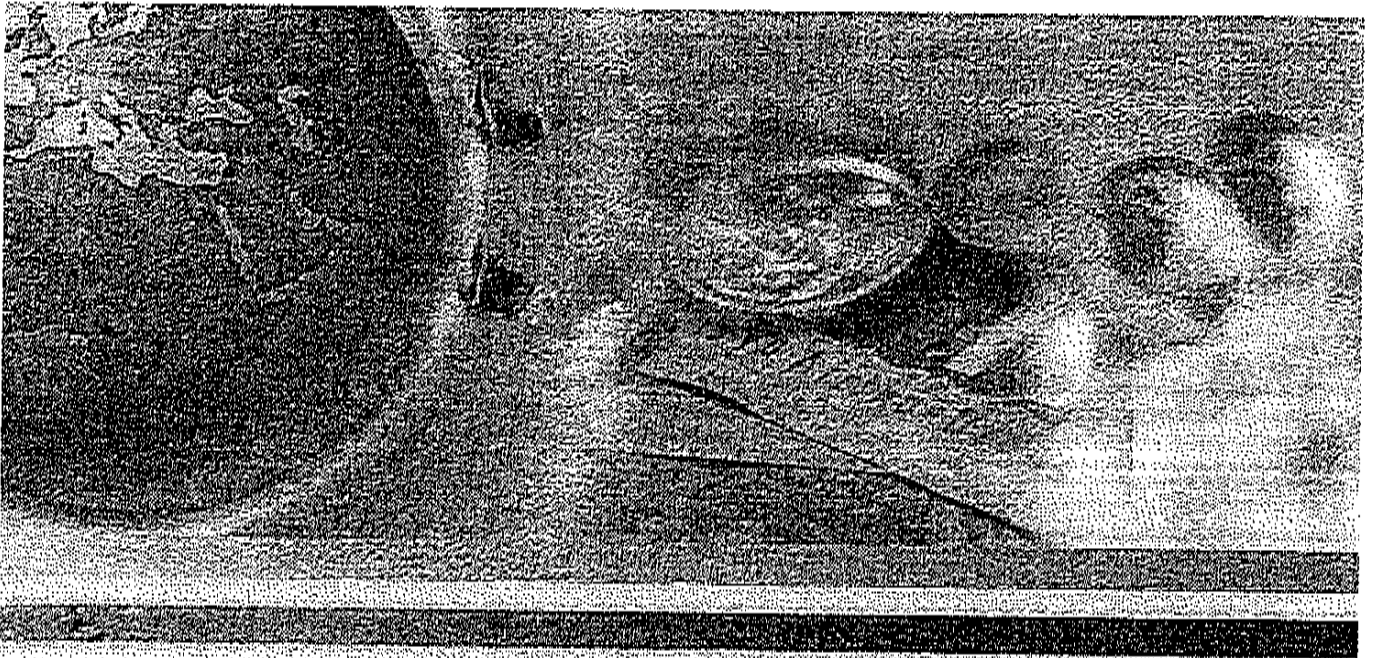
The annual financial statements set out on pages 7 to 51, which have been prepared on the going concern basis, were tabled for discussion at the Audit Committee meeting and have been approved by the board of directors on 25 November 2010 and were signed on its behalf by:



Director
Mr. Herman Van Laar



Director
Mr. Vincent Mtambo



Auditing to build public confidence

**AUDITOR - GENERAL
SOUTH AFRICA**

**Auditor's report of the Auditor-General to
the Gauteng Provincial Legislature on the
Johannesburg Metropolitan Bus Services
(Pty) Ltd for the year ended 30 June 2010**



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

The reputation promise of the Auditor-General

"The Auditor-General has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence."

The mission statement informs the content of the Public Audit Manual (PAM) by recognising that the audits conducted by the SAI of South Africa are unique due to its mandate. This mandate includes responsibilities in terms of laws or regulations that go beyond generally accepted practice of the auditor's responsibilities in the audit of the financial statements.

These responsibilities include: consideration of issues such as public interest; accountability; probity; effective legislative oversight, in particular as concerns compliance with law, regulation or other authority; performance against pre-determined objectives; and economic, efficient, and effective procurement of resources.

The ultimate goal of the audits is to strengthen the South African democracy.



AUDITOR-GENERAL
SOUTH AFRICA

Mr Herman Van Laar
The Accounting Officer
Johannesburg Metropolitan Bus Services (Pty) (Ltd)
Transportation House
1 Raikes Road
Braamfontein
2000

29 November 2010

Reference: TS 98 19611

Dear Mr Van Laar

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Johannesburg Metropolitan Bus Services (Pty) Ltd for the year ended 30 June 2010.

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa and section 121(4) of the Municipal Finance Management Act of South Africa (MFMA).
2. I have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(4) of the MFMA you are required to include the audit report in the Johannesburg Metropolitan Bus Service's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit

report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.

- The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format if needed.
 - The report must please be referred to the Municipal Public Accounts Committee.
 - Please send 10 copies of the annual report to the Auditor-General of South Africa for attention Parliamentary Manager, 61 Central Street, Houghton.
6. Please notify the undersigned Operations Leader well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Operations Leader: Gauteng

Enquiries: Ockle Ludick
Telephone: (011) 703 7639
Fax: (011) 703 7690
E-mail: ocklel@agsa.co.za

**AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL
LEGISLATURE AND COUNCIL OF CITY OF JOHANNESBURG METROPOLITAN
MUNICIPALITY ON JOHANNESBURG METROPOLITAN BUS SERVICES (Pty) Ltd**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Johannesburg Metropolitan Bus Services (Pty)(Ltd), which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting officer's report as set out on pages xx to xx.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Companies Act of South Africa, 2008 (Act No 71 of 2008). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, these financial statements present fairly, in all material respects, the financial position of the Johannesburg Metropolitan Bus Services (Pty)(Ltd) for the year ended 30 June 2010 and its financial performance and its cash flows for the year then ended, 30 June 2010 are prepared, in all material respects, in accordance with SA Standards of GRAP and in the manner required by the MFMA and Companies Act.

Emphasis of matter

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

Restatement of corresponding figures

9. As disclosed in note 15 to the financial statements, the corresponding figures for 31 June 2009 have been restated as a result of an error discovered by management during 2010 in the financial statements of the Johannesburg Metropolitan Bus Services (Pty)(Ltd), at and for the year ended, 30 June 2009.

Additional matter

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

Unaudited supplementary schedules

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations [MFMA, Municipal Regulations (Regulations – GNR/GN), Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and the Municipal Structures Act, 1998 (Act No. 117 of 1998), and financial management internal control.

Predetermined objectives

12. Material findings on the report on predetermined objectives, as set out on pages ... to ..., are reported below:

Non compliance with regulatory and reporting requirements

13. No matters to report

Reliability of reported performance information

14. The following criteria were used to assess the usefulness of the planned and reported performance:
- **Validity:** Has the actual reported performance occurred and does it pertain to the entity i.e can the reported performance information be traced back to the source data or documentation?
 - **Accuracy:** Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately
 - **Completeness:** All actual results and events that should have been recorded have been included in the reported performance information.

Reported targets not reliable when compared to source information

15. For the selected key performance indicators, some of the reported targets were not accurate on the basis of the source information or evidence provided to support the reported targets

Reported indicators and targets not reliable as inadequate supporting source information was provided

16. For the selected objectives the validity, accuracy and completeness, 40% of the sample of the reported indicators and targets could not be established as sufficient appropriate audit evidence and relevant source documentation could not be provided for audit purposes.

Compliance with laws and regulations**Municipal Finance Management Act, 2003****Expenditure was not paid within set parameters in accordance with applicable laws and regulations**

17. Contrary to the requirements of section 99(2)(b) of the MFMA, the accounting officer of the municipal entity did not take reasonable steps to ensure that some money owing was paid within 30 days of receiving the relevant invoice.

INTERNAL CONTROL

18. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and Municipal Systems Act, but not for the purpose of expressing an opinion on the effectiveness of internal control.
19. The matters reported below are limited to the significant deficiencies regarding the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Financial and performance management**

Proper record keeping and record management; the documents supporting the predetermined objectives were not properly filed and easily retrievable

Systems were not appropriate regarding to payment of suppliers within 30 days from receipt of the invoice.

Auditor-General

Johannesburg

29 November 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Johannesburg Metropolitan Bus Services (Proprietary) Limited

(Registration number 2000/004704/07)

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Directors' Report

The director submit their report for the year ended 30 June 2010.

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 (Proprietary) 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.

During the year there were no major changes in the activities of the business.

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 surplus of R 1,488,081 (2009: deficit R 21,845,701) for the year under review. This is mainly attributable to revenues generated from the soccer world cup activities, actuarial gains and cost containment measures implemented by management.

The company does not have enough resources to cover its short term obligations as illustrated by a net current liability position of R 96,129,051 (2009: R 61,916,454)

3. GOING CONCERN

We draw attention to the fact that at 30 June 2010, the entity had accumulated deficits of R (59,789,581) , (2009: R 61,277,662) and that the entity's total assets exceed its liabilities by R 17,459,635 (2009: R 15,974,554).

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

The 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's opinion that the company would not be in a position to continue as a going concern on its current mandate. Management 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 foreseeable future.

The City of Johannesburg Metropolitan Municipality has provided an increased operating subsidy of R292 million (2010: R284 million) for the forthcoming 2010/2011 financial year to cover operating expenditure incurred.

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.

We draw attention to the successful participation of Metrobus management from 31 August 2009 to 30 November 2010 in the implementation of Phase 1A of the Rea Vaya Bus Rapid Transit (BRT) in the City of Johannesburg. Phase 1A did not have a significant impact on the operations of Metrobus.

Phase 1B of BRT is planned to come into operation in the latter part 2011 and is expected to clash with several existing Metrobus routes. A total number of 32 buses could be withdrawn from service due to the implementation of Phase 1B of

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Directors' Report

BRT. Metrobus may participate in the BRT as an affected stakeholder. Alternatively, Metrobus could introduce the 32 buses on routes where we have serious overloading problems.

We further draw attention to an agreement between management and organized labour on the terms of reference for a forensic investigation into certain alleged irregularities. The investigation will be conducted by an independent firm of investigators and could commence before the end of December 2010.

5. INTERNAL CONTROLS

5.1 DEVIATION FROM SUPPLY CHAIN PROCESSES

Security Tender: There was a deviation from Supply Chain processes, a contract was extended on a month to month basis as from 01 December 2009 to 30 November 2010 although the amount disclosed relates to the current year. The contract extension was considered and approved by the board. R4,685,309

5.2 LATE PAYMENT OF SUPPLIER INVOICES

Certain supplier invoices were not paid within 30 days as required by Section 99(2) of the Municipal Finance Management Act (MFMA). An invoice register has been introduced to monitor payments. An additional person has also been employed to follow up on outstanding invoices and to speed up payment processes.

6. 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.

7. 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 auspices of the City of Johannesburg Metropolitan Municipality Assets and Liability Committee (ALCO). Additional loans of R6m in 2009 were received from the City of Johannesburg Metropolitan Municipality for the acquisition of assets in terms of the approved capital expenditure. There were no additional loans in the current year.

8. 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.

9. DIVIDENDS

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

10. SECRETARY

Zenobia Carla Heldsinger resigned as secretary of the entity on 07 June 2010 and Philipa Maduka was appointed in her stead on 07 June 2010.

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

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Directors' Report

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.

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:
 - 8 non-executive directors, all of whom are independent directors as defined in the Code; and
 - 1 executive director.
- has established a Board directorship continuity programme.

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.

Remuneration

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 Subcommittee are Mr. Jeremiah Nkell (Chairman), Mr Kenneth Setzin and Me. Danile Nyalunga. The Committee met on six separate occasions during the financial year.

Executive meetings

The committee has met on 29 separate occasions during the financial year. The committee scheduled to meet at least 12 times per annum.

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

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

Name	Board Meeting	Audit committee meeting	HR and REMCO Committee meeting	Risk Committee meeting
Total number of meetings held	7	8	6	4
Jeremiah Nkell	6	-	5	-
Vincent Zwelibanzi Mntambo (Chairman)	7	-	-	-
Comfort Bunting	6	-	-	-

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Directors' Report

Kenneth Hallet Setzin	7		-	6		-
David Llewellyn Roberts	4	1			-	3
Kumaran Naidoo	6	7			-	3
Herman Johan van Laar	7	8		5		4
Suzan Badanile Nyalunga	5		-	5		-
Maureen Manyama-Matome	6	3			-	4
Rene Kenosi		6			-	3
Daniel van Der Nest		6			-	-
Rashid Wajodeen		5			-	-
Kwanele Moyo		2			-	-

Audit and risk committee

The committee met 8 times during the financial year to review matters necessary to fulfil its role.

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.

Internal audit

The entity has outsourced its internal audit function to Gobodo Forensic and Investigative Accounting. This is in compliance with the Municipal Finance Management Act, 2003.

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 Amalgamated Bank of South Africa Limited (ABSA), in terms of the agreement with the City of Johannesburg Metropolitan Municipality and its subsidiaries.

The management of the Treasury function within the company is managed under the auspices of Johannesburg Metropolitan Municipality Assets and Liabilities 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.

Certificate by Secretary

In terms Section 268 G(d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, I certify that the entity has lodged with the Registrar all such returns as required by the Companies Act and that all such returns are true, correct and up to date.



Philipa Maduka

Johannesburg
28 November 2010

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Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
ASSETS			
Current Assets			
Inventories	3	12,146,674	12,468,987
Loans to shareholders	4	13,249,360	-
Trade and other receivables	5	12,772,721	37,157,972
Prepayments	7	2,593,684	2,828,411
Insurance Fund	12	4,329,448	9,640,035
Cash and cash equivalents	8	406,681	126,954
		45,498,568	62,222,359
Non-Current Assets			
Property, plant and equipment	9	235,938,784	270,575,463
Intangible assets	10	6,355,598	3,430,727
Loans to shareholders	4	29,829,493	30,532,400
		272,123,875	304,538,590
Total Assets		317,622,443	366,760,949
LIABILITIES			
Current Liabilities			
Loans from shareholders	4	-	23,830,955
Other financial liabilities	13	93,846,851	53,846,787
Finance lease obligation	14	46,680	66,346
Trade and other payables	15	40,909,036	39,614,317
VAT payable	16	83,099	114,534
Deferred income	17	533,852	589,852
Provisions	18	6,408,101	6,076,022
		141,827,619	124,138,813
Non-Current Liabilities			
Other financial liabilities	13	122,676,958	186,892,102
Finance lease obligation	14	14,136	46,480
Retirement benefit obligation	6	35,844,093	39,712,000
		158,535,187	226,650,582
Total Liabilities		300,162,806	350,789,395
Net Assets		17,459,637	15,971,554
NET ASSETS			
Share capital	19	54,774,330	54,774,330
Reserves			
Revaluation reserve	20	22,474,886	22,474,886
Accumulated deficit		(59,789,581)	(61,277,662)
Total Net Assets		17,459,635	15,971,554

Johannesburg Metropolitan Bus Services (Proprietary) Limited

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Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Rendering of services		114,520,921	107,196,825
Miscellaneous other revenue		10,550,554	6,514,336
Administration and management fees received		284,496,999	265,498,000
Actuarial Gain (Loss)		5,577,000	(5,951,600)
Other income	23	1,422,949	454,601
Interest received - investment	28	875,817	2,949,033
Total Revenue		417,444,240	376,661,195
Expenditure			
Personnel	26	(180,868,055)	(152,669,041)
Depreciation and amortisation	29	(46,182,361)	(46,071,484)
Reversal of impairments/ Impairment loss	30	1,874,804	(2,960,220)
Finance costs	31	(26,730,338)	(32,406,006)
Bad debts	27	(746,810)	(416,430)
Repairs and maintenance		(58,141,739)	(55,107,681)
General Expenses	24	(106,683,367)	(106,372,175)
Total Expenditure		(417,477,686)	(396,003,039)
Gain (loss) on disposal of assets and liabilities		1,521,507	(2,503,857)
Surplus (deficit) for the year		1,488,081	(21,845,701)

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Statement of Changes in Net Assets

Figures in Rand	Note(s)	Contribution from owners	Equity Loan	Total share capital	Revaluation reserve	Accumulated deficit	Net Assets
Balance at 01 July 2008		41,047,945	13,726,385	54,774,330	18,430,938	(39,431,961)	33,773,307
Changes in net assets							
Deficit for the year		-	-	-	-	(21,845,701)	(21,845,701)
PPE purchases from CRR		-	-	-	4,043,948	-	4,043,948
Total changes		-	-	-	4,043,948	(21,845,701)	(17,801,753)
Balance at 01 July 2009		41,047,945	13,726,385	54,774,330	22,474,886	(61,277,662)	15,971,554
Changes in net assets							
Surplus for the year		-	-	-	-	1,488,081	1,488,081
Total changes		-	-	-	-	1,488,081	1,488,081
Balance at 30 June 2010		41,047,945	13,726,385	54,774,330	22,474,886	(59,789,581)	17,459,635

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Cash flow statement

Figures in Rand	Note(s)	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		284,497,000	265,498,000
Interest income		875,817	2,949,033
Receipts from related party		20,508,050	(4,658,856)
Other receipts		125,071,475	113,711,161
Other cash item		10,980,454	454,601
		441,932,796	377,953,939
Payments			
Employee costs		(180,868,055)	(150,002,818)
Suppliers		(107,429,978)	(106,788,605)
Finance costs		(26,730,338)	(32,406,008)
Other payments		(58,141,739)	(55,107,681)
Other cash item		-	(3,469,701)
		(373,170,110)	(347,774,813)
Net cash flows from operating activities	33	68,762,686	30,179,126
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(11,945,580)	(15,440,588)
Proceeds from sale of property, plant and equipment	9	2,277,222	4,531,160
Purchase of other intangible assets	10	(3,280,690)	(736,098)
Increase in Insurance Fund		-	(3,350,885)
Reduction in Insurance Fund		5,310,587	(32,630)
Other non cash item		-	(2,125)
Net cash flows from investing activities		(7,638,461)	(15,031,166)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities		(24,415,080)	(39,133,244)
Repayment of shareholders loan		(36,377,408)	26,463,284
Finance lease payments		(52,010)	(315,139)
Net cash flows from financing activities		(60,844,498)	(12,985,099)
Net increase/(decrease) in cash and cash equivalents		279,727	2,162,861
Cash and cash equivalents at the beginning of the year		126,954	(2,035,908)
Cash and cash equivalents at the end of the year	8	406,681	126,953

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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003). These annual 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. Previously the Statements of Generally Accepted Accounting Practice (GAAP) were used where the equivalent Generally Recognised Accounting Practice (GRAP) statements were not yet effective or available.

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.

GRAP12: Inventories.

GRAP13: Leases.

GRAP14: Events after the reporting date.

GRAP17: Property, Plant and Equipment.

GRAP19: Provisions, Contingent Liabilities and Contingent Assets.

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

GRAP102: Intangible Assets.

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

These accounting policies are consistent with those used in the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables 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.

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1.1 Significant judgements and sources of estimation uncertainty (continued)

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 operation 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. 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.

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.

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Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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 at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

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Accounting Policies

1.2 Property, plant and equipment (continued)

period. The decrease is debited in other comprehensive income 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 property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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 derecognised when:

it is disposed;

no future economic benefits or service potential are expected from its use or disposal.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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Accounting Policies

1.3 Intangible assets (continued)

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

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

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1.4 Financial instruments (continued) 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.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount

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Accounting Policies

1.4 Financial Instruments (continued)

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.

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

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

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1.4 Financial Instruments (continued)

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.

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.

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 at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:
distribution at no charge or for a nominal charge; or
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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Accounting Policies

1.6 Inventories (continued)

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 issued to the business units, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories acquired are not held for trading, and consists of consumables, spares stock and fuel held in stock.

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 of its fair value less costs to sell and its value in use.

Useful life is either:

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;

- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

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.

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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.

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

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1.8 Impairment of cash-generating assets (continued)

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 Employee benefits

Short-term employee benefits

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

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

The expected cost of 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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all

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1.9 Employee benefits (continued)

other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

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

Other post retirement obligations

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

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

1.10 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.

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.

Contingent assets and contingent liabilities are not recognised.

1.11 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.

1.12 Revenue from non-exchange transactions

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1.12 Revenue from non-exchange transactions (continued)

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.

1.13 Borrowing costs

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

1.14 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.

1.15 Comparative figures

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

1.16 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.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA 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):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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.

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

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1.17 Irregular expenditure (continued)

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.

1.18 Use of estimates

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

1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

1.20 Offsetting

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

1.21 Revaluation reserve

The surplus arising from the revaluation of Land and Buildings 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.

1.22 Gratuities

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

1.23 Related Parties

Johannesburg Metropolitan Bus Services (Proprietary) Limited is an entity of The City of Johannesburg Metropolitan Municipality incorporated in South Africa. Refer to note 36 for the list of the related parties (other entities owned by The City) and the outstanding balances for transactions entered into during the year.

1.24 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 Financial Performance over a period relating to the prepayment.

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Figures in Rand	2010	2009
2. CHANGES IN ACCOUNTING POLICY		
The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) on a basis consistent with the prior years.		
3. INVENTORIES		
Consumable stores	149,734	404,476
Spare parts	13,461,138	13,993,508
Other goods held for resale	1,322,576	1,701,101
Uniform Stock	116,501	130,102
Fuel (Diesel, Petrol)	1,095,643	857,864
Less: Provision for obsolescence	(3,998,918)	(4,618,064)
	12,146,674	12,458,987
4. LOANS TO/FROM SHAREHOLDERS		
City of Johannesburg Metropolitan Municipality - Notional loans	29,829,493	30,532,400
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 5.1 for further breakdown of the balance. Refer to note 9 for information regarding the Retirement Liabilities.		
City of Johannesburg Metropolitan Municipality - Sweeping account	13,249,360	(23,830,955)
Terms and conditions: Refer to note 5.2, a loan earning or paying interest at Prime less 4.5% with no repayment conditions.		
	43,078,853	6,701,445
Non-current assets	29,829,493	30,532,400
Current assets	13,249,360	-
Current liabilities	-	(23,830,955)
	43,078,853	6,701,445
Credit quality of loans to shareholders		
The credit quality of loans to shareholders that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Credit rating		
A	53,162,594	59,701,676
Fair value of loans to and from shareholders		
Loans from shareholders	53,162,594	59,701,676
Loans to shareholders past due but not impaired		
Loans to shareholders which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 23,948,781 (2009: R 26,774,168) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	53,162,594	59,701,676

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Figures in Rand	2010	2009
4. LOANS TO/FROM SHAREHOLDERS (continued)		
Sweeping account		
Loans at beginning of the year	(23,830,955)	2,035,500
Receipts	(173,165)	1,970,780
Repayments	37,253,480	(27,637,235)
	13,249,360	(23,830,955)
5. TRADE AND OTHER RECEIVABLES		
Trade debtors	2,626,060	2,219,017
Staff debtors	599,720	374,080
Other deposits	20,702	20,702
Less: Provision for impairment	(1,377,799)	(631,189)
PAYE	94,512	104,318
Sundry debtor	2,115,885	5,888,544
Insurance debtor	32,415	13,224
Related party debtors	8,661,226	29,169,276
	12,772,721	37,157,972
Trade and other receivables past due but not impaired		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 1,731,523 (2009: R 382,420) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	1,443,100	325,815
2 months past due	276,103	22,405
3 months past due	12,320	34,200
Trade and other receivables impaired		
As of 30 June 2010, trade and other receivables of R 1,191,462 (2009: R 631,189) were impaired and provided for.		
The ageing of these loans is as follows:		
3 to 6 months	874,453	-
Over 6 months	317,009	631,189
The carrying amount of trade and other receivables are denominated in Rand		
Rand	1,191,462	631,189
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	631,189	535,273
Provision for Impairment	760,869	428,430
Amounts written off as uncollectible	-	(320,514)
Unused amounts reversed	(200,596)	(12,000)
	1,191,462	631,189
The Trade and Receivables ageing at 30 June 2010 is as follows:		
Government/ Entities	Total debtors	9,259,675

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Figures in Rand	2010	2009
5. TRADE AND OTHER RECEIVABLES (continued)		
Current	7,581,785	
1-30 Days	466,195	
31-60 Days	205,394	
61-90 Days	12,320	
91-180 Days	874,453	
181-360 Days	93,628	
+361 Days	25,901	
Business		
Total debtors	1,499,556	
Current	455,101	
1-30 Days	973,744	
31-60 Days	70,709	
61-90 Days	0	
91-180 Days	1,00	
181-360 Days	0	
+361 Days	0	
Other debtors		
Total debtors	547,611	
Current	523,686	
1-30 Days	0	
31-60 Days	0	
61-90 Days	0	
91-180 Days	0	
181-360 Days	0	
+361 Days	20,763	
6. RETIREMENT BENEFITS		
6.1 Defined benefit plan		
Post-retirement liability		
Post-Retirement Medical Aid Plan	(19,024,000)	(21,635,000)
Post-Retirement Housing Subsidy Plan	(366,000)	(562,000)
Retirement Gratuity Plan	(16,454,093)	(17,515,000)

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Figures In Rand	2010	2009
6. RETIREMENT BENEFITS (continued)		
	(35,844,093)	(39,712,000)
6.1.1 Post retirement medical aid plan		
Amounts recognised in the Statement of financial position		
Movements for the year		
Opening balance	21,635,000	16,317,000
Benefits paid	(291,000)	(642,000)
Net expense recognised in the statement of financial performance	(2,320,000)	5,960,000
	19,024,000	21,635,000
Net expense recognised in the statement of financial performance		
Past service cost	329,000	329,000
Interest cost	1,817,000	1,520,000
Actuarial (gains) losses	(4,466,000)	4,111,000
	(2,320,000)	5,960,000
Notional loan account		
Opening balance	17,037,000	16,136,000
Interest received	1,149,000	1,504,000
Payments against account	-	(603,000)
Balance at end of year	18,186,000	17,037,000
Key assumptions used		
The principal actuarial assumptions used were as follows on 30 June 2010.		
Discount rates used	9.00 %	8.40 %
Expected rate of return on assets	9.00 %	8.40 %
Expected increase in salaries	5.90 %	6.80 %
Other assumptions:		
Age of spouse	-	Husbands 5 Years older than wives.
Mortality of in-service members (rated down 3 years for females).	-	In accordance with the SA 85-90 (Light) ultimate table
Mortality of pensioners tables (rated down 1 year for females and males)	-	In accordance with the PA(90) ultimate male and female
6.1.2 Post retirement housing subsidy plan		
Amounts recognised in the Statement of financial position		
Movements for the year		
Opening balance	562,000	633,000
Net expense recognised in the statement of financial performance	(196,000)	(71,000)

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Figures in Rand	2010	2009
6. RETIREMENT BENEFITS (continued)		
	366,000	562,000
Net expense recognised in the statement of financial performance		
Current service cost	8,000	8,000
Interest cost	47,000	60,000
Actuarial (gains) losses	(251,000)	(139,000)
	(196,000)	(71,000)
Notional loan account		
Opening balance	562,400	731,000
Interest received	-	69,000
Payments against account	(562,400)	(237,600)
Balance at end of year	-	562,400
Key assumptions used		
Assumptions used on last valuation on 30 June 2010.		
Discount rates used	9.00 %	8.40 %
Expected rate of return on assets	9.00 %	8.40 %
6.1.3 Post retirement gratuity plan		
Amounts recognised in the Statement of financial position		
Movements for the year		
Opening balance	17,515,000	15,974,000
Benefits paid	(1,872,000)	(1,869,000)
Net expense recognised in the statement of financial performance	611,000	3,410,000
	16,454,000	17,515,000
Net expense recognised in the statement of financial performance		
Interest cost	1,471,000	1,429,000
Actuarial (gains) losses	(860,000)	1,981,000
	611,000	3,410,000
Notional loan account		
Opening balance	12,933,000	13,599,000
Interest received	793,000	1,203,000
Payments against account	(2,084,000)	(1,869,000)
Balance at end of year	11,642,000	12,933,000
Key assumptions used		

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6. RETIREMENT BENEFITS (continued)		
Assumptions used on last valuation on 30 June 2010.		
Discount rates used	9.00 %	8.40 %
Expected rate of return on assets	9.00 %	8.40 %
Expected increase in salaries	5.90 %	6.80 %
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(35,844,093)	(39,712,000)
Movements for the year		
Opening balance	39,712,000	32,924,000
Benefits paid	(1,963,000)	(2,511,000)
Net expense recognised in the statement of financial performance	(1,905,000)	9,299,000
	35,844,000	39,712,000
Net expense recognised in the statement of financial performance		
Current service cost	8,000	8,000
Past service cost	329,000	329,000
Interest cost	3,335,000	3,009,000
Actuarial (gains) losses	(5,577,000)	5,953,000
	(1,905,000)	9,299,000
Key assumptions used		
Assumptions used on last valuation on 30 June 2010.		
Discount rates used	9.00 %	8.40 %
Expected rate of return on assets	9.00 %	8.40 %
Expected increase in salaries	5.90 %	6.80 %
Other assumptions.		
7. PREPAYMENTS		
Prepayments consists mainly of Vehicles Licenses, Buses Licenses, and Software Licenses fees 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	75,582	61,305
Bank balances	331,099	65,649
	406,681	126,954
Credit quality of cash at bank and short term deposits, excluding cash on hand		

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8. CASH AND CASH EQUIVALENTS (continued)

There were only cash on hand at the end of current reporting period.

9. PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	16,800,000	-	16,800,000	16,800,000	-	16,800,000
Buildings	31,610,087	(4,471,120)	27,138,967	31,428,561	(3,368,321)	28,060,240
Plant and machinery	4,019,053	(2,157,288)	1,861,765	3,961,553	(1,795,836)	2,165,717
Furniture and fixtures	2,682,479	(1,874,988)	807,491	2,688,087	(1,672,918)	995,169
Motor vehicles	3,329,512	(1,496,988)	1,832,524	3,329,512	(1,331,874)	1,997,638
Office equipment	2,809,558	(988,928)	1,820,630	2,370,375	(966,227)	1,404,148
IT equipment	5,320,196	(3,631,121)	1,689,075	4,873,569	(3,091,976)	1,781,593
Leasehold improvements	1,344,350	(494,727)	849,623	1,344,350	(373,476)	970,874
Other property, plant and equipment	4,814,981	(3,910,026)	904,955	4,814,981	(3,465,678)	1,349,303
Fare collection equipment	12,355,051	(11,233,122)	1,121,929	12,355,051	(11,155,078)	1,199,973
Spare parts	735,475	-	735,475	710,071	-	710,071
Specialised vehicles	498,509,425	(319,305,612)	179,203,813	495,762,191	(283,672,053)	212,090,138
Tools and loose gear	2,386,863	(1,214,326)	1,172,537	2,035,053	(984,454)	1,050,599
Total	586,717,030	(350,778,246)	235,938,784	582,453,354	(311,877,891)	270,575,463

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	16,800,000	-	-	-	-	16,800,000
Buildings	28,060,240	181,526	4,178	-	(1,106,977)	27,138,967
Plant and machinery	2,165,717	42,327	-	10,232	(356,511)	1,861,765
Furniture and fixtures	995,169	14,392	-	-	(202,070)	807,491
Motor vehicles	1,997,638	-	-	-	(165,114)	1,832,524
Office equipment	1,404,148	764,036	(9,909)	-	(337,645)	1,820,630
IT equipment	1,781,593	477,938	(30,770)	-	(539,686)	1,689,075
Leasehold improvements	970,874	-	-	-	(121,251)	849,623
Other property, plant and equipment	1,349,303	-	-	-	(444,348)	904,955
Fare collection equipment	1,199,973	-	-	-	(78,044)	1,121,929
Spare parts	710,071	735,475	(710,071)	-	-	735,475
Specialised vehicles	212,090,138	9,378,077	(9,143)	(10,232)	(42,245,027)	179,203,813
Tools and loose gear	1,050,599	351,809	-	-	(229,671)	1,172,537
	270,575,463	11,945,580	(755,715)	-	(45,826,544)	235,938,784

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment reversal
Land	13,100,000	-	-	-	3,700,000	-	-
Buildings	27,624,317	1,582,707	-	48,347	341,357	(1,541,204)	4,71
Plant and machinery	2,203,602	266,103	-	58,739	-	(362,727)	-
Furniture and fixtures	974,033	147,321	-	(48,552)	-	(77,633)	-
Motor vehicles	1,381,691	811,733	(32,248)	-	-	(163,538)	-
Office equipment	1,648,468	145,849	(122,136)	91,950	-	(359,783)	-
IT equipment	2,046,180	429,127	(7,117)	(137,917)	-	(548,680)	-

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9. PROPERTY, PLANT AND EQUIPMENT (continued)						
Leasehold improvements	881,306	289,981	-	-	(200,413)	
Other property, plant and equipment	1,580,932	167,076	-	(62,145)	(336,560)	
Fare collection equipment	1,552,592	7,715	(3)	-	(360,331)	
Spare parts	905,083	1,418,453	(1,613,465)	-	-	
Specialised vehicles	247,807,369	9,891,484	(5,223,136)	13,435	(40,399,014)	
Tools and loose gear	1,083,653	283,239	(4,282)	(101,775)	(210,236)	
	302,789,226	15,440,588	(7,002,387)	(137,918)	4,041,357	(44,560,119)
						4,71

Pledged as security

2006 Mercedes Benz Buses Used to secure borrowings granted by the City of Johannesburg Metropolitan Municipality	86,169,842	88,613,092
2002 Volvo Buses Used to secure borrowings granted by INCA	58,100,801	116,313,686

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

Assets subject to finance lease (Net carrying amount)

Office equipment	54,577	99,887
Leasehold improvements	849,623	970,874
	904,200	1,070,761

Revaluations

Land and buildings are re-valued independently every 2 years.

10. INTANGIBLE ASSETS

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	15,238,984	(8,883,386)	6,355,598	11,958,293	(8,527,566)	3,430,727

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software	3,430,727	3,280,690	(355,819)	6,355,598

Reconciliation of intangible assets - 2009

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	4,066,076	736,098	137,918	(1,511,365)	3,430,727

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11. DEFERRED TAX		
Deferred tax asset / (liability)		
Deferred tax asset / (liability)		
Increase (decrease) in tax losses available for set off against future taxable income	14,874,632	3,884,001
Originating temporary difference on tangible fixed assets	(12,372,584)	523,635
Temporary difference on retirement benefits	-	(144,836)
Income received in advance	(309,437)	4,364
Leases	-	(2,035,042)
Payments received in advance	714,351	-
Fair value and amortised cost adjustment	-	(360,632)
Other movements	(10,595,346)	(1,871,490)
Provisions	7,688,384	-
	-	-
12. INSURANCE FUND		
Movement for the year		
Opening balance	9,640,035	6,289,150
Contributions to the fund	-	8,648,519
Claims against the fund	(5,310,589)	(5,297,634)
	4,329,446	9,640,035
<p>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. Claims against the fund are processed as and when qualifying incidents occur.</p> <p>There was no contribution made during the current financial year due to the adequate reserve from prior year.</p>		
13. OTHER FINANCIAL LIABILITIES		
Liabilities		
Structured loans	83,010,724	95,600,466
Terms and conditions: City of Johannesburg Metropolitan Municipality 2007 Capex Loan		
Infrastructure Finance Corporation Limited (INCA)	28,770,324	79,220,661
Terms and conditions		
Non Annuity Loans	6,320,726	7,081,830
Terms and conditions: City of Johannesburg Metropolitan Municipality 2008 Capex Loan		
Debentures	4,575,184	4,989,145
Terms and conditions: City of Johannesburg Metropolitan Municipality 2009 Capex Loan		
	122,676,958	186,892,102
Current portion of long term liabilities		
Structured loans	13,764,807	12,605,830
Infrastructure Finance Corporation Limited (INCA)	79,882,044	41,240,957
	93,646,851	53,846,787
Non-current liabilities		

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13. (continued)		
At amortised cost	122,676,958	186,892,102
Current liabilities		
At amortised cost	93,846,851	53,846,787
	216,323,809	240,738,889
14. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within one year	51,550	75,845
- in second to fifth year inclusive	14,629	50,771
	66,179	126,616
less: future finance charges	(5,363)	(13,790)
Present value of minimum lease payments	60,816	112,826
Present value of minimum lease payments due		
- within one year	46,680	265,740
- in second to fifth year inclusive	14,136	315,296
	60,816	581,036
Non-current liabilities	14,136	46,480
Current liabilities	46,680	66,346
	60,816	112,826
15. TRADE AND OTHER PAYABLES		
Trade payables	7,522,238	10,284,898
Accrued leave pay	14,142,217	10,911,253
Other accrued expenses	16,080,165	14,417,782
Sundry Creditors	2,548,736	1,648,446
Related party creditor	615,680	2,351,938
	40,909,036	39,614,317
16. VAT PAYABLE		
Tax payables	83,099	114,534
VAT payable relates to the advertising revenue , the insurance related claims billing and own accident repairs recoveries.		
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		
Balance at the beginning of the year	589,852	605,436
Additions during the year	(56,000)	56,000
Income recognition during the year	-	(71,584)
	533,852	589,852

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18. PROVISIONS

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Provision for incentive bonus and 13th cheques	6,076,022	9,799,397	(9,467,318)	6,408,101

Reconciliation of provisions - 2009

	Opening Balance	Additions	Utilised during the year	Total
Provision for incentive bonus and 13th cheques	5,522,845	11,949,104	(11,395,927)	6,076,022

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 2010, as the annual service bonuses are paid to employees during November.

19. SHARE CAPITAL

Authorised

1 000 Ordinary shares of R1 each	1,000	1,000
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Reconciliation of number of shares issued:

Reported as at 01 July 2009	2	2
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- 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.

Issued

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

20. REVALUATION RESERVE

Land and Buildings 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.

Opening balance	22,474,886	18,430,938
Change during the year	-	4,043,948
	22,474,886	22,474,886

21. REVENUE

Rendering of services	114,520,921	107,196,825
Miscellaneous other revenue	10,550,554	6,514,336
	125,071,475	113,711,161

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21. REVENUE (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	114,520,921	107,196,825
Miscellaneous other revenue	10,550,554	6,514,336
	125,071,475	113,711,161
22. OTHER REVENUE		
Administration and management fees received - related party	284,496,999	265,498,000
Actuarial gains/ losses	5,577,000	(5,951,600)
Insurance recovery	1,422,949	454,601
	291,496,948	260,001,001
23. OTHER INCOME		
Sundry revenue	418,740	306,746
Insurance from re-insurance recoveries	1,004,209	147,855
	1,422,949	454,601
24. GENERAL EXPENSES		
Advertising	981,828	739,216
Assessment rates & municipal charges	65,027	114,579
Auditors Remuneration	2,099,238	1,237,325
Bank charges	288,388	177,829
Cleaning	3,707,615	3,541,463
Commission paid	2,861,537	2,481,349
Computer expenses	1,223,059	1,142,752
Consulting and professional fees	10,223,345	5,795,207
Entertainment	225,542	559,397
Fines and penalties	1,771	17,942
Insurance	5,846,892	7,614,842
Conferences and seminars	117,275	64,873
Lease rentals on operating lease	1,856,196	1,775,062
Motor vehicle expenses	64,481,209	71,630,719
Placement fees	488,257	209,894
Postage and courier	3,262	1,146
Printing and stationery	624,485	588,891
Royalties and license fees	351,512	8,766
Security (Guarding of municipal property)	4,685,309	3,850,436
Staff welfare	148,027	112,147
Subscriptions and membership fees	34,624	159,856
Telephone and fax	1,644,643	1,817,502
Training	291,831	389,098
Travel - local	1,398	8,242
Electricity	1,876,795	996,879
Sewerage and waste disposal	203,454	518,875
Water	20,221	186,324
Utilities - Other	-	57,230
Uniforms	2,105,652	306,461
Irregular, fruitless and wasteful expenditure	24,975	267,873
	106,683,367	106,372,175
25. OPERATING SURPLUS		

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25. OPERATING SURPLUS (continued)		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
Contractual amounts	317,992	267,524
Equipment		
Contractual amounts	1,538,204	1,507,538
	1,856,196	1,775,062
Gain (loss) on sale of property, plant and equipment	1,521,507	(2,471,227)
Loss on sale of other asset 1	-	(32,630)
Amortisation on intangible assets	355,819	1,511,366
Depreciation on property, plant and equipment	45,826,542	44,580,118
Employee costs	180,868,055	152,669,041
Operating Leases		
- Within one year - Premises	164,920	149,927
- In second to fifth year inclusive - Premises	362,824	527,743
- Within one year - Equipment	479,486	404,862
- In second to fifth year inclusive - Equipment	520,175	999,661

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26. EMPLOYEE RELATED COSTS		
Employee related costs : Salaries and wages	122,473,982	104,537,458
Housing benefits and allowances	1,891,549	2,116,105
Overtime payments	19,420,578	12,628,778
Bonus	9,792,686	11,193,103
Travel, motor car, accommodation, subsistence and other allowances	2,728,099	2,451,224
Less: Employee costs included in other expenses	654,678	799,884
Other payroll levies	6,211,838	4,680,446
Post-employment benefits - Pension - Defined contribution plan	6 17,544,645	14,096,730
Board members retainer fees	150,000	165,313
	180,868,055	152,669,041
Remuneration of chief finance officer		
Annual Remuneration	840,683	646,552
Car Allowance	24,000	12,000
Performance Bonuses	75,416	78,321
Contributions to UIF, Medical and Pension Funds	139,535	167,878
	1,079,634	904,751
Corporate and human resources (corporate services)		
Annual Remuneration	569,482	469,502
Car Allowance	63,120	63,120
Performance Bonuses	56,434	14,438
Contributions to UIF, Medical and Pension Funds	73,106	75,971
	762,142	623,031
Managing Director		
Annual Remuneration	987,679	720,420
Car Allowance	324,000	324,000
Performance Bonuses	96,465	-
Contributions to UIF, Medical and Pension Funds	18,000	18,000
	1,426,144	1,062,420
GM: Commercial Services		
Annual Remuneration	603,182	609,804
Car Allowance	80,000	120,000
Performance Bonuses	66,264	70,756
	749,446	800,560
Remuneration: Internal Audit		
Annual Remuneration	680,034	436,951
Car Allowance	30,852	73,779
Performance Bonuses	50,061	51,895
Contributions to UIF, Medical and Pension Funds	53,394	62,303
	814,341	624,928
Remuneration: Company Secretary		

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26. EMPLOYEE RELATED COSTS (continued)		
Annual Remuneration	446,353	461,358
Car Allowance	34,830	41,587
Performance Bonuses	45,666	32,237
	526,849	535,182
Chief Financial Officer		
Annual Remuneration	34,149	-
Car Allowance	462	-
	34,611	-
Company Secretary		
Annual Remuneration	30,179	-
Car Allowance	5,815	-
	35,994	-
27. DEBT IMPAIRMENT		
Bad debts	746,610	416,430
28. INVESTMENT REVENUE		
Interest revenue		
Interest earned - sweeping accounts	875,817	2,949,033
Average Earning or paying Interest rate for the year is 6.75%		
29. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	45,826,542	44,560,118
Intangible assets	355,819	1,511,366
	46,182,361	46,071,484
30. IMPAIRMENT OF ASSETS		
Impairments		
Inventories	(1,874,804)	2,960,220
The credit amount for the current financial year relates to the reduction in obsolete stock provision arising from the review of stock on hand.		
31. FINANCE COSTS		
Non-current borrowings	26,730,338	32,406,008
32. AUDITORS' REMUNERATION		
Fees	2,099,238	1,237,325
33. CASH GENERATED FROM OPERATIONS		

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33. CASH GENERATED FROM OPERATIONS (continued)		
Surplus (deficit)	1,488,081	(21,845,701)
Adjustments for:		
Depreciation and amortisation	46,182,361	46,071,484
(Loss) gain on sale of assets and liabilities	(1,521,507)	2,503,857
Impairment	(1,874,804)	2,960,220
Debt impairment	746,610	416,430
Movements in retirement benefit assets and liabilities	(3,887,907)	6,787,781
Movements in provisions	332,079	553,177
Inventories	2,197,117	(2,515,023)
Trade and other receivables	24,385,251	(6,882,227)
Consumer debtors	(746,610)	(416,430)
Prepayments	234,727	445,334
Trade and other payables	1,294,723	2,101,480
VAT	(31,435)	14,328
Deferred income	(56,000)	(15,584)
	68,762,686	30,179,126
34. COMMITMENTS		
Commitments in respect of capital expenditure:		
Authorised and not yet contracted for		
Property, plant and equipment	5,900,000	2,769,249
Authorised and contracted for		
Property, plant and equipment	-	490,751
Intangible assets	100,000	2,000,000
	100,000	2,490,751
This expenditure will be financed from:		
Internal cash	6,000,000	5,260,000
Operating leases – as lessee (Buildings)		
Minimum lease payments due		
Premises - Contractual amounts	317,992	267,524
Equipment- Contractual amounts	1,538,204	1,507,538
	1,856,196	1,775,062

35. CONTINGENCIES

Economic entity

Metropolitan Bus Services (Pty) Ltd

The company has a number of traffic fines outstanding against its name. These fines amounts to R24,975 of which R23,550 relates to the period prior to October 2008 and R1,025 relates to the current year. Management only became aware of these fines when the authorities came with the warrant of arrest and moving forward we will introduce a proactive system to request the authorities to provide us with all the current fines to ensure that recovery initiates from the perpetrators concerned.

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36. RELATED PARTIES		
Relationships		
Controlling entity	The City of Johannesburg Metropolitan Municipality	
Other members of the group	City Housing Company (Pty) Ltd	
	City of Johannesburg Property Company (Pty) Ltd	
	City of Johannesburg Metropolitan Municipality	
	City Power Johannesburg (Pty) Ltd	
	Johannesburg City Parks	
	Johannesburg Development Agency (Pty) Ltd	
	Johannesburg Metropolitan Bus Services (Pty) Ltd	
	Johannesburg Roads Agency (Pty) Ltd	
	Johannesburg Tourism Company	
	Johannesburg Water (Pty) Ltd	
	Metropolitan Trading Company (Pty) Ltd	
	Piklup Johannesburg (Pty) Ltd	
	Roodepoort City Theatre	
	The Johannesburg Civic Theatre (Pty) Ltd	
	The Johannesburg Fresh Produce Market (Pty) Ltd	
	The Johannesburg Zoo	
	Fried shelf 128 (Pty) Ltd	
	Greater Newtown Development Company (Pty) Ltd	
	Constitutional Hill Development Company (Pty) Ltd	
	Joshco JV	
Related party balances		
Amounts included in Loans, Trade and other receivables regarding related parties		
City of Johannesburg Metropolitan Municipality	8,677,781	23,708,955
Amounts Included in Loans, Trade and other payables regarding related parties		
City of Johannesburg Metropolitan Municipality	632,235	2,351,938
Related party transactions		
Sales to related parties		
City of Johannesburg Metropolitan Municipality	284,961,194	-
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	23,616	4,830,519
Johannesburg Social Housing Company (Pty) Ltd	474,350	462,671
Piklup Johannesburg (Pty) Ltd	370,877	370,877
City Power Johannesburg (Pty) Ltd	291,618	996,879
Johannesburg Water (Pty) Ltd	-	186,324
	1,180,461	6,847,270

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37. DIRECTORS' EMOLUMENTS

The following emoluments were paid to the directors during the year:

Executive

2010	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	1,426,144	-	-	-	1,426,144

2009	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	1,525,757	-	-	-	1,525,757

Non-executive

2010	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	654,678	-	-	-	654,678
In connection with the affairs of the entity or its controlled entities	150,000	-	-	-	150,000
	804,678	-	-	-	804,678

2009	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	1,421,685	-	-	-	1,421,685
In connection with the affairs of the entity or its controlled entities	146,250	-	-	-	146,250
	1,567,935	-	-	-	1,567,935

38. PRIOR PERIOD ERRORS

An error was discovered in last year's leave pay provision and an adjustment of R2, 666, 233 was processed, thereby increasing the expenditure and the related liability in 2009.

The restated leave liability is in terms of the Bargaining Council agreement, which limits the liability to 48 days per person. This means that staff has to be encouraged to take leave during quite periods to reduce the number of days to below 48, thereby reducing the unrecorded liability of R3,3m.

39. 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,

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39. RISK MANAGEMENT (continued)

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, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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	2010	2009
Loans to shareholder	23,948,781	29,169,276
Trade and other receivables	4,297,837	7,989,380

Price risk

The entity is exposed to commodity price risk regarding fuel. At present the company is investigating means to mitigate

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39. RISK MANAGEMENT (continued)

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.

40. 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 therefore has no reason to believe that the company would not be operating in the foreseeable future.

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

41. EVENTS AFTER THE REPORTING DATE

The directors are not aware of any matter or circumstance arising since the end of the financial year to 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 or disclosure in the annual financial statements.

We draw attention to the successful participation of Metrobus management from 31 August 2009 to 30 November 2010 in the implementation of phase 1A of the Rea Vaya Bus Transit (BRT) in the City of Johannesburg. Phase 1A did not have a significant impact on the operations of Metrobus.

Phase 1B of BRT is planned to come into operation in the latter part 2011 and is expected to clash with several existing Metrobus routes. A total number of 32 buses could be withdrawn from service due to the implementation of Phase 1B of BRT. Metrobus may participate in the BRT as an affected stakeholder. Alternatively, Metrobus could introduce the 32 buses on routes where we have serious overloading problems.

We further draw attention to an agreement between management and organised labour on the terms of reference for a forensic investigation into certain alleged irregularities. The investigation will be conducted by a firm of investigators and could commence before the end of December 2010.

42. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Unauthorised expenditure current year	24,575	-
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43. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

Net surplus (deficit) per the statement of financial performance	1,488,081	(21,845,701)
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44. RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT

Operating activities

Actual amount as presented in the budget statement	68,762,686	-
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Investing activities

Actual amount as presented in the budget statement	(7,638,461)	-
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Financing activities

Actual amount as presented in the budget statement	(60,844,498)	-
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Figures in Rand	2010	2009
Net cash generated from operating, investing and financing activities	279,727	-

45. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

VAT

VAT payable	83,099	114,534
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All VAT returns have been submitted by the due date throughout the year.

46. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities	216,323,809	240,738,889
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

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Appendix A: Schedule of external loans

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Appendix B: Analysis of property, plant and equipment

APPENDIX B for the period ended 30 June 2010

	Cost/Revaluation					Accumulated Depreciation							
	Opening Balance (000's)	Additions (000's)	Disposals (000's)	Classified as held for sale (000's)	Transfers (000's)	Closing Balance (000's)	Opening Balance (000's)	Disposals (000's)	Transfers (000's)	Depreciation (000's)	Impairment deficit (000's)	Closing Balance (000's)	Carrying value (000's)
Land and buildings													
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure													
Roads, pavements, bridges & storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs - water	-	-	-	-	-	-	-	-	-	-	-	-	-
Water mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Water mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity peak-load equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification & recalculation	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets													
Parks, gardens, sport fields & recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets													
Historic buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Artwork	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles													
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets													
Other motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins & containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other office equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX B for the period ended 30 June 2010

	Cost/Revaluation					Accumulated Depreciation							
	Opening Balance ('000's)	Additions ('000's)	Disposals ('000's)	Classified as held for sale ('000's)	Transfers ('000's)	Closing Balance ('000's)	Opening Balance ('000's)	Disposals ('000's)	Transfers ('000's)	Depreciation ('000's)	Impairment deficit ('000's)	Closing Balance ('000's)	Carrying value ('000's)
Total property plant and equipment													
Land and buildings													
Infrastructure													
Community Assets													
Heritage assets													
Specialised vehicles													
Other assets													
Undefined Difference: Biological assets						(586,717)						359,778	
Biological assets													
Undefined Difference: Intangible assets													
Intangible assets													
Undefined Difference: Investment properties						(115,238)						5,683	
Investment properties													
Undefined Difference: Total													
Land and buildings													
Infrastructure													
Community Assets													
Heritage assets													
Specialised vehicles													
Other assets													
Biological assets													
Intangible assets													
Investment properties													

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Appendix C: Segmental analysis of property, plant and equipment

APPENDIX C for its period ended 30 June 2010

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Operating Balance (000's)	Cost/Revaluation						Accumulated Depreciation									
	Additions (000's)	Disposals (000's)	Classified as held for sale (000's)	Transfers (000's)	Revaluations (000's)	Foreign exchange movements (000's)	Other changes, movements (000's)	Closing Balance (000's)	Opening Balance (000's)	Disposals (000's)	Classified as held for sale (000's)	Transfers (000's)	Revaluations (000's)	Foreign exchange movements (000's)	Other changes, movements (000's)	Depreciation (000's)

Johannesburg Metropolitan Municipality

APPENDIX C for the period ended 30 June 2010

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Accumulated Depreciation

Cost/Revaluation

	Accumulated Depreciation																
	Opening Balance (000's)	Additions (000's)	Disposals (000's)	Classified as held for sale (000's)	Transfers (000's)	Revaluations (000's)	Foreign exchange movements (000's)	Other changes, movements (000's)	Closing Balance (000's)	Operating Balance (000's)	Disposals (000's)	Classified as held for sale (000's)	Transfers (000's)	Revaluations (000's)	Foreign exchange movements (000's)	Other changes, movements (000's)	Depreciation (000's)
Municipal Owned Entities																	
Johannesburg Metropolitan Bus Services (Proprietary) Limited	592,206	11,946	-	-	-	-	-	28	594,180	(311,631)	-	-	-	-	-	(28)	(45,827)
	592,206	11,946	-	-	-	-	28	594,180	(311,631)	-	-	-	-	-	-	(28)	(45,827)
Undefined Difference:	592,206	11,946	-	-	-	-	28	594,180	(311,631)	-	-	-	-	-	-	(28)	(45,827)
Total	592,206	11,946	-	-	-	-	28	594,180	(311,631)	-	-	-	-	-	-	(28)	(45,827)

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Appendix D: Segmental Statement of Financial Performance

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Appendix E(1): Actual versus Budget (Revenue and Expenditure)

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APPENDIX E1 for the ended 30 June 2010

	Actual Adjustments Balances (000's)	Revised Budget (000's)	Variance (000's)	Explanation of Significant Variances greater than 10% versus Budget Var
Revenue				
Rendering of services	114,521	109,855	4,666	-
Miscellaneous other revenue	10,551	7,401	3,150	-
	125,072	117,256	7,816	-
Other income				
Other income	291,497	285,959	5,538	-
Interest received - investment	876	715	161	-
Surplus on disposal of property, plant, plant and equipment	1,522	-	1,522	-
	293,895	286,674	7,221	-
Total Revenue	418,967	403,930	15,037	-
Expenses				
Employee related costs	(185,749)	(178,110)	(7,639)	-
Bad debts	(747)	-	(747)	-
Depreciation	(46,182)	(40,763)	(5,419)	-
Repairs and maintenance	(58,142)	(54,397)	(3,745)	-
Finance costs	(26,730)	(27,070)	340	-
General expenses	(101,802)	(103,494)	1,692	-
Impairments	1,875	(96)	1,971	-
	(417,477)	(403,930)	(13,547)	-
Operating profit	1,490	-	1,490	-
Other revenue and costs				
Net surplus/ (deficit) for the year	1,490	-	1,490	-
Taxation				
Profit /(Loss) for the year	1,490	-	1,490	-

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Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)