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JOBURG PROPERTY COMPANY

City of Joburg Property Company (SOC) Limited
(Registration number 2000/017147/07)
Financial statements
for the year ended 30 June 2016

The Auditor-General:Gauteng
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Property Management & facilities management functions and, where approppriate, to provide property services in respect of the City of Johannesburg Metropolitan Municipality and the Municipal Owned Entities
DIRECTORS	Ms HM Botes - Chief Executive Officer Mr IM Bhamjee - Financial Director Mr A Mabizela - Chairperson Mr MJ Rabodila Pastor C Kai Mr MJ Morojele Prof A Nevuthanda Mr FD Ntombela Adv M Mogale Ms M Mojapelo Mr L Mabuza
REGISTERED OFFICE	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
BUSINESS ADDRESS	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
POSTAL ADDRESS	P O Box 31565 Braamfontein 2017
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	Standard Bank
AUDITORS	The Auditor-General:Gauteng
SECRETARY	Mr T Mokataka (Acting)
CHIEF FINANCE OFFICER (CFO)	Imraan Bhamjee
COMPANY REGISTRATION NUMBER	2000/017147/07
TAX REFERENCE NUMBER	9292/129/14
PREPARER	The financial statements were internally compiled by: Imraan Bhamjee City of Joburg Property Company (SOC) Ltd

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

ABBREVIATIONS

GCSS	CoJ: Group Corporate Shared Services
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
JPC	City of Joburg Property Company (SOC) Ltd
ME's	Municipal Entities
MFMA	Municipal Finance Management Act No 56 of 2003
PANEL OF ATTORNEYS	A.F van Wyk Attorneys, Bibi Rikhotso Attorneys, Bowman Gilfillian, Brink Cohen Le Roux, Collin Nciki Inc, Edward Nathan Sonnenberg Inc, Koikanyang Inc, Kunene Ramaphala Botha, Lennon Moleele & Partners Inc, Madlanga and Partners Inc, Malebye Motaung Mtembu, Mchunu Attorneys, Mdlulwa Nkhuhlu, Mkhabela Huntley Adekeye Inc, Mncedisi Ndlovu and Sedumedi Attorneys, Mogaswa Attorneys, Mojela Hlazo, Moodie and Robertson, Norton Rose Fulbright, Nozuko Nxusani, Padi Inc, Poswa Inc, Prince Madau and Associates, Ramushu Mashile Twala Inc, Ranamane Mokalane Inc, Salijee Du Plessis Van der Merwe, SM Nkadimeng, Webber Wentzel and Werkmans

Board of Directors' Responsibilities and Approval

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

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

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

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

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 company’s cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, they are satisfied that the company has or will have access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the company is a going concern.

Although the Board of Directors are primarily responsible for the financial affairs of the company, they are supported by the company's external auditors.

The External Auditors are responsible for independently reviewing and reporting on the company's financial statements.

The financial statements set out on pages 10 to 57, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 November 2016 and were signed on its behalf by:

Ms H M Botes - Chief Executive Officer

Mr A Mabizela - Chairperson

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 30 June 2016.

Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed below, who are required to meet a minimum of 4 times per annum as per its approved terms of reference. During the current financial year the committee of JPC met 7 times.

Name of member	Number of meetings attended
Adv M Mogale (Chairperson) - 15/03/2016	2
Mr T Hickman (Non executive director) - retired - 15/03/2016	5
Dr N Mabuya (Non executive director) - resigned - 05/01/2016	3
Mr L Mabuza (Non executive director) - 15/03/2016	2
Mr M Rabodila (Non-executive director) - 15/03/2016	2
Mr G Mufana (Independent Member)	7
Mr Y Gordhan (Independent Member)	7
Mr V Mokwena (Independent Member)	7

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the company over financial and risk management are satisfactory. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are satisfactory. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported (besides the matters highlighted by the Auditor-General) that indicate any material deficiencies in the system of internal control or any deviations there from.

Quarterly Reporting

The Audit and Risk Committee is satisfied with the content and quality of quarterly reports prepared and issued by the management of the company during the year under review.

Evaluation of financial statements

The Audit and Risk Committee has:
- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General directives;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes, if any, in accounting policies and practices;
- reviewed the entity compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The Audit and Risk Committee concurs with and accept the Auditor-General of South Africa's report on the financial statements, and is of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Audit and Risk Committee Report

Risk Management

The Audit and Risk Committee ensures that the company has effective policies and plans for risk management. The committee also oversees the following:

- Development and annual review of risk management policies and plans
- Monitors implementation of risk management policies and plans
- Recommends to the Board on levels of risk tolerance and appetite
- Ensures risk management is integrated into business operations
- Ensures risk management assessments are conducted on a continuous basis
- Ensures frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- Ensures that management considers and implements appropriate risk responses

Finance Function

The Audit and Risk Committee has considered the expertise and experience of th Chief Financial Officer and is satisfied with the appointment of the Chief Financial Officer. The committee has reviewed and considered the experience and resources available to the company's finance function and is satisfied with the resources.

Internal Audit

The Audit and Risk Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the company and its audits.

Auditor-General of South Africa

The Audit and Risk Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit and Risk Committee

Date: ______________________________

Report of the Auditor General

TO THE PROVINCIAL LEGISLATURE OF CITY OF JOBURG PROPERTY COMPANY (SOC) LIMITED

Report on the financial statements

I have audited the accompanying financial statements of the City of Joburg Property Company (SOC) Limited which comprise the statement of financial position as at 30 June 2016, 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 notes, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 10 to 56.

Responsibility of the directors for the financial statements

The directors is responsible for the preparation and fair presentation of these financial statements in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the [Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)] [Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)] [Auditor-General audit circular 1 of 2005] , and in the manner required by the Companies Act of South Africa [any applicable enabling legislation]. 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.

Responsibility of the Auditor-General

As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)] [and section XX of any applicable legislation], my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

Basis of accounting

The entity's policy is to prepare financial statements on [the basis of accounting determined by the National Treasury] [entity-specific basis of accounting] as set out in [accounting policy note] [note to the financial statements].

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of City of Joburg Property Company (SOC) Limited as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the PFMA/MFMA (if the entity falls within the scope of the PFMA/MFMA) and Companies Act, 1973 (if the entity falls within the scope of the Companies Act) or section xx of the entity's enabling legislation (if the entity does not fall within the scope of the PFMA/MFMA)].

Emphasis of Matter

Without qualifying my audit opinion, I draw attention to the following matter(s):

Additional text

Additional text

Additional text

Additional text

Additional text

The Auditor-General:Gauteng

30 November 2016

Board of Directors' Report

The Directors have pleasure in submiting to the Shareholders their report together with the annual financial statements for the year ended 30 June 2016.

1. INCORPORATION

The company was incorporated on 27 July 2000 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

The company is a Municipal Entity. The principal activity of the company is the property & facilities management functions and, where appropriate, to provide property services in respect of the City of Johannesburg Metropolitan Municipality and its entities. The company operates only in South Africa.

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

Net surplus of the company before taxation was R 8 466 571 (2015: deficit (R 84 051 738)), after taxation it was a suplus of R 5 570 983 (2015: deficit R (56 360 346)).

3. GOING CONCERN

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

4. 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 in respect of matters which would require adjustments to or disclosure in the annual financial statements.

5. DIRECTORS' PERSONAL FINANCIAL INTEREST

Directors' personal financial interest in any contracts have been disclosed and no Directors, both executive and non-executive, have any interest in contracts with the company.

6. SHARE CAPITAL

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

7. BORROWING LIMITATIONS

In terms of the sale of business agreement, the City of Joburg Property Company (SOC) Limited does not have the authority to borrow funds on its own behalf. All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality.

8. NON-CURRENT ASSETS

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

9. DIVIDENDS

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

Board of Directors' Report

10. DIRECTORS

The directors of the company during the year ended to 30 June 2016 were as follows:

Name	Nationality	Changes in appointment
Ms HM Botes - Managing Director	South African	
Mr A Mabizela - Chairperson	South African	
Mr IM Bhamjee - Financial Director	South African	
Prof AN Nevhutanda	South African	
Mr FD Ntombela	South African	
Mr T Hickman	South African	Retired - 15/03/2016
Ms PP Msweli	South African	Retired - 15/03/2016
Mr C Kai	South African	
Mr MJ Rabodila	South African	
Dr N Mabuya	South African	Resigned - 05/01/2016
Mr MM Morojele	South African	
Adv M Mogale	South African	Appointed - 15/03/2016
Ms M Mojapelo	South African	Appointed - 15/03/2016
Mr L Mabuza	South African	Appointed - 15/03/2016

11. SECRETARY

Mr. Tshepo Mokataka is the acting company secretary.

Business address

33 Hoofd Street
Forum II
Braampark Building
Braamfontein
2000

Postal address

P O Box 31565
Braamfontein
2017

12. CORPORATE GOVERNANCE

12.1 General

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

The City of Joburg Property Company confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King III Report on Corporate Governance for South Africa 2010. The Board of Directors discuss the responsibilities of management in this respect, at Board meetings and monitor the company's compliance with the code on a yearly basis.

12.2 Board of Directors

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

Board of Directors' Report

Chairperson and chief executive

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

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

12.4 Remuneration

The Remunerations and Human Resources Committee comprises four (4) members, namely: Ms M Mojapelo (Chairperson), Prof A Nevhutanda, Mr F Ntombela and Pastor C Kai. The Remuneration and Human Resources Committee advises the Board on the remuneration policies, remuneration packages and other terms of employment for senior managers. Its specific terms of reference also include recommendations to the Board on matters relating inter alia, human resources policies, executive remunderation and other human resource affairs of the company.

12.5 Board of Directors' meetings

The Board of Directors is required to meet a minimum of 4 times per annum. During the current financial year the Board of Directors of JPC met on 11 separate occasions. Additional meetings were required to address operational challenges with the company secretary, review the corporate strategy with management and for attendance at the entity's risk workshop.

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

Name	Board Meeting	Audit and Risk committee	Transformation committee	Transaction Committee	Remuneration and HR Committee	Social and Ethics Committee
Mr A Mabizela (Chairperson)	10	1				
Prof AN Nevhutanda	8	2	1	4	2	1
Mr FD Ntombela	11	1	4	3	5	1
Mr MJ Rabodila	8	2	4	2	3	
Ms M Mojapelo	1				2	
Mr T Hickman (retired 15 March 2016)	7	5	2			2
Adv M Mogale	3	2	1	1		
Ms PP Msweli (retired 15 March 2016)	7	1	3	2		
Mr MM Morojele	7			3		2
Mr C Kai	11	1	4	4	4	3
Dr N Mabuya (resigned 05 January 2016)	5	3			2	1
Mr L Mabuza	3	2		1		
Total number of meetings held	11	7	5	6	5	4

12.6 Audit and Risk Committee

Currently, the Audit and Risk Committee comprises of three (3) non-executive directors, namely: Adv M Mogale (Chairperson), Mr M Rabodila and Mr L Mabuza.

In terms of Section 166 of the Municipal Finance Management Act, City of Johannesburg, as a parent municipality, must appoint members of the Audit and Risk Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit and Risk Committees, National Treasury policy requires that parent municipalities should appoint further members of the municipal entity's Audit and Risk Committees who are not directors of the municipal entity onto the Audit and Risk Committee and these independent members are Mr V Mokwena, Mr G Mufana and Mr Y Gordhan. The Audit and Risk Committee has fulfilled its responsibilities as provided for in Section 166 of the Municipal Finance Management Act.

12.7 Social and Ethics commitee

The Social and Ethics Committee comprises three (3) members, namely: Pastor C Kai (Chairperson), Prof A Nevhutanda and Mr F Ntombela. The function of the Committee is to monitor the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice. It looks into the Company's social and economic development, including the organisation's standing in terms of the goals and purposes; good corporate citizenship; the environment; health and public safety; consumer relationships including the Company's advertising, public relations and compliance with consumer protection laws; and labour and employment.

12.8 Transformation Committee

The Transformation Committee comprises four (4) members, namely: Mr F Ntombela (Chairperson), Mr M Rabodila, Pastor C Kai, and Mr L Mabuza. The commitee is mandated to develop the Transformation Policy, oversee and ensure the alignment of Transformation strategy and plans proposed by the JPC corporate strategy, monitor the development and implementation of transformation strategies and define how JPC will transform the property industry.

12.9 Transactions Committee

The Transaction Committee comprises (5) members, namely: Professor A Nevhutanda (Chairperson), Mr M Rabodila, Mr M Morojele, Mr L Mabuza and Adv M Mogale. The primary objective of the committee is to assist the Board in discharging its responsibility by considering all reports relating to property transactions. The committee also ensures that revenue generation targets are achieved in relation to the property portfolio and to make the necessary recommendations to the Board or COJ to ensure that service delivery is enhanced and property related transactions are concluded efficiently within the legal framework that JPC and the COJ operates in.

12.10 Internal Audit

The company's internal audit function is performed by Nexia SAB&T. The appointment is made in compliance with section 165 of the Municipal Finance Management Act No.56 of 2003.

13. CONTROLLING ENTITY

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

14. AUDITORS

The Auditor General: Gauteng will continue in office in accordance with the Public Audit Act No 25 of 2005, section 92 of the Municipal Finance Management Act No 56 of 2003.

Company Secretary's Certification

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

In terms of section 88(2)(e) of the Companies Act 71 of 2008, and the Municipal Finance Management Act, Act 56 of 2003. I, Tshepo Mokataka, certify that, to the best of my knowedge and belief, the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Mr T Mokataka (Acting)
Company Secretary

City of Joburg Property Company (SOC) Ltd

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Loans to shareholders	3	77 880 864	-
Current tax receivable	5	11 177 915	10 728 931
Receivables from exchange transactions	6	66 520 590	239 553 650
Receivables from non-exchange transactions	7	53 752	2 600 636
Prepayments	8	374 399	314 598
Cash and cash equivalents	9	2 000	2 000
		156 009 520	**253 199 815**
Non-Current Assets			
Property, plant and equipment	12	22 058 156	18 186 742
Intangible assets	13	12 969 804	12 988 156
Deferred tax	15	36 018 831	37 144 481
Prepayments	8	779 729	809 582
Deposits	10	148 637	121 986
		71 975 157	**69 250 947**
Total Assets		**227 984 677**	**322 450 762**
Liabilities			
Current Liabilities			
Loans from shareholders	3	73 672 114	221 863 016
Finance lease obligation	16	3 036 553	3 280 586
Operating lease liability	4	3 750 483	1 040 749
Payables from exchange transactions	17	89 219 299	41 198 714
Deferred income	18	-	4 701 750
Provisions	19	2 248 008	745 928
		171 926 457	**272 830 743**
Non-Current Liabilities			
Finance lease obligation	16	1 407 334	1 756 283
Employee benefit obligation	11	669 775	1 223 546
Deferred tax	15	2 819 615	1 049 677
		4 896 724	**4 029 506**
Total Liabilities		**176 823 181**	**276 860 249**
Net Assets		**51 161 496**	**45 590 513**
Net Assets			
Share Capital	20	5 142 721	5 142 721
Accumulated Surplus		46 018 775	40 447 792
Total Net Assets		**51 161 496**	**45 590 513**

* See Note 39

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue	21	443 410 868	305 951 010
Other income	22	900 600	1 183 588
Operating expenses		(436 446 210)	(383 493 534)
Operating surplus (deficit)		**7 865 258**	**(76 358 936)**
Investment revenue	23	3 460 166	24 403
Finance costs	24	(2 858 853)	(7 717 204)
Surplus (deficit) before taxation		**8 466 571**	**(84 051 737)**
Taxation	28	(2 895 588)	27 691 391
Surplus (deficit) for the year		**5 570 983**	**(56 360 346)**

* See Note 39

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Share premium	Total share capital	Accumulated Surplus	Total equity
Opening balance as previously reported		1 000	5 141 721	5 142 721	94 660 610	99 803 331
Adjustments						
Prior year adjustments	39	-	-	-	2 147 528	2 147 528
Balance at 01 July 2014 as restated		**1 000**	**5 141 721**	**5 142 721**	**96 808 138**	**101 950 859**
Changes in net assets						
Deficit for the year		-	-	-	(56 360 346)	(56 360 346)
Total changes		-	-	-	(56 360 346)	(56 360 346)
Opening balance as previously reported		1 000	5 141 721	5 142 721	43 677 384	48 820 105
Adjustments						
Prior year adjustments	39	-	-	-	(3 229 592)	(3 229 592)
Balance at 01 July 2015 as restated		**1 000**	**5 141 721**	**5 142 721**	**40 447 792**	**45 590 513**
Changes in net assets						
Surplus for the year		-	-	-	5 570 983	5 570 983
Total changes		-	-	-	5 570 983	5 570 983
Balance at 30 June 2016		**1 000**	**5 141 721**	**5 142 721**	**46 018 775**	**51 161 496**
Note(s)		20	20	20		

* See Note 39

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Rendering of services		273 457 295	454 867 329
Subsidies		340 630 000	-
Interest income		3 460 166	24 403
		617 547 461	454 891 732
Payments			
Employee costs		(219 895 214)	(190 697 184)
Suppliers		(159 058 680)	(192 378 712)
Finance costs		(2 216 109)	(7 161 959)
		(381 170 003)	(390 237 855)
Net cash flows from operating activities	30	**236 377 458**	**64 653 877**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(3 971 336)	(140 000)
Proceeds/(Loss) from sale of property, plant and equipment	12	-	47 345
Purchase of other intangible assets	13	(22 755)	-
Payment for deposits		(19 189)	-
Receipts from deposits		-	204 216
Net cash flows from investing activities		**(4 013 280)**	**111 561**
Cash flows from financing activities			
Net movement of shareholders loan		(227 276 169)	(60 062 598)
Finance lease payments		(5 088 009)	(4 702 840)
Net cash flows from financing activities		**(232 364 178)**	**(64 765 438)**
Net increase/(decrease) in cash and cash equivalents		**-**	**-**
Cash and cash equivalents at the beginning of the year		2 000	2 000
Cash and cash equivalents at the end of the year	9	**2 000**	**2 000**

* See Note 39

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Cellmast services	7 730 963	-	**7 730 963**	7 317 470	**(413 493)**	Appendix E (1)
Commissions received	96 910 606	(5 042 000)	**91 868 606**	72 434 721	**(19 433 885)**	Appendix E (1)
Management fees	3 707 622	-	**3 707 622**	3 721 616	**13 994**	Appendix E (1)
Internal recoveries	2 500 000	-	**2 500 000**	6 091 751	**3 591 751**	Appendix E (1)
Third party development fees	12 346 809	-	**12 346 809**	12 141 449	**(205 360)**	Appendix E (1)
Donations received	-	-	**-**	900 600	**900 600**	Appendix E (1)
Interest received	2 687 000	-	**2 687 000**	3 460 166	**773 166**	Appendix E (1)
Total revenue from exchange transactions	**125 883 000**	**(5 042 000)**	**120 841 000**	**106 067 773**	**(14 773 227)**	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Government grants & subsidies	329 345 000	11 285 000	**340 630 000**	340 630 000	**-**	Appendix E (1)
EPWP grant	1 106 000	-	**1 106 000**	1 073 861	**(32 139)**	Appendix E (1)
Total revenue from non-exchange transactions	**330 451 000**	**11 285 000**	**341 736 000**	**341 703 861**	**(32 139)**	
Total revenue	**456 334 000**	**6 243 000**	**462 577 000**	**447 771 634**	**(14 805 366)**	
EXPENDITURE						
Personnel	(213 640 955)	(11 285 000)	**(224 925 955)**	(219 341 443)	**5 584 512**	Appendix E (1)
Depreciation and amortisation	(5 331 800)	-	**(5 331 800)**	(4 674 292)	**657 508**	Appendix E (1)
Finance costs	(2 938 859)	-	**(2 938 859)**	(2 858 853)	**80 006**	Appendix E (1)
Repairs and maintenance	(35 016 000)	-	**(35 016 000)**	(34 959 074)	**56 926**	Appendix E (1)
General Expenses	(199 406 386)	5 042 000	**(194 364 386)**	(177 251 784)	**17 112 602**	Appendix E (1)
Total expenditure	**(456 334 000)**	**(6 243 000)**	**(462 577 000)**	**(439 085 446)**	**23 491 554**	
Operating surplus	**-**	**-**	**-**	**8 686 188**	**8 686 188**	
Loss on disposal of assets and liabilities	-	-	**-**	(219 617)	**(219 617)**	Appendix E (1)
Surplus before taxation	**-**	**-**	**-**	**8 466 571**	**8 466 571**	
Taxation	-	-	**-**	2 895 588	**2 895 588**	Appendix E (1)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**5 570 983**	**5 570 983**	

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)
Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Investment revenue	2 687 000	-	2 687 000	-		2 687 000	3 460 166		773 166	129 %	129 %
Transfers recognised - operational	329 345 000	11 285 000	340 630 000	-		340 630 000	340 630 000		-	100 %	103 %
Other own revenue	124 302 000	(5 042 000)	119 260 000	-		119 260 000	103 681 468		(15 578 532)	87 %	83 %
Total revenue (excluding capital transfers and contributions)	**456 334 000**	**6 243 000**	**462 577 000**	**-**		**462 577 000**	**447 771 634**		**(14 805 366)**	**97 %**	**98 %**
Employee costs	(213 640 955)	(11 285 000)	(224 925 955)	-	-	(224 925 955)	(219 341 443)	-	5 584 512	98 %	103 %
Debt impairment	-	-	-			-	(2 423 893)	-	(2 423 893)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(5 331 800)	-	(5 331 800)			(5 331 800)	(4 674 292)	-	657 508	88 %	88 %
Finance charges	(2 938 859)	-	(2 938 859)	-	-	(2 938 859)	(2 858 853)	-	80 006	97 %	97 %
Other expenditure	(234 422 386)	5 042 000	(229 380 386)	-	-	(229 380 386)	(210 006 582)	-	19 373 804	92 %	90 %
Total expenditure	**(456 334 000)**	**(6 243 000)**	**(462 577 000)**	**-**	**-**	**(462 577 000)**	**(439 305 063)**	**-**	**23 271 937**	**95 %**	**96 %**
Surplus	**-**	**-**	**-**	**-**		**-**	**8 466 571**		**8 466 571**	**DIV/0 %**	**DIV/0 %**
Taxation	-	-	-	-		-	2 895 588		2 895 588	DIV/0 %	DIV/0 %
Surplus for the year	**-**	**-**	**-**	**-**		**-**	**5 570 983**		**5 570 983**	**DIV/0 %**	**DIV/0 %**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accouting Policies, Changes in Accounting Estimates and Errors
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 102	Intangible Assets

The accounting policies are consistent with the previous period.

1.1 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at managements best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Expected manner of realisation for deferred tax

Deferred tax is provided for based on the expected manner of recovery i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 16 – Deferred tax .

Taxation

The company 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 company 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. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the statement of financial position date 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 cost/(income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

Effective interest rate

The company used the City of Johannesburg Metropolitan Municipality average borrowing rate as a point of departure and a basis of discounting financial instruments.

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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 cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	25 years
Plant and machinery	Straight line	10 years
Furniture and fixtures	Straight line	16 years
Office equipment	Straight line	8 years
IT equipment	Straight line	7 years
Leasehold improvements	Straight line	Term of lease
Leased equipment	Straight line	Term of lease

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.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

1.3 Property, plant and equipment (continued)

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

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.

1.4 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

1.4 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, internally generated	Indefinite
Computer software	7 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

1.5 Financial instruments

Initial recognition and measurement

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

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

Loans to (from) Group Companies

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.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. Loans to group companies are classified as loans and receivables.

Loans to shareholders

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

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

1.5 Financial instruments (continued)

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Loans to group company (City of Johannesburg Metropolitan Municipality) are classified as loans and receivables.

Receivables from exchange transactions

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

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

Trade and other receivables are classified as loans and receivables.

Amounts that are receivable within 12 months from the reporting date are classified as current.

Payables from exchange transactions

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially 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 company's accounting policy for borrowing costs.

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

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred

1.5 Financial instruments (continued)

Derecognition

Financial assets

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

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

Financial liabilities

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

1.6 Current and Deferred Tax

Current tax assets and liabilities

The tax currently payable is based on taxable income for the year. Taxable income differs from surplus as reported in the statement of financial performance, because it includes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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

Deferred tax assets and liabilities

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position method.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit (tax loss).

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

1.6 Current and Deferred Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.7 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.

Finance charges are charged to surplus or deficit, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy of borrowing costs.

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. Payments made in entering into or acquiring leasehold that is accounted for as an operating lease are amortised over the lease term.

1.8 Impairment of assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 managed with the 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.

1.8 Impairment of assets (continued)

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

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

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

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 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.

1.9 Share Capital

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

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.10 Employee benefits

Short-term employee benefits

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

1.10 Employee benefits (continued)

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

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

Defined contribution plans

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

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

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.

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..

Actuarial surpluses or (deficits) within the financial year are recognised in the surplus or (deficit).

Surpluses or (deficits) on the curtailment or settlement of a defined benefit plan is recognised when the company is demonstrably committed to curtailment or settlement.

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.

Other post retirement obligations

The company provides post-retirement health care benefits to some employees.The entitlement to these benefits is usually 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. Valuations of these obligations are carried out by independent qualified actuaries.

1.11 Provisions and contingencies

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

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

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

Provisions are not recognised for future operating losses.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

1.12 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

1.13 Revenue from exchange transactions

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

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

Revenue for the entity, comprises of commission and third party development fees.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving appromixately equal value in exchange. Revenue from non-exchange transactiond is generally recognised to the extent that the related receipt or receivable qualifies for a recognition as an asset and there is no liabilty to repay the amount.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.16 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as predictable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is predictable, and the prior year comparatives are restated accordingly.

1.17 Fruitless and wasteful expenditure

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

Accounting Policies

1.18 Irregular expenditure

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

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

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

1.19 Deferred Income

Revenue received in advance is recognised as income to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Budget information

Budget information is prepared in conformity with the accounting policies for preparing and presenting the financial statements.

1.21 Related parties

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

1.22 Segment reporting

The entity does not envisage the adoption of GRAP 18 until such time as it becomes applicable to the entity's operations.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and Interpretations early adopted

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

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:
- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:
- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

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

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 20: Related parties

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

Notes to the Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

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

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

Notes to the Financial Statements

Figures in Rand	2016	2015

3. LOANS TO/(FROM) SHAREHOLDERS

	2016	2015
City of Johannesburg Metropolitan Municipality - Group Finance Loan payable to Group Corporate Shared Services for administration of the Facilities Management payroll from March 2016. The loan bears no interest.	(19 035 735)	-
City of Johannesburg Metropolitan Municipality - Treasury The Sweeping Account bears interest at an average call rate of 6.01% p.a irrespective of the balance being favourable or not.	77 880 864	(114 641 440)
City of Johannesburg - Group Corporate Shared Services Loan payable to Group Corporate Shared Services for administration of the Facilities Management payroll from March 2013 to February 2016. The loan bears no interest.	(54 636 379)	(107 221 576)
	4 208 750	**(221 863 016)**

	2016	2015
Current assets	77 880 864	-
Current liabilities	(73 672 114)	(221 863 016)
	4 208 750	**(221 863 016)**

4. OPERATING LEASE LIABILITY

	2016	2015
Current liabilities	(3 750 483)	(1 040 749)

The operating lease liability was as a result of an office rental agreement for head office and corporate building accommodation. (Refer to note 32)

5. TAX REFUNDED

	2016	2015
Balance at beginning of the year	10 728 931	10 728 931
Interest received	448 984	-
	11 177 915	**10 728 931**

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2016	2015
External trade debtors	4 367 254	2 781 674
Related party debtors	62 153 336	236 771 976
	66 520 590	**239 553 650**

7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2016	2015
Staff Debtors	53 752	178 778
SARS VAT Debtor	2 421 858	2 421 858
Provision for bad debt	(2 421 858)	-
	53 752	**2 600 636**

Notes to the Financial Statements

Figures in Rand	2016	2015

8. PREPAYMENTS

	2016	2015
Current	374 399	314 598
Non-Current	779 729	809 582
	1 154 128	**1 124 180**

Current Assets

Prepayments of software licenses to be amortised over the 2016/17 financial year.

Non-current Assets

The long term portion of the prepayment received from Bayete Consulting for professional services. The expense is to be amortised over the course of the lease agreement signed by JPC for the Hoofd Street head office.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2016	2015
Cash on hand	2 000	2 000

The company's cheque account is swept on a daily basis in terms of an agreement with The City of Johannesburg Metropolitan Municipality (COJ) in order to facilitate better cashflow management on an entity wide basis. Cash is readily available at all times and the sweeping has no effect on its availability.

10. DEPOSITS

Deposits held by municipal debtors for informal trading facilities.

	2016	2015
Eskom - Baragwanath	129 448	121 986
Eskom - Lenasia	19 189	-
	148 637	**121 986**

Notes to the Financial Statements

Figures in Rand	2016	2015

11. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit plan

Post retirement medical aid plan

Actuarial valuations are done at an interval of not more than three years using the projected unit credit method,

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

	2016	2015
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(1 223 546)	(996 000)
Net expense recognised in the statement of financial performance	553 771	(227 546)
	(669 775)	**(1 223 546)**

The comparative of the net present value of the defined benefit obligation is as follows:
2015/16: (R669 755)
2014/15: (R1 223 546)
2013/14: (R996 000)
2012/13: (R879 000)

Net expense recognised in the statement of financial performance

	2016	2015
Current service cost	(11 508)	(85 000)
Interest cost	(103 904)	(92 000)
Actuarial (gains)/losses	669 183	(50 546)
	553 771	**(227 546)**

Figures in Rand	2016	2015

11. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,00 %	8,49 %
Medical cost trend rates	8,15 %	7,67 %
Maximum subsidy inflation rate	5,74 %	7,17 %
Net discount rate - Health care cost inflation	0,78 %	0,77 %
Net discount rate - Maximum subsidy inflation	1,24 %	3,08 %
Expected increase in salary costs	6,70 %	7,00 %

The calculations for post-retirement medical aid were based on the policy adopted by the City of Johannesburg Metropolitan Municipality with regard to post-reitrement medical aid subsidies.

Employees over the age of 55 on 1 July 2003 will get a 60% subsidy on retirement. Employees over the age of 50 but under age of 55 will get a 50% subsidy on retirement. Employees under the age of 50 on 1 July 2003 will not receive any post-retirement medical aid subsidy.

The valuation method and assumptions do not affect the ultimate cost of the long-term benefits – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

The projections assume that the entity’s benefit and subsidy policies will remain consistent, and that all the actuarial assumptions made are borne out in practice.

In addition, it is assumed that no contributions are made by the entity towards prefunding its liability via an off-balance sheet vehicle.

Benefits paid refer to the Municipality’s subsidy of current continuation members or beneficiaries.

There are no past service costs, curtailments or settlements to reflect.

12. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	487 200	-	487 200	487 200	-	487 200
Buildings	6 350 957	(4 776 415)	1 574 542	6 350 957	(4 521 681)	1 829 276
Plant and machinery	1 680 374	(545 940)	1 134 434	1 714 279	(389 135)	1 325 144
Furniture and fixtures	4 965 414	(1 312 442)	3 652 972	4 989 168	(1 006 393)	3 982 775
Office equipment	2 004 754	(450 937)	1 553 817	999 891	(309 196)	690 695
IT equipment	7 122 099	(1 838 978)	5 283 121	3 593 229	(1 432 926)	2 160 303
Leasehold improvements	965 290	(409 444)	555 846	965 290	(312 652)	652 638
Capitalised leased office equipment	15 066 723	(7 250 499)	7 816 224	12 693 794	(5 635 083)	7 058 711
Total	**38 642 811**	**(16 584 655)**	**22 058 156**	**31 793 808**	**(13 607 066)**	**18 186 742**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Land	487 200	-	-	-	487 200
Buildings	1 829 276	-	-	(254 734)	1 574 542
Plant and machinery	1 325 144	16 690	(36 395)	(171 005)	1 134 434
Furniture and fixtures	3 982 775	600	(18 258)	(312 145)	3 652 972
Office equipment	690 695	1 040 336	(19 798)	(157 416)	1 553 817
IT equipment	2 160 303	3 814 310	(91 547)	(599 945)	5 283 121
Leasehold improvements	652 638	-	-	(96 792)	555 846
Capitalised leased office equipment	7 058 711	3 852 283	(53 621)	(3 041 149)	7 816 224
	18 186 742	**8 724 219**	**(219 619)**	**(4 633 186)**	**22 058 156**

2015/16: Office equipment with a fair value of R900 000 was donated to the entity as part of the City-wide asset verification project that was undertaken by the entity. No impairment is required for any property, plant and equipment

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Land	487 200	-	-	-	487 200
Buildings	2 083 315	-	-	(254 039)	1 829 276
Plant and machinery	2 404 406	-	(903 309)	(175 953)	1 325 144
Furniture and fixtures	5 245 115	-	(946 477)	(315 863)	3 982 775
Office equipment	1 364 771	-	(546 639)	(127 437)	690 695
IT equipment	1 666 393	1 183 588	(177 504)	(512 174)	2 160 303
Leasehold improvements	749 166	-	-	(96 528)	652 638
Capitalised leased office equipment	3 014 091	6 319 149	(84 032)	(2 190 497)	7 058 711
	17 014 457	**7 502 737**	**(2 657 961)**	**(3 672 491)**	**18 186 742**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold improvements	965 290	(409 444)	555 846	965 290	(312 652)	652 638
Leased office equipment	15 066 723	(7 250 499)	7 816 224	12 693 794	(5 635 083)	7 058 711
Total	**16 032 013**	**(7 659 943)**	**8 372 070**	**13 659 084**	**(5 947 735)**	**7 711 349**

Details of properties

	2016	2015
Erf 737 and Erf 1304, 18 Bedford Road, Yeoville		
Land		
- Cost	487 200	487 200

	2016	2015
Erf 737 and Erf 1304, 18 Bedford Road, Yeoville		
Buildings		
- Cost	6 350 957	6 350 957
- Accumulated depreciation	(4 776 415)	(4 521 681)
	1 574 542	**1 829 276**

13. INTANGIBLE ASSETS

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	12 761 889	-	12 761 889	12 761 889	-	12 761 889
Computer software	318 841	(110 926)	207 915	296 086	(69 819)	226 267
Total	**13 080 730**	**(110 926)**	**12 969 804**	**13 057 975**	**(69 819)**	**12 988 156**

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	12 761 889	-	-	12 761 889
Computer software	226 267	22 755	(41 107)	207 915
	12 988 156	**22 755**	**(41 107)**	**12 969 804**

Reconciliation of intangible assets - 2015

	Opening balance	Disposals	Amortisation	Impairment reversal	Total
Computer software, internally generated	8 689 570	-	-	4 072 319	12 761 889
Computer software	475 584	(156 721)	(92 596)	-	226 267
	9 165 154	**(156 721)**	**(92 596)**	**4 072 319**	**12 988 156**

Notes to the Financial Statements

Figures in Rand	2016	2015

13. INTANGIBLE ASSETS (continued)

2015/16: No impairment is required for intangible assets.

14. REPAIRS & MAINTENANCE

Repairs & Maintenance	32 783 860	26 963 026
Consumables	2 175 214	-
	34 959 074	**26 963 026**

15. DEFERRED TAX

Deferred tax liability

Prepaid Expenses	(18 901)	(26 110)
Property, Plant, Equipment and Intangibles	(619 131)	(457 451)
Finance Lease Fixed Assets	(2 181 583)	(566 116)
Total deferred tax liability	**(2 819 615)**	**(1 049 677)**

Deferred tax asset

Provision for Post Retirement Medical Aid	187 537	342 593
Provision for Leave Pay	4 264 790	2 758 933
Provision for Bonuses	3 093 504	2 384 061
Income Received in Advance	-	1 316 490
Straightlining of Operating Leases	1 050 135	291 410
Finance Lease Liability	1 237 329	-
Losses	26 185 536	30 050 994
Total deferred tax asset	**36 018 831**	**37 144 481**

Deferred tax liability	(2 819 615)	(1 049 677)
Deferred tax asset	36 018 831	37 144 481
Total net deferred tax asset	**33 199 216**	**36 094 804**

Reconciliation of deferred tax asset

At beginning of year	36 094 804	8 403 414
Increases (decrease) in tax loss available for set off against future taxable income	(2 895 588)	27 691 390
	33 199 216	**36 094 804**

It is anticipated that there will be profits in the foreseeable future, against which losses incurred in the previous financial years can be offset.

Notes to the Financial Statements

Figures in Rand	2016	2015

16. FINANCE LEASE OBLIGATION

	2016	2015
Minimum lease payments due		
- Not later than one year	3 284 404	3 607 209
- Later than one year and not later than 5 years	1 480 800	1 803 605
	4 765 204	5 410 814
Less: Future finance charges	(321 317)	(373 945)
Present value of minimum lease payments	**4 443 887**	**5 036 869**

	2016	2015
Present value of minimum lease payments due		
- Not later than one year	3 036 553	3 280 586
- Later than one year and not later than 5 years	1 407 334	1 756 283
	4 443 887	**5 036 869**

	2016	2015
Non-current liabilities	1 407 334	1 756 283
Current liabilities	3 036 553	3 280 586
	4 443 887	**5 036 869**

It is company policy to lease certain equipment under finance leases; These assets are leased over a period of 2 to 5 years at a fixed negotiated rate, and are secured by the assets financed (refer to Note 12).

17. PAYABLES FROM EXCHANGE TRANSACTIONS

	2016	2015
Trade and other payables	2 962 871	15 596 753
Accrued leave pay	15 231 390	9 853 328
Accrued 13th Cheques	8 800 220	7 768 575
Accruals	62 224 818	7 980 058
	89 219 299	**41 198 714**

18. DEFERRED INCOME

Movement during the year

	2016	2015
Balance at the beginning of the year	4 701 750	11 065 750
Income recognition during the year	(4 701 750)	(6 364 000)
	-	**4 701 750**

The above deferred income relate to commission received on the conclusion of the 5 year lease agreement relating to outdoor advertising. The final amortisation occured in March 2016.

Figures in Rand	2016	2015

19. PROVISIONS

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	745 928	2 597 553	(1 095 473)	2 248 008

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Provision for Pension Fund Contributions	2 156 467	-	(2 156 467)	-
Provision for bonuses	792 925	745 928	(792 925)	745 928
	2 949 392	**745 928**	**(2 949 392)**	**745 928**

2014/15: The provision related to pension fund contributions is for an additional 3% backpay that requires final approval from the City Manager's office. The full provision for pension funds were utilised in December 2014.

2015/16: The provision relates to bonuses due to EXCO members for the 2014/15 and 2015/16 financial year.

20. SHARE CAPITAL

	2016	2015
Authorised		
1,000 Ordinary shares of R1 each	1 000	1 000
Reconciliation of number of shares issued:		
Reported as at 01 July 2015	1 000	1 000
Issued		
1,000 Ordinary shares of R1 each	1 000	1 000
Share premium	5 141 721	5 141 721
	5 142 721	**5 142 721**

21. REVENUE

	2016	2015
Cellmast services	7 317 470	4 842 100
Commission received	72 434 721	49 129 128
Management fees	3 721 616	908 909
Internal recoveries	6 091 751	249 393 738
Third party development fees	12 141 449	1 677 135
City of Johannesburg Metropolitan Municipality - Subsidy	340 630 000	-
EPWP Grant	1 073 861	-
	443 410 868	**305 951 010**

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

	2016	2015
Cellmast services	7 317 470	4 842 100
Rendering of services	72 434 721	49 129 128
Management fees	3 721 616	908 909
Internal recoveries	6 091 751	249 393 738
Third party development fees	12 141 449	1 677 135
	101 707 007	**305 951 010**

Notes to the Financial Statements

Figures in Rand	2016	2015

21. REVENUE (continued)

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

City of Johannesburg Metropolitan Municipality - Subsidy	340 630 000	-
EPWP Grant	1 073 861	-
	341 703 861	**-**

22. OTHER INCOME

Donations received	900 600	1 183 588

23. INVESTMENT REVENUE

Interest revenue		
Sweeping Account	3 011 182	-
Interest received on deposit	-	24 403
South African Revenue Services	448 984	-
	3 460 166	**24 403**

24. FINANCE COSTS

Finance leases	642 744	555 245
Sweeping account	2 166 480	7 005 146
Disputed supplier accounts	49 629	156 813
	2 858 853	**7 717 204**

Notes to the Financial Statements

Figures in Rand	2016	2015

25. GENERAL EXPENSES

	2016	2015
Advertising	307 802	406 371
Assets expensed	22 000	59 679
Auditors remuneration	2 491 903	2 194 622
Bank charges	49 133	57 832
Board expenses	827 476	454 238
Cleaning	11 454 351	10 858 465
Computer expenses	893 362	1 464 002
Consulting and professional fees	6 815 949	7 847 380
Conferences and seminars	71 060	261 259
Computer consumables	218 464	2 681
Electricity and water	18 867 100	17 590 842
Fleet	7 581 425	7 523 072
Fuel and oil	-	57
Gas	37 818	42 524
Insurance	3 340 439	3 566 520
Launches and communications	2 427 537	220 436
Lease rentals - GRAP 13 straightlining adjustment	2 709 734	204 293
Office rentals	88 283 662	78 402 812
Other expenses	200	2 360
Pest control	254 941	-
Placement fees	383 214	1 520 981
Postage and courier	1 296	17 728
Printing and stationery	1 823 193	1 673 316
Protective clothing	49 788	437 368
Rates and taxes	3 859 498	4 564 668
Refuse	406 512	512 035
Sanitation and sewerage	629 820	1 975 014
Security	11 288 272	12 174 079
Software expenses	355 625	259 804
Staff welfare	1 159 265	1 301 941
Storage	197 707	139 211
Subscriptions and membership fees	2 731 345	1 692 392
Telephone and fax	2 215 709	2 199 430
Training	1 465 114	678 584
Travel - local	623 479	123 576
Travel - overseas	983 698	2 339 040
	174 827 891	**162 768 612**

Notes to the Financial Statements

Figures in Rand		2016	2015

26. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages		141 911 160	116 914 286
Post-retirement medical aid benefits-Defined benefit plan	11	(553 771)	227 546
SARS, SITE and PAYE		15 276 061	19 002 899
Allowances		901 439	2 069 928
Overtime payments		2 136 292	5 004 868
Bonus		2 663 693	1 183 049
UIF		1 270 016	895 161
SDL		1 868 507	1 651 709
Payroll levies		122 443	280 735
Leave pay accrual charge		7 359 212	1 385 016
Pension costs		32 860 406	30 910 109
13th Cheque		13 525 985	11 171 878
		219 341 443	**190 697 184**

Key Personnel

Remuneration of Executive Manager : Client Business Operations

Annual Remuneration	1 499 571	1 057 779
Performance Bonuses	183 299	138 673
Contributions to UIF, Medical and Pension Funds	318 652	251 502
Subsistence Allowance	1 059	-
Leave Pay	36 610	-
	2 039 191	**1 447 954**

Remuneration of Executive Manager : Property Portfolio

Annual Remuneration	1 499 570	1 107 646
Performance Bonuses	191 678	110 982
Contributions to Pension Funds	318 753	261 480
Leave Pay	38 336	-
	2 048 337	**1 480 108**

Remuneration of Executive Manager: Human Resources

Annual Remuneration	-	646 535
Performance Bonuses	-	127 140
Contributions to UIF, Medical and Pension Funds	-	159 116
Leave Pay	-	59 671
	-	**992 462**

Remuneration of Executive Manager : Operations

Annual Remuneration	-	606 647
Performance Bonuses	-	136 338
Contributions to UIF, Medical and Pension Funds	-	153 927
Leave Pay	-	154 971
	-	**1 051 883**

Notes to the Financial Statements

Figures in Rand	2016	2015

26. EMPLOYEE RELATED COSTS (continued)

Remuneration of Executive Manager : Strategic Support

Annual Remuneration	998 851	891 942
Travel Allowance	96 000	24 000
Contributions to UIF, Medical and Pension Funds	218 462	202 870
13th Cheque	50 886	76 329
	1 364 199	**1 195 141**

Remuneration of General Manager : Compliance and Secretarial

Annual Remuneration	-	903 598
Performance Bonuses	-	118 460
Contributions to UIF, Medical and Pension Funds	-	212 167
Acting Allowance	-	79 298
	-	**1 313 523**

Remuneration of Executive Manager : Informal Trading and Public Transport

Annual Remuneration	-	534 996
Contributions to UIF, Medical and Pension Funds	-	124 358
Leave Pay	-	49 377
Settlement Pay	-	917 136
	-	**1 625 867**

Remuneration of Executive Manager : Facilities Maintenance

Annual Remuneration	-	811 297
Car Allowance	-	92 916
Performance Bonuses	-	111 794
Contributions to UIF, Medical and Pension Funds	-	232 325
Leave Pay	-	57 493
	-	**1 305 825**

Remuneration of Executive Manager : Corporate Services

Annual Remuneration	1 245 334	-
Contributions to UIF, Medical and Pension Funds	268 285	-
	1 513 619	**-**

Remuneration of Executive Manager: Information Technology

Annual Remuneration	891 253	-
Subsistence Allowance	1 059	-
Travel Allowance	30 000	-
Contributions to UIF, Medical and Pension Funds	189 204	-
	1 111 516	**-**

Notes to the Financial Statements

27. DIRECTORS' EMOLUMENTS

The following emoluments were paid to the executive and non-executive directors during the year.

Executive	Emoluments	Travel Allowance	Company Contributions	Perfomance Bonus	Back-pay	Total
2016						
Ms H M Botes - Chief Executive Officer	1 484 534	250 000	29 126	280 000	769 566	2 813 226
Mr I M Bhamjee - Financial Director	1 373 269	96 000	290 681	193 462	-	1 953 412
	2 857 803	**346 000**	**319 807**	**473 462**	**769 566**	**4 766 638**

Executive	Emoluments	Travel Allowance	Company Contributions	Perfomance Bonus	Leave Pay	Total
2015						
Ms H M Botes - Chief Executive Officer	1 219 201	250 000	22 648	290 564	269 838	2 052 251
Mr I M Bhamjee - Financial Director	1 042 639	96 000	243 232	149 098	-	1 530 967
	2 261 840	**346 000**	**265 880**	**439 662**	**269 838**	**3 583 218**

Non-Executive	Emoluments	Retainer fees	Total
2016			
Mr A Mabizela - Chairperson	171 120	45 626	216 746
Mr T Hickman (retired 15/03/2016)	132 344	22 816	155 160
Prof AN Nevhutanda	118 658	22 816	141 474
Ms P Msweli (retired 15/03/2016)	74 166	22 816	96 982
Mr J Rabodila	133 491	22 816	156 307
Mr FD Ntombela	158 600	22 816	181 416
Mr MM Morojele	95 836	22 816	118 652
Mr C Kai	173 441	22 816	196 257
Dr N Mabuya (resigned 05/01/2016)	65 034	22 816	87 850
Mr L Mabuza (appointed 15/03/2016)	50 198	-	50 198
Adv M Mogale (appointed 15/03/2016)	66 172	-	66 172
Ms M Mojapelo (appointed 15/03/2016)	30 802	-	30 802
	1 269 862	**228 154**	**1 498 016**

2015	Emoluments	Retainer fees	Total
Mr A Mabizela - Chairperson	188 976	45 626	234 602
Mr T Hickman	125 942	22 816	148 758
Mr J Mabaso (retired 03/02/2015)	84 078	13 309	97 387
Prof AN Nevhutanda	90 283	22 816	113 099
Mr N Rau (retired 03/02/2015)	52 582	-	52 582
Ms P Msweli	86 020	22 816	108 836
Mr J Rabodila	137 749	22 816	160 565
Mr FD Ntombela	140 491	22 816	163 307
Mr MM Morojele	80 113	22 806	102 919
Mr C Kai	36 514	9 507	46 021
Dr N Mabuya	30 810	9 507	40 317
	1 053 558	**214 835**	**1 268 393**

Notes to the Financial Statements

Figures in Rand	2016	2015

28. TAXATION

Major components of the tax expense (Income)

Deferred		
Originating and reversing temporary differences	2 895 588	(27 691 391)

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus (deficit)	8 466 571	(84 051 737)
Tax at the applicable tax rate of 28% (2015: 28%)	2 370 640	(23 534 486)
Tax effect of adjustments on taxable income		
Non taxable/non-deductible expenses	524 948	(4 156 905)
	2 895 588	**(27 691 391)**

No provision has been made for 2016 current tax as the company has an estimated tax loss of R93 658 112 (2015: R107 324 979) available for set off against future taxable income.

29. AUDITORS' REMUNERATION

Fees	2 491 903	2 194 622

Reconcilliation of audit fees		
Audit Fees - External	1 301 125	1 243 683
Audit Fees - Internal	1 190 778	950 939
	2 491 903	**2 194 622**

30. CASH GENERATED FROM OPERATIONS

Surplus (deficit)	5 570 983	(56 360 346)
Adjustments for:		
Depreciation and amortisation	4 674 292	3 765 722
Loss on sale of assets and liabilities	219 617	3 216 884
Finance costs - Finance leases	642 744	555 245
Impairment loss	-	(4 072 319)
Debt impairment	2 423 893	154 425
Movements in operating lease assets and accruals	2 709 734	204 293
Movements in retirement benefit assets and liabilities	(553 771)	227 546
Movements in provisions	1 502 080	(2 203 464)
Annual charge for deferred tax	2 895 588	(27 691 391)
Scrapped finance lease asset	(152 644)	(160 956)
Donations Received	-	(1 183 588)
Changes in working capital:		
Receivables from exchange transactions	173 033 060	149 415 442
Consumer debtors	(2 423 893)	(154 425)
Other receivables from non-exchange transactions	2 546 884	(121 266)
Prepayments	(29 948)	472 807
Payables from exchange transactions	48 020 589	4 953 268
Deferred income	(4 701 750)	(6 364 000)
	236 377 458	**64 653 877**

Notes to the Financial Statements

Figures in Rand	2016	2015

31. COMMITMENTS

Commitments in respect of capital expenditure:

	2016	2015
Authorised		
• Property, plant and equipment	4 000 000	4 000 000
Total capital commitments		
Not yet contracted for and authorised	4 000 000	4 000 000

Authorised operational expenditure

	2016	2015
Already contracted for		
Audit fees	627 923	1 980 820
Cleaning	-	11 565 685
Consulting fees	19 567 505	4 709 363
Fleet	4 784 377	12 106 220
Licenses	396 096	396 096
Repairs and maintenance	3 866 999	2 318 422
Security	-	11 344 017
Staff wellness	107 294	144 174
Temporary staff	511 077	1 664 041
	29 861 271	**46 228 838**
Total operational commitments		
Already contracted for	29 861 271	46 228 838

Total commitments

	2016	2015
Total commitments		
Authorised capital expenditure	4 000 000	4 000 000
Authorised operational expenditure	29 861 271	46 228 838
	33 861 271	**50 228 838**

This committed capital expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc. The entity has been allocated a capital expenditure budget of R4 000 000 for the 2016/17 financial year (2015: R4 000 000).

Operating leases – as lessee (Buildings)

	2016	2015
Minimum lease payments due		
- Not later than one year	63 939 108	17 762 028
- Later than one year and not later than five years	114 609 316	31 302 493
- Later than five years	1 525 307	10 507 572
	180 073 731	**59 572 093**

Operating lease payments represent rentals payable by the entity for the JPC head office and office accommodation for 10 buildings for various City departments. Leases are negotiated for a term of 2 to 5 years for City department occupied buildings and 9 years and 11 months for the JPC head office, all leases are subject to yearly escalations. No contingent rent is payable.

Notes to the Financial Statements

Figures in Rand	2016	2015

32. RELATED PARTIES

Relationships The company adheres to Section 45 of The Municipal Supply Chain Management Regulation: Contracts are entered into in terms of Services Delivery Agreements As all related parties are current no provision has been made in respect of bad debts.	
Controlling entity	The City of Johannesburg Metropolitan Municipality
Fellow subsidiaries	Johannesburg Social Housing Company (SOC) Ltd City Power Johannesburg (SOC) Ltd Johannesburg City Parks (NPC) Johannesburg Development Agency (SOC) Ltd Johannesburg Roads Agency (SOC) Ltd Johannesburg Fresh Produce Market (SOC) Ltd Johannesburg Water (SOC) Ltd Pikitup (SOC) Ltd Johannesburg Theatre (SOC) Ltd

Related party balances

	2016	2015
Loan Accounts - Owing from related parties		
City of Johannesburg Metropolitan Municipality	77 880 864	-
Loan accounts - Owing to related parties		
City of Johannesburg Metropolitan Municipality	(73 672 114)	(221 863 016)
Interest paid to related parties		
City of Johannesburg Metropolitan Municipality	2 166 480	7 005 146
Services rendered to related parties		
The City of Johannesburg Metropolitan Municipality - Commission received	44 764 978	29 633 468
The City of Johannesburg Metropolitan Municipality - Capital commission received	27 386 973	12 689 067
The City of Johannesburg Metropolitan Municipality - Management fees	7 625 975	1 853 149
The City of Johannesburg Metropolitan Municipality - Internal recoveries	2 187 393	249 957 627
The City of Johannesburg Metropolitan Municipality - Subsidies received	340 630 000	-
City Power - Professional fees	146 016	-
Joburg Water - Professional fees	45 633	-
Pikitup - Professional fees	34 452	-
	422 821 420	**294 133 311**

Notes to the Financial Statements

Figures in Rand	2016	2015

32. RELATED PARTIES (continued)

	2016	2015
Balance included in trade receivables		
City of Johannesburg Ombudsman	1 044 622	-
City of Johannesburg Portfolio	-	12 927 434
City Power	110 070	52 368
Department of Citizen Relations and Urban Management	12 205 644	61 783 352
Department of Community Development	5 372	12 473 130
Department of Development Planning	750 000	19 302 410
Department of Economic Development	1 224 201	-
Department of Health	7 959	26 705 526
Department of Housing	3 715 394	3 241 464
Department of Social Development	13 070 775	-
Department of Transport	560 666	496 755
Department of Transport - BRT	421 315	1 792 939
Emergency and Medical Services	4 982 114	2 354 055
Environmental and Infrastructure Services	580 407	7 767 864
Group Corporate Shared Services	-	2 859 362
Group Finance and Revenue	5 819 462	55 681 888
Johannesburg City Parks	-	912 000
Joahnnesburg Metropolitan Police Department	16 726 921	18 076 567
Johannesburg Tourism	2 957	-
Johannesburg Water	5 685	26 184
Museum Africa	7 506	-
Office of the Speaker	872 991	10 240 128
Pikitup	39 275	78 550
	62 153 336	**236 771 976**

	2016	2015
Interest received from related parties		
City of Johannesburg Metropolitan Municipality	3 004 637	-

	2016	2015
Services received from related parties		
Group Corporate Shared Services	1 575 352	83 234
City of Johannesburg Civic Theatre	260	-
Office of the Mayor	2 159 312	-
	3 734 924	**83 234**

33. RISK MANAGEMENT

Financial risk management

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.The companies cash is swept on a daily basis to The City of Johannesburg Metropolitan Municipality (COJ) main account. The City releases money for use by The City of Joburg Property Company (SOC) Ltd as and when it is needed. Any over expenditure in which current cash swept cannot cover is covered by the COJ.

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

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance Lease Obligations	3 036 553	1 407 334	-	-
Trade and other payables	89 219 299	-	-	-

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance Lease Obligations	3 280 586	1 756 283	-	-
Trade and other payables	41 198 715	-	-	-

Interest rate risk

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

The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus/(deficit). Fixed rate borrowings expose the company to fair value interest rate risk.

The company has not performed a sensitivity analysis as the company is exposed to fixed rate borrowings only.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade debtors are comprised of development fees on contracts awarded to a developer who has been awarded the tender and related party debtors generated from the internal recoveries of office accommodation for FMMU. The company manages development fee risk by inserting suspensive conditions in the signed contracts. If the developer cannot pay in the specified time, payment terms are arranged and failing which the contract will be cancelled and awarded to another developer.

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

Financial instrument		
Financial assets measured at fair value:		
-Trade and other receivables	66 520 590	239 615 759
-Cash and cash equivalents	2 000	2 000
	66 522 590	239 617 759

34. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The existence of the company is dependent on the continued support of its sole shareholder being the City of Johannesburg Metropolitan Municipality by way of management fees paid each year in terms of a service delivery agreement entered into. Development fees received from external parties further support the going concern of the company. To support the continuous collection of management fees, JPC has a 30 year agreement with the Shareholder, of which 15 years are remaining.

35. UNAUTHORISED EXPENDITURE

There was no unauthorised expenditure during the 2015/16 financial year.

36. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	2 330 226	2 173 413
Penalties and interest	49 629	156 813
	2 379 855	**2 330 226**

2016: Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts in the 2015/16 financial year amounting to R49 629.

2015: Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts in the 2014/15 financial year amounting to R156 813

37. IRREGULAR EXPENDITURE

Opening balance	3 513 933	3 513 933
Written off	(3 513 933)	-
	-	**3 513 933**

During the 2015/16 financial year, the board of JPC resolved that the irregular expenditure from previous financial years be written off.

38. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

Reconciliation of budget surplus with the surplus in the statement of financial performance:

Net deficit per the statement of financial performance	5 570 983	(58 697 744)
Adjusted for:		
Revenue	14 805 336	211 511 906
Operating expenses	(23 271 907)	(87 671 553)
Taxation	2 895 588	27 691 391
Net surplus per approved budget	**-**	**92 834 000**

Notes to the Financial Statements

Figures in Rand

39. PRIOR PERIOD ERRORS

Statement of financial position		
Trade and other payables - Accruals (Note 1)	-	39 680
Trade and other payables - Accruals (Note 2)	-	(756 882)
Trade and other payables - VAT (Note 3)	-	(164 500)
Trade and other receivables (Note 3)	-	1 339 500
Trade and other receivables (Note 4)	-	(563 889)
Trade and other receivables (Note 5)	-	(222 214)
Trade and other receivables (Note 7)	-	(14 173 712)
Deferred taxation (Note 6)	-	(2 901 287)
Loan Account - GCSS (Note 7)	-	14 173 712
	-	**(3 229 592)**

1. Trade and other payables - Accruals - Directors retainers were incorrectly reversed in the current financial year.

2. Trade and other payables - Accruals - Expenditure relating to the prior period has been accounted for accordingly for legal fees, security and secretarial registrations.

3. Trade and other receivables - Revenue relating to commission on land sales of R1 339 500 has been recognised in the prior period when the property was transferred and the transaction concluded.

4. Trade and other receivables - A reconciliation of prior period debtors indicated that credit notes were required to be passed. The credit notes have been transacted in the period to which the revenue was raised.

5. Trade and other receivables - Travel expenditure was erroneously billed to intercompany debtors. The expense relates to prior periods

6. Deferred Taxation - Deferred taxation has been recalculated for the 2014/15 financial year and an adjustment is required for prior period temporary differences.

7. Loan Account - GCSS - A payment for GCSS has been reallocated from the loan account to the trade receivables.

Statement of financial performance		
Commission on land sales	-	(1 175 000)
Directors emoluments	-	(39 680)
Internal recoveries	-	563 889
Legal fees	-	124 119
Security expenses	-	625 729
Subscriptions	-	7 034
Travel - International	-	222 214
Deferred taxation expense	-	2 901 287
	-	**3 229 592**

40. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

Rental of premises and cleaning services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the directors.

Additional deviations that have transpired during the 2015/16 financial year have been listed below. The deviations listed below are a continuation of those listed in the 2014/15 financial year. The deviations are are as follows:

Extensions - Contracted Cleaning		
Khulani Makhosikazi Khulani	780 000	930 300
Green Sweep	432 000	385 962
Green Interior	-	15 000
Oyinola Construction	-	486 388
	1 212 000	**1 817 650**
Extensions - Operating Lease Rentals		
Sanlam/JHI	9 340 469	7 150 775
Redefine Properties	34 628 992	23 905 010
Investec Ltd	5 981 722	7 538 532
Germiston Bronze	6 498 123	5 180 976
CEZ Investments	3 508 965	2 601 576
66 Plein Street CC	8 695 886	8 308 473
Liberty Group Property Management	11 422 548	13 864 419
Zenprop	14 351 278	16 999 280
Orion Property	7 400 597	3 081 226
Hermans and Romans	10 042 797	8 702 789
	111 871 377	**97 333 056**
Extenstions - Other Expenditure		
Document Warehouse	242 127	162 195
Nicor Propsys	694 484	569 612
Softline VIP	573 752	355 464
Telkom	1 646 137	1 290 659
Infra-Sol	4 783 951	4 316 561
Schindler Lifts	2 307 409	1 853 512
Vodacom	738 146	347 923
Abzubros	383 494	-
	11 369 500	**8 895 926**
Extenstions - Security		
Mabotwane Security	4 721 795	4 246 831
Mafoko Security Patrols	1 431 114	660 001
Marshall Knights	572 844	351 373
MC Security	2 156 597	2 511 763
Peak security	132 347	78 091
Sihlangene Security	2 077 338	2 675 963
SOS Protecsure	1 508 230	1 850 766
Venus Security Solutions	2 695	2 625

40. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

Vimtsire Security Protections	1 699 762	2 235 812
	14 302 722	**14 613 225**

41. SPONSORED SKILLS DEVELOPMENT

During the 2015/16 financial year a further R2 208 974 was pledged to be utilised in the skills development of JPC management.
The pledge is held in trust by Cliff Dekker Hofmeyer Attorneys on the pledgees' behalf.

As at 30 June 2016, R1 377019 of this fund has been utilised to identify the best international practices and standards for property and facilities management.

Sponsored skills development		
Opening balance	482 728	1 140 000
Additions	2 208 974	-
Utilized	(1 377 019)	(657 272)
	1 314 683	**482 728**

Detailed Income statement

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Cellmast services	21	7 317 470	4 842 100
Commission received	21	72 434 721	49 129 128
Management fees	21	3 721 616	908 909
Internal recoveries	21	6 091 751	249 393 738
Third party development fees	21	12 141 449	1 677 135
Other income	22	900 600	1 183 588
Interest received	23	3 460 166	24 403
City of Johannesburg Metropolitan Municipality - Subsidy	21	340 630 000	-
EPWP grant	21	1 073 861	-
Total revenue		**447 771 634**	**307 159 001**
Expenditure			
Employee related costs	26	(219 341 443)	(190 697 184)
Depreciation and amortisation	12	(4 674 292)	(3 765 722)
Impairment loss	13	-	4 072 319
Finance costs	24	(2 858 853)	(7 717 204)
Debt Impairment		(2 423 893)	(154 425)
Repairs and maintenance	14	(34 959 074)	(26 963 026)
General expenses	25	(174 827 891)	(162 768 612)
Total expenditure		**(439 085 446)**	**(387 993 854)**
Operating surplus (deficit)		**8 686 188**	**(80 834 853)**
Loss on derecognition of assets		(219 617)	(3 216 884)
Surplus (deficit) before taxation		**8 466 571**	**(84 051 737)**
Taxation	28	2 895 588	(27 691 391)
Surplus (deficit) for the year		**5 570 983**	**(56 360 346)**

APPENDIX E(1)

	Current Year Actual Balance (000's)	Current Year Revised Budget (000's)	Variance (000's)	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Cellmast services	7 317	7 731	(414)	(5,4)	
Commissions received	72 434	91 868	(19 434)	(21,2)	Commissions trail budgeted objectives due to leases currenlty under review at EAC.
EPWP grant	1 074	1 106	(32)	(2,9)	
Internal recoveries	6 091	2 500	3 591	143,6	Revenue exceeds budget due to additional revenue from the facilitation of R&M projects across the CoJ for various departments and MOE's.
Interest received	3 460	2 687	773	28,8	Interest earned on surplus cash reserves.
Management fees	3 722	3 708	14	0,4	
Subsidy	340 630	340 630	-	-	
Third party facilitation fees	12 142	12 347	(205)	(1,7)	
	446 870	462 577	(15 707)	(3,4)	
Other income					
Donations received	901	-	901	-	No budget required/provided for donated IT equipment.
	901	-	901	-	
Cost of sales					
Expenses					
Personnel	(219 341)	(224 926)	5 585	(2,5)	
Depreciation	(4 674)	(5 332)	658	(12,3)	Depreciation is in line with the fixed asset register.
General expenditure	(177 252)	(194 364)	17 112	(8,8)	Expenditure has been kept below the budget due to cost cutting measures during the financial year.
Finance costs	(2 858)	(2 939)	81	(2,8)	
Repairs and maintenance	(34 959)	(35 016)	57	(0,2)	
	(439 084)	(462 577)	23 493	(5,1)	
Operating profit					
	8 687	-	8 687	-	
Other revenue and costs					
Gain or loss on disposal of fixed assets	(219)	-	(219)	-	
	(219)	-	(219)	-	
Net surplus/ (deficit) for the year	8 468	-	8 468	-	
Taxation					
Deferred tax	(2 896)	-	(2 896)	-	
	(2 896)	-	(2 896)	-	
Profit/(Loss) for the year					
	5 572	-	5 572	-	