Joburg Market SOC Limited
Financial statements
for the year ended 30 June 2016

The Auditor-General: South Africa

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Providing of infrastructure to distribute fresh produce mainly in the Gauteng area
DIRECTORS	Mr K Shubane (Chairman) Ms S Childs Mr S Mafadza Mr S Masango Mr C Molebatsi Mr S Ndlungwane Mr B Nkosi Bishop S Tsekedi Mr T Tselane
REGISTERED OFFICE	1 Heidelberg Road City Deep Johannesburg 2049
BUSINESS ADDRESS	4 Fortune Road (Off Heidelberg Road) City Deep Johannesburg 2049
POSTAL ADDRESS	P O Box 86007 City Deep Johannesburg 2049
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	Standard Bank Limited
AUDITORS	The Auditor-General: South Africa
SECRETARY	Ms T Melk
COMPANY REGISTRATION NUMBER	2000/023383/07

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The reports and statements set out below comprise the annual financial statements.

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was 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 entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently auditing and reporting on the entity's financial statements. The financial statements have been examined by the entity's external auditors.

Approval of annual financial statements:

The financial statements set out on pages 12 to 66, which have been prepared on the going concern basis, were approved by the directors on 30 November 2016 and were signed on its behalf by:

Mr K Shubane (Chairman) **Chairman**	**Mr J Mazibuko** **Chief Executive Officer (Acting)**

Johannesburg

30 November 2016

Audit and Risk Committee Report

Audit and Risk Committee Report

Audit and Risk Committee Report

PRACTICE LOGO

Report of the Auditor General

TO THE PROVINCIAL LEGISLATURE OF JOBURG MARKET SOC LIMITED

Report on the financial statements

I

The Auditor-General: South Africa

01 March 1900

Directors' Report

The directors submit their report for the year ended 30 June 2016.

1. INCORPORATION

The entity was incorporated on 08 September 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 owned entity, engaged in providing of infrastructure to distribute fresh produce mainly in the Gauteng area and operates principally in the City of Johannesburg.

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

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements. Revenue comprising mainly of commission income increased by 12.7%. The increase is as a result of price increases of 17.8%. These increases were above long term projections. Macro factors which are prevalent in the production and trading of fresh produce have introduced some volatility in price discovery. In view of the latter it is regarded as prudent for the entity to follow its internal forecasting model.

Net surplus of the entity was R 78 420 408 (2015: surplus R 56 581 246), after taxation of R 28 872 958 (2015: R 30 496 479).

3. GOING CONCERN

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

The City of Johannesburg Metropolitan Municipality, has confirmed its financial support to the entity, should it be required.

The current assets of the entity exceeds its current liabilities at year end by R59,909,396 (2015: R 57,704,411). The net liquidity position of the entity has strengthened by R3,704,985 over the last year. Included in current liabilities is an amount of R 22,276,995 (2015: R 28,897,354) relating to current portion of loans from shareholders which is payable in the coming year. The Directors are confident that the entity will meet all its obligations in the coming financial year.

4. SUBSEQUENT EVENTS

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

5. DIRECTORS' PERSONAL FINANCIAL INTERESTS

None of the directors have declared any personal financial interests in any contracts entered into by the entity.

6. ACCOUNTING POLICIES

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

There were no changes in accounting policies during the year.

Directors' Report

7. SHARE CAPITAL

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

The entire shareholding of the entity is held by The City of Johannesburg Metropolitan Municipality.

Unissued ordinary shares are under the control of The City of Johannesburg Metropolitan Municipality.

8. BORROWING LIMITATIONS

In terms of the sale of business agreement, The Joburg Market 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 Asset and Liability Committee.

9. NON-CURRENT ASSETS

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

Property plant and equipment to the value of R 54,201,793 (2015: R 45,440,344) and intangible assets to the value of R 5,080,234 (2015: R1,526,282) were acquired during the year under review.

10. DIVIDENDS

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

11. DIRECTORS

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

Name	Nationality	Changes
Non-Executive Directors		
Mr K Shubane (Chairman)	South African	
Ms S Childs	South African	
Ms M Mpofu (Chairman)	South African	Retired 15 March 2016
Dr V Dlamini	South African	Retired 15 March 2016
Mr S Mafadza	South African	
Mr S Masango	South African	
Mr C Molebatsi	South African	
Mr S Ndlungwane	South African	
Mr B Nkosi	South African	
Dr D Sekhukhune	South African	Retired 15 March 2016
Ms N Singh	South African	Retired 15 March 2016
Bishop S Tsekedi	South African	
Mr T Tselane	South African	
Dr E Zulu	South African	Retired15 March 2016
Executive Directors		
Ms S Sekgobela (Chief Executive Officer)		Retired 4 December 2015
Mr B Dhlamini (Chief Financial Officer)		Retired 30 June 2016

12. SECRETARY

Ms T Melk was appointed on 01 July 2013 as secretary of the entity.

Business address	4 Fortune Road (Off Heidelberg Road) City Deep Johannesburg 2049
Postal address	P O Box 86007 City Deep Johannesburg 2049

13. CORPORATE GOVERNANCE

General

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

The Board of directors have endeavoured to comply with the requirements of King III including integrated and sustainability reporting, which has been adopted using the City of Johannesburg Municipality's recommended template.

Board of directors

The Board of directors:
- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;

Directors' Report

- is of a unitary structure comprising:
  - 9 non-executive directors, all of whom are independent directors as defined in the King Code of Corporate Governance.
  - 2 executive directors; Chief Executive Officer and Chief Financial Officer.

Chairperson and Chief Executive

The Chairman is a non-executive and independent director (as defined in the King Code of Good Corporate Governance).

The roles of Chairman and Chief Executive Officer are separate, so that no individual has unfettered powers of discretion.

Remuneration

The remuneration of the Chief Executive Officer and senior managers, is determined by the Board of directors in accordance with Section 89 of the Municipal Finance Management Act and the upper limits set by the City of Johannesburg Metropolitan Municipality.

Board and committee meetings

The directors have met on 9 separate occasions during the financial year. The directors were scheduled to meet 6 times within the year.

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

Name	Board Meeting	Audit & Risk committee meeting	Remuneration committee meeting	Service Delivery committee meeting	Finance,Investment & Procurement Committee
Total number of meetings held	**9**	**6**	**4**	**1**	**3**
Mr K Shubane (Chairman) *	3				
Ms M Mpofu (Chairman) *	6				
Ms S Childs *	3				
Dr V Dlamini *	5	6	-		3
Mr S Mafadza	7			1	
Mr S Masango *	2				
Mr C Molebatsi *	3				
Mr S Ndlungwane *	1				
Mr B Nkosi	9	5			3
Dr D Sekhukhune *	5		4		
Ms N Singh *	3	6			2
Bishop S Tsekedi	5		3	1	
Mr T Tselane	7				1
Dr E Zulu *	4		4	1	2
Independent audit committee members:					
Mr R Hill	2	5			
Mr Y Gordhan	1	6			
Mr H Raborifi		1			

* The members indicated above with an asterisk did not serve the full year, refer to page 10 for the relevant term dates.

Directors' Report

Audit and Risk Committee

The Audit and Risk Committee (ARC) comprises of 6 members, 3 of whom are non-executive directors and 3 independent members. The committee is constituted in accordance with Section 166 of the Municipal Finance Management Act and was chaired by Ms N Singh, who is a non-executive director. The ARC had 4 ordinary and 2 special meetings during the 2016 financial year to review matters necessary to fulfil its role. At the AGM held on 15 March 2016, Ms N Singh was retired and Mr S Masango, who is a non-executive director, was appointed as Audit and Risk Committee chair.

Internal audit

The internal audit function was performed internally.

14. CONTROLLING ENTITY

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

15. SPECIAL RESOLUTIONS

There were no special resolutions taken for the year under review.

16. BANKERS

Standard Bank Limited.

The management of the treasury function is managed under the auspices of The City of Johannesburg Metropolitan Municipality Assets and Liabilities Committee and Treasury Department.

17. AUDITORS

The Auditor-General: South Africa will continue in office in accordance with the Public Audit Act No 25, section 90 of the Municipal Finance Management Act No 56 of 2003 and section 90 of the Companies Act of 2008.

18. CONTINGENCIES

Joburg Market has in previous financial years reported long outstanding legacy litigation matters. For the year under review the exposure on litigation matters remained the same as reported in the previous year. Disputes with employees have increased. Refer to note 26.

19. CURRENT INVESTIGATIONS

Procurement irregularities that necessitated investigations in the prior year, have been finalised. Disciplinary action was taken and appropriate internal processes were concluded.

Company Secretary's Certification

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

In terms of section 88(2)(e) of the Companies Act 71 of 2008 (as amended), I certify that, to the best of my knowledge and belief, the company has lodged and/or filed, for the financial year ended 30 June 2016, all such returns and notices as required and that all such returns and notices are true, correct and up to date.

Ms T Melk
Company Secretary

The Joburg Market (SOC) Ltd
30 November 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Loans to shareholders	2	59 680 583	36 883 676
Current tax receivable		-	2 313 045
Receivables from exchange transactions	3	41 762 675	37 855 760
VAT receivable	35	4 075 802	4 016 008
Cash and cash equivalents	4	102 435 248	112 637 880
		207 954 308	**193 706 369**
Non-Current Assets			
Investment property	5	445 654	468 536
Property, plant and equipment	6	360 348 731	324 040 798
Intangible assets	7	7 740 589	3 550 354
Deferred tax	8	10 314 716	5 964 792
		378 849 690	**334 024 480**
Total Assets		**586 803 998**	**527 730 849**
Liabilities			
Current Liabilities			
Loans from shareholders	2	22 276 995	28 897 354
Current tax payable		901 693	-
Finance lease obligation	9	1 373 625	1 243 422
Payables from exchange transactions	10	118 836 181	105 050 497
Provisions	11	4 656 418	2 310 683
		148 044 912	**137 501 956**
Non-Current Liabilities			
Loans from shareholders	2	42 665 209	71 231 952
Finance lease obligation	9	242 526	1 616 158
Employee benefit obligation	12	3 355 164	2 769 372
Deferred tax	8	581 586	1 117 218
		46 844 485	**76 734 700**
Total Liabilities		**194 889 397**	**214 236 656**
Net Assets		**391 914 601**	**313 494 193**
Net Assets			
Share capital	13	20 000 000	20 000 000
Accumulated surplus		371 914 601	293 494 193
Total Net Assets		**391 914 601**	**313 494 193**

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Commission		339 976 417	288 520 242
Storage		3 439 099	6 683 360
Rental facilities and equipment		38 685 190	37 172 879
Banana Ripening		3 754 889	5 213 365
Miscellaneous other revenue		1 094 917	1 031 102
Discount received		40 570	13 016
Grant received from shareholder		-	4 811 104
Sundry revenue		5 326 182	2 599 908
Cash handling fees		3 053 672	2 732 941
Interest received		10 138 360	10 961 753
Fair value adjustments		62 842	73 335
Total revenue		**405 572 138**	**359 813 005**
Expenditure			
Employee related costs	16	(129 766 425)	(107 323 125)
Depreciation and amortisation	19	(18 774 252)	(15 919 876)
Impairment loss	38	-	(4 915 165)
Finance costs	20	(9 626 336)	(14 620 512)
Lease rentals on operating lease		(663 307)	(423 676)
Debt Impairment	17	715 997	(2 242 201)
Repairs and maintenance		(20 164 787)	(16 809 329)
General Expenses	15	(119 967 174)	(110 416 522)
Total expenditure		**(298 246 284)**	**(272 670 406)**
Operating surplus		**107 325 854**	**87 142 599**
Loss on disposal of assets and liabilities		(32 488)	(64 874)
Surplus before taxation		**107 293 366**	**87 077 725**
Taxation	21	28 872 958	30 496 479
Surplus for the year		**78 420 408**	**56 581 246**

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Share premium	Total share capital	Accumulated surplus	Total equity
Balance at 01 July 2014		**1**	**19 999 999**	**20 000 000**	**236 912 947**	**256 912 947**
Changes in net assets						
Surplus for the year		-	-	-	56 581 246	56 581 246
Total changes		-	-	-	56 581 246	56 581 246
Balance at 01 July 2015		**1**	**19 999 999**	**20 000 000**	**293 494 193**	**313 494 193**
Changes in net assets						
Surplus for the year		-	-	-	78 420 408	78 420 408
Total changes		-	-	-	78 420 408	78 420 408
Balance at 30 June 2016		**1**	**19 999 999**	**20 000 000**	**371 914 601**	**391 914 601**

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Sale of goods and services		391 423 451	343 228 431
Interest income		10 138 360	10 961 753
		401 561 811	354 190 184
Payments			
Employee costs		(129 690 269)	(106 167 459)
Suppliers		(136 675 615)	(146 607 719)
Finance costs		(9 396 344)	(14 337 674)
Taxes on surpluses	24	(30 543 775)	(24 595 185)
		(306 306 003)	(291 708 037)
Net cash flows from operating activities	23	**95 255 808**	**62 482 147**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(40 920 777)	(42 168 026)
Proceeds from sale of property, plant and equipment	6	1	-
Purchase of other intangible assets	7	(5 080 234)	(1 526 282)
Net cash flows from investing activities		**(46 001 010)**	**(43 694 308)**
Cash flows from financing activities			
Proceeds from shareholders loan		-	3 528 093
Repayment of shareholders loan		(57 984 009)	944 239
Finance lease payments		(1 473 421)	(1 272 834)
Finance lease receipts		-	3 805 245
Net cash flows from financing activities		**(59 457 430)**	**7 004 743**
Net increase/(decrease) in cash and cash equivalents		**(10 202 632)**	**25 792 582**
Cash and cash equivalents at the beginning of the year		112 637 880	86 845 298
Cash and cash equivalents at the end of the year	4	**102 435 248**	**112 637 880**

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	2 250 000	-	2 250 000	-		2 250 000	10 138 360		7 888 360	451 %	451 %
Other own revenue	414 384 721	(39 319 000)	375 065 721	-		375 065 721	395 433 778		20 368 057	105 %	95 %
Total revenue (excluding capital transfers and contributions)	**416 634 721**	**(39 319 000)**	**377 315 721**	**-**		**377 315 721**	**405 572 138**		**28 256 417**	**107 %**	**97 %**
Employee costs	(115 056 636)	(21 912 216)	(136 968 852)	-	-	(136 968 852)	(129 766 425)	-	7 202 427	95 %	113 %
Debt impairment	(2 371 192)	-	(2 371 192)			(2 371 192)	715 997	-	3 087 189	(30)%	(30)%
Depreciation and asset impairment	(22 632 262)	4 486 614	(18 145 648)			(18 145 648)	(18 774 252)	-	(628 604)	103 %	83 %
Finance charges	(21 746 254)	12 055 000	(9 691 254)	-	-	(9 691 254)	(9 626 336)	-	64 918	99 %	44 %
Other expenditure	(155 237 656)	1 665 254	(153 572 402)	-	-	(153 572 402)	(140 827 756)	-	12 744 646	92 %	91 %
Total expenditure	**(317 044 000)**	**(3 705 348)**	**(320 749 348)**	**-**	**-**	**(320 749 348)**	**(298 278 772)**	**-**	**22 470 576**	**93 %**	**94 %**
Surplus/(Deficit)	**99 590 721**	**(43 024 348)**	**56 566 373**	**-**		**56 566 373**	**107 293 366**		**50 726 993**	**190 %**	**108 %**
Taxation	29 972 000	(13 080 000)	16 892 000	-		16 892 000	28 872 958		11 980 958	171 %	96 %
Surplus/(Deficit) for the year	**69 618 721**	**(29 944 348)**	**39 674 373**	**-**		**39 674 373**	**78 420 408**		**38 746 035**	**198 %**	**113 %**
Capital expenditure and funds sources											
Total capital expenditure	259 738 000	(171 523 000)	88 215 000	-		88 215 000	59 282 027		(28 932 973)	67 %	23 %

Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome

Management considers 10% or more as material. A detailed description of variances is provided below :

Revenue
Investment revenue - Higher revenue has generated additional cash and interest for the entity. Good collection levels has ensured positive bank balances and additional interest income.

Other own revenue - no material difference to report. Turnover increased by 7.4% to adjustment budget mainly as a result of a increase in price per ton. Volume decreased marginally in comparison by 0.3% on prior year.

Expenditure
Employee costs - within acceptable 10% variance.

Debt impairment - reversal of debt impaired due to BEE Market agents assistance program..

Depreciation and asset Impairment - marginally above budget and within the 10% variance range.

Finance charges -within the accepatble variance.

Other expenditure - within acceptable 10% variance.

Capital Expenditure
The budget for the year under review for capial expenditure was R88, 2 million and the actual capital expenditure incurred by 30 June 2016 amounted to R59.3 million which represents **67%** of actual spend.

Capital expenditure for the Market of the Future was R13 million. The actual spend against the adjustment budget excluding the Market of the Future component is **79%.**

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.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the entity.

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:

Trade receivables

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

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

Impairment testing

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Employee benefit Obligation

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate

The entity uses an appropriate interest rate taking into account guidance provided in the accounting standards and applying professional judgment, to the specific circumstances, to discount future cash flows.

Allowance for doubtful debts

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

Useful lives and residual value

The useful lives of property, plant and equipment are reviewed at each reporting date. Their useful lives are estimated by management based on historical analysis and other available information.

The residual values of property, plant and equipment are reviewed at each balance sheet date. Their residual values are estimated by management based on historical analysis and other available information.

The carrying amounts of the assets are disclosed in note 6.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Accounting Policies

1.3 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of investment property have been assessed as follows:

Item	Average useful life
Investment Property	30 years

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 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.

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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
Buildings	Straight line	30 years
Plant and machinery	Straight line	10 - 14 years
Furniture and fixtures	Straight line	7 - 13 years
Motor vehicles	Straight line	8 - 10 years
Office equipment	Straight line	7 - 10 years
IT equipment	Straight line	5 - 10 years
Finance leased assets	Straight line	3 - 5 years

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

1.5 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.

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.

Accounting Policies

1.5 Intangible assets (continued)

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

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

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

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

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

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	3 - 5 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 (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Fair value determination

Accounting Policies

1.6 Financial instruments (continued)

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

Impairment of financial assets

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

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

Loans to (from) economic entities

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

Loans to economic entities are classified as loans and receivables.

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

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 uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

Accounting Policies

1.6 Financial instruments (continued)

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 recorded at fair value and subsequently recorded at amortised cost.

Derecognition

Financial assets

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

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

Financial liabilities

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

Impairment of financial assets

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

Assets are carried at amortised cost.

1.7 Tax

Current tax assets and liabilities

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 end of the reporting period.

Accounting Policies

1.7 Tax (continued)

Deferred tax assets and liabilities

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 surplus 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 surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

1.8 Leases

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

1.8 Leases (continued)

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rent is recognised separately as revenue when received or receivable and are not straight-lined over the lease term.

Income for leases is disclosed under revenue in statement of financial performance.

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.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rent is recognised separately as expenditure when paid or payable and are not straight-lined over the lease term.

1.9 Impairment of cash-generating 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.

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.

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.

Identification

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

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

The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use

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

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

1.10 Impairment of non-cash-generating 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.

1.10 Impairment of non-cash-generating assets (continued)

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

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.

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Accounting Policies

1.11 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 entity are classified according to the substance of the contractual arrangements entered into.

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

1.12 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

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

Other post retirement obligations

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.14 Revenue from exchange transactions

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

1.15 Revenue from non-exchange transactions

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

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

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

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 board members or officials is virtually certain.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the entity, and the costs can be measured reliably. The entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

1.16 Borrowing costs (continued)

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

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

1.18 Unauthorised expenditure

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

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

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

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

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

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

Accounting Policies

1.20 Irregular expenditure (continued)

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

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

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

1.21 Use of estimates

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

1.22 Budget information

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury. Refer to the Appropriation Statement.

1.23 Statements on GRAP not yet effective

At the date of authorisation of these Annual Financial Statements, the following standards of GRAP were in issue but not yet effective or adopted during the period under review:

GRAP 20 - Related Parties.
GRAP 32 - Service concession arrangements : Grantor.
GRAP 108 - Statutory Receivables.
GRAP 109 - Accounting by Principles and Agents.

The effect as a result of the adoption of the above GRAP standards will have no material impact on the financial statements.

Notes to the Financial Statements

Figures in Rand	2016	2015

2. LOANS TO/(FROM) SHAREHOLDER

	2016	2015
City of Johannesburg Metropolitan Municipality - Capital expenditure loans	(64 942 204)	(100 129 306)
Sweeping account	59 680 583	36 883 676
	(5 261 621)	**(63 245 630)**

	2016	2015
Current assets	59 680 583	36 883 676
Non-current liabilities	(42 665 209)	(71 231 952)
Current liabilities	(22 276 995)	(28 897 354)
	(5 261 621)	**(63 245 630)**

Credit quality of loans to shareholder

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

Fair value of loans to and from shareholder

	2016	2015
Loans to shareholder	59 680 583	36 883 676
Loans from shareholders	64 942 204	100 129 306

Loans to shareholder past due but not impaired

Loans to shareholder which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R - (2015: R-) were past due but not impaired.

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

	2016	2015
1 month past due	59 680 583	36 883 676

Capital expenditure claim

	2016	2015
Loans at beginning of the year	-	3 528 093
Payments received	-	(3 528 093)
	-	**-**

Capital expenditure (Capex) amount due from City of Johannesburg Metropolitan Municipality. This loan is unsecured, interest free and payable within 3 months.

Current account

	2016	2015
Loans at beginning of the year	-	(3 528 093)
Converted to long term loan	-	3 528 093
	-	**-**

This loan is unsecured and interest free.This amount was converted into a long term loan within 3 months.

Notes to the Financial Statements

Figures in Rand	2016	2015

2. LOANS TO/(FROM) SHAREHOLDER (continued)

Capital expenditure loans

	2016	2015
Loans at beginning of the year	(100 129 306)	(144 860 909)
Receipts	-	(3 528 093)
Repayments	43 710 682	61 729 288
Interest	(8 523 580)	(13 469 592)
	(64 942 204)	**(100 129 306)**

The Capex loans bear interest between 9% and 10,9%, compounded monthly. The capital repayments are not fixed and the loans are repayable in forty quarterly installments over the duration of the contracts.

Sweeping account

	2016	2015
Loan at beginning of the year	36 883 676	86 087 611
Receipts	62 516 791	4 250 317
Repayments	(43 710 682)	(61 729 288)
Interest	3 990 798	8 275 036
	59 680 583	**36 883 676**

The sweeping account loan is unsecured and bears interest at an average rate of 6.0% per annum. The bank balance for the business account is rolled over on a daily basis into the sweeping account. The loan is repayable on demand.

Notes to the Financial Statements

Figures in Rand	2016	2015

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	32 136 920	36 542 399
Prepayments	154 907	251 791
Operating lease receivables	571 280	591 508
Less : Provision for impairment	(10 238 094)	(10 954 258)
Sundry debtors	13 043 447	7 616 962
Related party debtors	6 240 226	3 890 407
Adjustment for fair value at amortised cost	(146 011)	(83 049)
	41 762 675	**37 855 760**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 22 013 409 (2015: R 24 839 167) were past due but not impaired.

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

1 month past due	19 723 098	21 285 972
2 months past due	1 118 713	1 818 159
3 months past due	1 171 599	1 735 036

Trade and other receivables impaired

As of 30 June 2016, trade and other receivables of R 10 238 094 (2015: R 10 954 258) were impaired and provided for.

The ageing of these loans is as follows:

3 to 6 months	567 089	742 314
Over 6 months	9 671 005	10 211 944

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(10 954 258)	(8 875 668)
Provision for impairment	(1 954 645)	(2 398 130)
Amounts written off as uncollectible	-	147 969
Unused amounts reversed	2 670 809	171 571
	(10 238 094)	**(10 954 258)**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note17). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivables mentioned above. The entity does not hold any collateral as security.

Notes to the Financial Statements

Figures in Rand	2016	2015

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2016	2015
Cash on hand	12 000	12 000
Bank balances	102 423 248	112 625 880
	102 435 248	**112 637 880**

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA Bank - Deposit account - 405-439-4655	3 173 306	2 733 858	6 118 142	3 173 306	(793 356)	2 590 928
ABSA Bank - Business account - 405-439-4663	1 623 312	1 375 181	1 072 633	1 623 312	1 375 181	1 072 633
ABSA Bank - RD cheque account - 405-439-4689	(3 424)	(1 938)	(793)	(3 424)	(1 938)	(793)
ABSA Bank - Trust - 405-442-3252	(4 193)	(2 704)	(1 444)	(4 193)	(2 704)	(1 444)
ABSA Bank - Salary account - 405-439-4671	(1 510)	(295)	(1 466)	(1 510)	(295)	(1 466)
ABSA Bank - charges account - 405-515-0630	(30 553)	(26 405)	(15 484)	(30 553)	(26 405)	(15 484)
First National Bank - Business account - 620-124-71257	678 251	2 722 868	2 188 651	678 251	2 722 868	2 188 651
First National Bank - Deposit account - 513-909-61353	-	-	-	-	-	(447 748)
Standard Bank - Deposit account - 000-197-033	93 195 580	107 361 783	77 809 350	96 186 726	108 582 621	80 503 390
Standard Bank - RD cheque account - 000-196-991	792 510	837 820	943 740	792 510	837 820	943 740
Standard Bank - Business account - 000-196-916	-	-	-	8 821	(67 912)	891
Standard Bank - Salary account - 000-196-924	-	-	-	-	-	-
Standard Bank - Trust account - 000-197-025	-	-	-	-	-	-
Standard Bank - Charges account - 000-196-878	-	-	-	-	-	-
Total	**99 423 279**	**115 000 168**	**88 113 329**	**102 423 246**	**112 625 880**	**86 833 298**

Standard Bank is the entity's official banker. ABSA accounts remain open, however only the ABSA deposit account is active for deposits only. ABSA deposit account is swept periodically to the Standard Bank deposit account. First National Bank deposit account has remained open and active to accommodate buyers in areas where Standard Bank is not available.

Notes to the Financial Statements

Figures in Rand	2016	2015

5. INVESTMENT PROPERTY

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	811 061	(365 407)	445 654	811 061	(342 525)	468 536

Reconciliation of investment property - 2016

	Opening balance	Impairments	Total
Investment property	468 536	(22 882)	445 654

Reconciliation of investment property - 2015

	Opening balance	Impairments	Total
Investment property	491 355	(22 819)	468 536

Details of property

Investment property that was purchased from The City of Johannesburg Metropolitan Municipality, in terms of the sale of business agreement, dated 03 July 2000, has not yet been transferred into the name of the entity due to the absence of a framework provided by Section 14(6) of the Municipal Finance Management Act 2003. National Treasury has been engaged by The City of Johannesburg Metropolitan Municipality with the aim of resolving the matter.

Investment Property consists of the following:

Stand 118 City Deep Extension 2, Johannesburg, Gauteng - comprising of retail shops.

The market value of the property as determined by an independent valuator as at 21 October 2015 is R22,524,000.

An external, independent valuation entity, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the entity's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the entity and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

The gross property rental income earned by the entity from its investment property, all of which are leased out under gross operating leases, amounted to R1,386,010 (2015: R1,303,197).

Expenditure incurred during the year on investment property amounted to RNil (2015:RNil).

Notes to the Financial Statements

Figures in Rand

6. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 639 000	-	17 639 000	17 639 000	-	17 639 000
Buildings	339 861 987	(97 545 254)	242 316 733	312 129 838	(87 002 575)	225 127 263
Plant and machinery	40 537 457	(11 974 469)	28 562 988	36 896 772	(8 998 718)	27 898 054
Furniture and fixtures	4 019 136	(2 475 375)	1 543 761	3 867 971	(2 196 208)	1 671 763
Motor vehicles	1 610 253	(1 034 380)	575 873	1 469 128	(887 052)	582 076
Office equipment	1 471 221	(731 368)	739 853	1 246 572	(585 090)	661 482
IT equipment	24 608 698	(12 644 730)	11 963 968	21 583 004	(10 140 258)	11 442 746
Capital work in progress	55 708 470	-	55 708 470	41 518 452	(4 915 166)	36 603 286
Finance lease assets	3 337 934	(2 039 849)	1 298 085	3 337 934	(922 806)	2 415 128
Total	**488 794 156**	**(128 445 425)**	**360 348 731**	**439 688 671**	**(115 647 873)**	**324 040 798**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 639 000	-	-	-	-	17 639 000
Buildings	225 127 263	8 070 364	-	19 661 785	(10 542 679)	242 316 733
Plant and machinery	27 898 054	3 466 777	-	173 908	(2 975 751)	28 562 988
Furniture and fixtures	1 671 763	206 412	(3 272)	-	(331 142)	1 543 761
Motor vehicles	582 076	141 125	-	-	(147 328)	575 873
Office equipment	661 482	233 400	(7 708)	-	(147 321)	739 853
IT equipment	11 442 746	3 142 838	(21 509)	-	(2 600 107)	11 963 968
Capital work in progress	36 603 286	38 940 877	-	(19 835 693)	-	55 708 470
Finance lease assets	2 415 128	-	-	-	(1 117 043)	1 298 085
	324 040 798	**54 201 793**	**(32 489)**	**-**	**(17 861 371)**	**360 348 731**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17 639 000	-	-	-	-	-	17 639 000
Buildings	210 925 998	920 618	-	23 064 947	(9 784 300)	-	225 127 263
Plant and machinery	9 006 210	2 312 533	-	17 931 054	(1 351 743)	-	27 898 054
Furniture and fixtures	1 647 592	360 625	-	-	(336 454)	-	1 671 763
Motor vehicles	728 960	-	-	-	(146 884)	-	582 076
Office equipment	579 209	206 274	-	-	(124 001)	-	661 482
IT equipment	11 560 823	2 519 591	(64 874)	-	(2 572 794)	-	11 442 746
Capital work in progress	46 731 684	35 782 769	-	(40 996 001)	-	(4 915 166)	36 603 286
Finance lease assets	41 413	3 337 934	-	-	(964 219)	-	2 415 128
	298 860 889	**45 440 344**	**(64 874)**	**-**	**(15 280 395)**	**(4 915 166)**	**324 040 798**

Notes to the Financial Statements

Figures in Rand	2016	2015

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Assets subject to finance lease (Net carrying amount)

Finance lease assets	1 298 085	2 415 128

Details of properties

Freehold land and buildings to the value of R 77,582,957 were purchased from The City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement dated 03 July 2000, but/and has not yet been transferred into the name of the entity due to the absence of a framework provided by Section 14(6) of the Municipal Finance Management Act 2003. National Treasury has been engaged by The City of Johannesburg Metropolitan Municipality with the aim of resolving the matter.

Land and buildings comprise of the following properties:

Stand 117 City Deep Extension 2, Johannesburg, Gauteng - Market floors, retail outlets and an office block.

7. INTANGIBLE ASSETS

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	9 506 951	(1 766 362)	7 740 589	4 426 717	(876 363)	3 550 354

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	3 550 354	5 080 234	(889 999)	7 740 589

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	2 640 730	1 526 282	(616 658)	3 550 354

Notes to the Financial Statements

Figures in Rand	2016	2015

8. DEFERRED TAX

Deferred tax liability

Deferred tax liability - Trade and other receivables	(218 119)	-
Deferred tax liability - Leases	(363 467)	(829 896)
Total deferred tax liability	**(581 586)**	**(829 896)**

Deferred tax asset

Trade and other receivables	2 190 883	(287 322)
Health care and Leases deferred tax asset	1 393 316	772 292
Trade and other payables and provisions	6 730 517	5 192 500
Total deferred tax asset	**10 314 716**	**5 677 470**

Deferred tax liability	(581 586)	(829 896)
Deferred tax asset	10 314 716	5 677 470
Total net deferred tax asset	**9 733 130**	**4 847 574**

Reconciliation of deferred tax asset \ (liability)

At beginning of year	4 847 574	10 901 893
Movement in temporary timing differences	4 885 556	(6 054 319)
	9 733 130	**4 847 574**

9. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	(1 473 415)	(1 473 415)
- in second to fifth year inclusive	(245 569)	(1 718 984)
	(1 718 984)	(3 192 399)
less: future finance charges	102 826	332 818
Present value of minimum lease payments	**(1 616 158)**	**(2 859 581)**

Present value of minimum lease payments due		
- within one year	(1 373 625)	(1 243 422)
- in second to fifth year inclusive	(242 533)	(1 616 158)
	(1 616 158)	**(2 859 580)**

Non-current liabilities	242 526	1 616 158
Current liabilities	1 373 625	1 243 422
	1 616 151	**2 859 580**

It is entity policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2015: 11%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The entity has not defaulted on any of its interest or capital repayments during the year, and none of the terms and conditions of the finance leases were re-negotiated.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 6.

Notes to the Financial Statements

Figures in Rand	2016	2015

10. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	79 551 473	70 130 654
Accrued leave pay	6 978 710	5 247 206
Accrued staff 13th cheques	2 980 569	2 771 059
Accruals	2 137 613	1 875 929
Payroll and sundry accruals	12 438 643	18 640 918
Related party creditor	14 749 173	6 384 731
	118 836 181	**105 050 497**

The entity has not defaulted on any of its payments. The terms and conditions of trade and other payables were not re-negotiated.

The carrying amounts of the financial liabilities approximates their fair value due.

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

Fair value of trade and other payables

Trade payables	118 836 181	105 022 540

11. PROVISIONS

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonus	2 310 683	2 431 335	(85 600)	4 656 418

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal proceedings	18 500 000	-	(18 500 000)	-	-
Performance Bonus	1 607 431	2 100 698	(771 695)	(625 751)	2 310 683
	20 107 431	**2 100 698**	**(19 271 695)**	**(625 751)**	**2 310 683**

Performance evaluation for bonuses is only performed after year end and the provision is based on management's best estimate of the expected outflow of economic benefits based on past experience.

Figures in Rand	2016	2015

12. EMPLOYEE BENEFIT OBLIGATIONS

12.1Defined benefit plan

The actuarial valuations were done by Arch Actuarial Consulting CC, an independent post retirement plan administrator,and they determined that the retirement plans were in a sound financial position, taking into account the notional loan account receivable from The City of Johannesburg Metropolitan Municipality.

Post-retirement liability		
Post-Retirement Medical Aid Plan	(934 610)	(298 761)
Retirement Gratuity Plan	(2 420 554)	(2 470 611)
	(3 355 164)	**(2 769 372)**

12.1.1Post retirement medical aid plan

The Joburg Market SOC Limited has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. There is currently 2 qualifying staff member.

Movements for the year

Opening balance	298 761	594 000
Net expense recognised in the statement of financial performance	635 849	(295 239)
	934 610	**298 761**

Net expense recognised in the statement of financial performance

Current service cost	5 689	22 000
Interest cost	24 502	54 000
Actuarial (gains) losses	651 976	(371 239)
Curtailment or settlement	(46 318)	-
	635 849	**(295 239)**

Key assumptions used

Assumptions used on last valuation on 30 June 2016.

Discount rates used	8,72 %	8,20 %
Expected increase in salaries	7,38 %	6,99 %

The liability is sensitive to the real rate of return earned (i.e. the difference between the rate of discount and the rate at which medical aid contributions increase) as illustrated below :
- 1% decrease in discount rate will increase the liability to R1,053,125.
- 1% increase in discount rate will decrease the liability to R836,353.

Notes to the Financial Statements

Figures in Rand	2016	2015

12. EMPLOYEE BENEFIT OBLIGATIONS (continued)

12.1.2Post retirement gratuity plan

The Joburg Market SOC Limited provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with The City of Johannesburg Metropolitan Municipality or The Joburg Market SOC Limited when they were not members of one of the retirement funds and who meet certain service requirements in terms of The City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.There are currently 13 qualifying staff members.

The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of The Joburg Market SOC Limited who are entitled to benefits that relate to their service with The City of Johannesburg Metropolitan Municipality from the time that the entity was established. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account and against which the entity may claim benefit payments, made. This loan does not constitute a plan asset and in terms of GRAP 25 cannot be offset against the liability. It has however been included in the assets of The Joburg Market SOC Limited.

The plan is a post-employment gratuity benefit plan.

Movements for the year

Opening balance	2 470 611	2 597 000
Net expense recognised in the statement of financial performance	(50 057)	(126 389)
	2 420 554	**2 470 611**

Net expense recognised in the statement of financial performance

Interest cost	187 075	223 000
Actuarial (gains) losses	(3 294)	(349 389)
Curtailment or settlement	(233 838)	-
	(50 057)	**(126 389)**

Key assumptions used

Assumptions used on last valuation on 30 June 2016.

Discount rates used	8,72 %	8,20 %
Expected increase in salaries	7,38 %	6,99 %

The liability is sensitive to the real rate of return earned (i.e. the difference between the rate of discount and the rate at which medical aid contributions increase) as illustrated below :
- 1% increase in discount rate will decrease the liability to R2,320,000.
- 1% decrease in discount rate will increase the liability to R2,531,612.

Notes to the Financial Statements

Figures in Rand	2016	2015

12. EMPLOYEE BENEFIT OBLIGATIONS (continued)

12.2Defined contribution plan

All employees transferred from The City of Johannesburg Metropolitan Municipality belong to various defined benefit plans established by The City of Johannesburg Metropolitan Municipality. New employees belong to the entity's retirement fund, a defined contribution plan established subsequent to the date of acquisition.

The total amount recognised as an expense for defined contribution plans for the year amounts to R9,076,993 (2015: R7,315,009).

During 2005 the City entered into an agreement with the Johannesburg Municipal Pension Fund and the City of Johannesburg Pension Fund to the effect that, in return for payment of an amount of R400 million plus interest from 1 January 2006:
- Except as set out below, the assets and liabilities of the City of Johannesburg Pension Fund will be merged into the Johannesburg Municipal Pension Fund and the City will sever all financial ties with the latter Fund.
- The City of Johannesburg Pension Fund will be converted into a defined contribution fund. Members will be given the option of remaining as members of the Fund and accruing future benefits on a defined contribution basis or of joining the The Joburg Market Retirement Fund in respect of the accrual of future service benefits. Pensioners will be given the opportunity to transfer to an insurer instead of remaining pensioners of the Johannesburg Municipal Pension Fund.
- The settlement amount is to be adjusted to allow for any excess contributions paid until the effective date and for the cost of bonus service in respect of exited members.

The necessary provisions have been made in The City of Johannesburg Metropolitan Municipality financial statements.

13. SHARE CAPITAL

	2016	2015
Authorised		
1 000 000 Ordinary shares of R0.01	10 000	10 000

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

	2016	2015
Issued		
1 Ordinary share rounded up to R1	1	1
Share premium	19 999 999	19 999 999
	20 000 000	**20 000 000**

Notes to the Financial Statements

Figures in Rand	2016	2015

14. REVENUE

	2016	2015
Commission	339 976 417	288 520 242
Storage	3 439 099	6 683 360
Rental facilities and equipment	38 685 190	37 172 879
Banana ripening fees	3 754 889	5 213 365
Miscellaneous other revenue	1 094 917	1 031 102
Discount received	40 570	13 016
Grant received from shareholder	-	4 811 104
Sundry revenue	5 326 182	2 599 908
Cash handling fees	3 053 672	2 732 941
Interest received	10 138 360	10 961 753
Fair value adjustments	62 842	73 335
	405 572 138	**359 813 005**

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

	2016	2015
Commission	339 976 417	288 520 242
Storage	3 439 099	6 683 360
Rental facilities and equipment	38 685 190	37 172 879
Banana ripening fees	3 754 889	5 213 365
Miscellaneous other revenue	1 094 917	1 031 102
Discount received	40 570	13 016
Grant received from shareholder	-	4 811 104
Sundry revenue	5 326 182	2 599 908
Cash handling fees	3 053 672	2 732 941
Interest received	10 138 360	10 961 753
	405 509 296	**359 739 670**

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

	2016	2015
Fair value adjustments	62 842	73 335

Figures in Rand		2016	2015

15. GENERAL EXPENSES

Advertising		4 649 070	5 122 668
Assets expensed		84 293	270 523
Auditors remuneration		2 321 261	1 753 173
Bank charges		5 502 112	4 992 749
Cash Losses		135 000	-
Cleaning		5 748 809	6 121 508
Conferences and seminars		1 098 221	1 266 009
Consulting and professional fees		11 956 866	9 262 298
Consumables		1 280 553	1 056 791
Donations		1 219 664	706 697
Electricity		30 608 168	26 033 692
Entertainment		-	9 951
Gifts		46 221	84 060
Hostel charges		70 885	97 038
Insurance		708 328	1 282 320
IT expenses		4 606 974	3 958 648
Irregular, fruitless and wasteful expenditure		-	109
Marketing		2 932 815	465 938
Motor vehicle expenses		1 612 544	1 747 738
Placement fees		228 551	745 413
Postage and courier		3 728	4 694
Printing and stationery		705 107	2 271 748
Protective clothing		932 813	670 739
Refuse		7 863 583	9 493 919
Secretarial fees		30 446	-
Security (Guarding of municipal property)		16 989 164	15 695 878
Sewerage and waste disposal		5 299 889	4 018 915
Staff welfare		1 382 117	1 172 412
Subscriptions and membership fees		365 855	289 646
Telephone and fax		866 988	935 398
Training		2 153 462	1 882 776
Travel - local		598 997	381 025
Travel - overseas		253 785	2 382 860
Water		7 710 905	6 239 189
		119 967 174	**110 416 522**

16. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages		86 381 420	83 681 568
Overtime payments		900 162	779 992
Bonus - 13th cheque and performance		7 777 780	6 435 830
UIF		523 020	489 911
WCA		862 925	699 233
SDL		998 620	929 386
Other payroll costs		6 124 144	4 699 815
Leave pay provision charge		3 570 039	1 461 743
Pension costs		680 656	769 221
Gratuities		259 428	61 417
Provident fund	12	21 688 231	7 315 009
		129 766 425	**107 323 125**

Notes to the Financial Statements

Figures in Rand	2016	2015

17. DEBT IMPAIRMENT

Debt impairment	166	15 642
Contributions to debt impairment provision	(716 163)	2 226 559
	(715 997)	**2 242 201**

Debt provided for BEE Agents cold storage was written back.

18. INTEREST RECEIVED

Interest revenue		
Bank	5 900 458	2 434 957
Interest earned - outstanding debtors	153 913	251 760
Interest earned - sweeping account	3 990 798	8 275 036
Interest received - other	93 191	-
	10 138 360	**10 961 753**

19. DEPRECIATION AND AMORTISATION

Property, plant and equipment	17 861 371	15 280 399
Investment property	22 882	22 819
Intangible assets	889 999	616 658
	18 774 252	**15 919 876**

20. FINANCE COSTS

Interest paid on shareholder loans	8 523 580	13 469 592
Finance leases	229 992	282 838
Bank	13 813	3 283
Fair value adjustments: Notional interest	637 774	558 040
Other interest paid	221 177	306 759
	9 626 336	**14 620 512**

Notes to the Financial Statements

Figures in Rand	2016	2015

21. TAXATION

Major components of the tax expense

	2016	2015
Current		
Local income tax - current period	34 459 512	24 472 447
Local income tax - recognised in current tax for prior periods	(700 999)	(30 286)
	33 758 513	**24 442 161**
Deferred		
Originating and reversing temporary differences	(4 885 555)	6 054 318
	28 872 958	**30 496 479**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2016	2015
Applicable tax rate	28,00 %	28,00 %
Disallowable charges	(0,50)%	(0,20)%
Current tax - prior period adjustment	(0,65)%	(0,03)%
	26,85 %	**27,77 %**

22. AUDITOR'S REMUNERATION

	2016	2015
Fees	2 321 261	1 753 173

23. CASH GENERATED FROM OPERATIONS

	2016	2015
Surplus	78 420 408	56 581 246
Adjustments for:		
Depreciation and amortisation	18 774 252	15 919 876
(Gain) loss on sale of assets and liabilities	32 488	64 874
Finance costs - Finance leases	229 992	282 838
Impairment deficit	-	4 915 165
Debt impairment	(715 997)	2 242 201
Movements in retirement benefit assets and liabilities	585 792	(421 628)
Movements in provisions	2 345 735	(17 796 748)
Movement in tax receivable and payable	3 214 738	(153 024)
Annual charge for deferred tax	(4 885 555)	6 054 318
Other non-cash items - payables capital expenditure accrued	(13 281 015)	(3 272 318)
Other non-cash items	-	8
Changes in working capital:		
Receivables from exchange transactions	(3 190 918)	(7 778 670)
Payables from exchange transactions	13 785 682	8 667 007
VAT	(59 794)	(2 822 998)
	95 255 808	**62 482 147**

24. TAX PAID

	2016	2015
Balance at beginning of the year	2 313 045	2 160 021
Current tax for the year recognised in surplus or deficit	(33 758 513)	(24 442 161)
Balance at end of the year	901 693	(2 313 045)
	(30 543 775)	**(24 595 185)**

Notes to the Financial Statements

Figures in Rand	2016	2015

25. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for		
• Property, plant and equipment	16 829 137	17 863 390
Total capital commitments		
Not yet contracted for and authorised by directors	16 829 137	17 863 390

This committed expenditure relates to plant and equipment and will be financed by available bank facilities.

Operating leases - as lessee (Fleet)

Minimum lease payments due		
- within one year	310 595	414 126
- in second to fifth year inclusive	-	310 595
	310 595	**724 721**

Operating leases – as lessor (income)

Minimum lease payments due		
- within one year	8 698 726	6 943 907
- in second to fifth year inclusive	2 224 251	6 474 475
- later than five years	446 132	-
	11 369 109	**13 418 382**

26. CONTINGENCIES

Economic entity

Other contingencies

The total estimated claims amount to R7,917,732 which is in respect of disputes with suppliers, the company is of the view that this represents the maximum exposure. The company in consultation with its legal counsel has assessed the outcome of these proceedings and the likelihood that these cases will be successfully defended, no further provision is required.

Disputes with employees

The entity is involved in six (6) litigation matters and disputes relating to former employees. The directors are of the opinion that the claims can be successfully defended by the company.

Notes to the Financial Statements

Figures in Rand	2016	2015

27. RELATED PARTIES

Relationships	
Shareholder	The City of Johannesburg Metropolitan Municipality
Other members of the group	Johannesburg Social Housing Company SOC Ltd
	Joburg City Theatres (SOC) Ltd
	City Power Johannesburg SOC Ltd
	Pikitup Johannesburg (SOC) Ltd
	Johannesburg Roads Agency (SOC) Ltd
	Johannesburg City Parks (SOC) Ltd
	Joburg Property Company
	Johannesburg Development Agency
	Johannesburg Metropolitan Bus Service
	Johannesburg Water

Related party balances

	2016	2015
Amounts owing by related parties		
City of Johannesburg Metropolitan Municipality	65 776 511	40 545 846
Pikitup Johannesburg (SOC) Ltd	144 300	228 236
	65 920 811	**40 774 082**

	2016	2015
Amounts owing to related parties		
City of Johannesburg Metropolitan Municipality	76 535 333	111 030 840
City Power Johannesburg SOC Ltd	4 560 000	-
Joburg Theatre (SOC) Ltd	6 525	-
Johannesburg Roads Agency (SOC) Ltd	-	149 937
Johannesburg Social Housing Company SOC Ltd	7 202	12 019
	81 109 060	**111 192 796**

Related party transactions

	2016	2015
Sales to related parties		
City of Johannesburg Metropolitan Municipality	18 730 097	11 894 904
City of Johannesburg Metropolitan Municipality - Grant received	-	4 834 877
Pikitup Johannesburg (SOC) Ltd	639 964	482 598
Johannesburg City Parks (SOC) Ltd	15 053	126 713
	19 385 114	**17 339 092**

	2016	2015
Purchases from related parties		
Revenue and Customer Relations	555 312	50 083 027
Pikitup Johannesburg (SOC) Ltd	10 004 122	-
City Power Johannesburg (SOC) Ltd	35 277 026	-
Johannesburg Water (SOC) Ltd	13 405 449	-
Johannesburg Theatre (SOC) Ltd	106 645	-
Johannesburg Roads Agency (SOC) Ltd	1 097 690	131 524
	60 446 244	**50 214 551**

	2016	2015
Interest paid to (received from)related parties		
City of Johannesburg Metropolitan Municipality (loans)	8 523 580	13 469 593
City of Johannesburg Metropolitan Municipality	201 748	-
City of Johannesburg Metropolitan Municipality	(3 990 798)	-
	4 734 530	**13 469 593**

Notes to the Financial Statements

Figures in Rand	2016	2015

27. RELATED PARTIES (continued)

	2016	2015
Insurance paid to related party		
City of Johannesburg Metropolitan Municipality	683 782	1 222 824
WCA occupational health and safety paid to related party		
City of Johannesburg Metropolitan Municipality	862 925	699 233

28. DIRECTORS' EMOLUMENTS

Executive

2016

	Emoluments	Other benefits	Total
For services as Chief Executive Officer	3 180 657	31 638	3 212 295
For services as Chief Financial Officer	2 778 412	-	2 778 412
For services as Senior Management	6 909 647	293 545	7 203 192
	12 868 716	**325 183**	**13 193 899**

2015

	Emoluments	Other benefits	Total
For services as Chief Executive Officer (4.5 months)	2 811 754	6 378	2 818 132
For services as Chief Financial Officer	1 845 569	147 328	1 992 897
For services as Senior Management	4 907 561	49 816	4 957 377
	9 564 884	**203 522**	**9 768 406**

Notes to the Financial Statements

28. DIRECTORS' EMOLUMENTS (continued)

Non-executive

2016

	Directors' fees	Retainer	Other fees	Total
Mr K Shubane (Chairman)	57 040	-	-	57 040
Ms M Mpofu (Chairman)	155 153	29 756	2 700	187 609
Ms S Childs	34 224	-	-	34 224
Dr V Dlamini	126 654	14 880	115 482	257 016
Mr S Mafadza	82 146	19 840	15 536	117 522
Mr S Masango	28 520	-	-	28 520
Mr C Molebatsi	34 224	-	-	34 224
Mr S Ndlungwane	22 816	-	-	22 816
Mr B Nkosi	117 503	19 840	-	137 343
Dr D Sekhukhune	85 572	14 880	2 700	103 152
Ms N Singh	159 732	14 880	2 700	177 312
Bishop S Tsekedi	81 008	19 840	-	100 848
Mr T Tselane	85 574	19 840	3 600	109 014
Dr E Zulu	74 172	-	2 700	76 872
	1 144 338	**153 756**	**145 418**	**1 443 512**

2015

	Directors' fees	Retainer	Other fees (Consultancy fees to subsidiary)	Total
Ms M Mpofu (Chairman)	296 824	45 626	3 600	346 050
Ms S Childs	178 600	13 309	2 700	194 609
Dr V Dlamini	50 798	9 507	43 254	103 559
Bishop S Tsekedi	49 020	9 507	-	58 527
Mr S Mafadza	120 412	22 816	3 600	146 828
Mr M Morokolo	57 548	-	12 253	69 801
Mr B Nkosi	99 307	15 211	-	114 518
Dr D Sekhukhune	250 307	22 816	3 600	276 723
Ms N Singh	311 173	22 816	3 600	337 589
Mr T Tselane	77 486	-	3 600	81 086
Dr E Zulu	295 296	22 816	3 600	321 712
	1 786 771	**184 424**	**79 807**	**2 051 002**

Notes to the Financial Statements

29. RISK MANAGEMENT

Financial risk management

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

The entity is exposed to a number of risks which include finance and operation risks. All risks are captured in a series of registers. The entity manages its risks in terms of the risk management framework adopted by the City of Johannesburg Metropolitan Municipality. The Board is empowered to ensure the execution of the risk management policy and guiding intervention. Management reports risk status and interventions to the Board. Finance management and the lodging of risks are exercised against the backdrop of the principles embedded in the King III Report on Corporate Governance. Risk registers are regularly updated and independently evaluated by the Audit and Risk Committee of the entity. As the entity is largely self insured loss control remains an integral part of risk management. The entity reports comprehensively on risks to the City of Johannesburg Metropolitan Municipality on a monthly, quarterly and annual basis.

Liquidity risk

Liquidity risk arises as a result of operations that cannot be funded and financial commitments that cannot be met timeously and cost effectively due to cash shortages. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

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

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	22 276 995	26 356 899	16 308 310	-
Trade and other payables	118 836 181	-	-	-
Finance Lease	1 373 625	242 526	-	-

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	28 897 354	37 423 775	31 561 940	2 246 337
Trade and other payables	105 050 487	-	-	-
Finance lease	2 859 580	-	-	-

Notes to the Financial Statements

29. RISK MANAGEMENT (continued)

Interest rate risk

This refers to the potential variability in the entity's financial condition owing to changes in interest rate levels. The entity's borrowings in interest bearing loans give rise to exposure to this risk.

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

The entity 's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the to fair value interest rate risk. All group borrowings are at fixed interest rates over the period of the loan agreements and the company is not exposed to any changes in interest rates.

At year end other financial instruments exposed to interest rate risk were balances with banks.

Credit risk

Credit risk is the risk of an economic loss arising from the failure of the counter party to fulfill it's contractual obligations.

Credit risk consists mainly of cash deposits, cash equivalents, loans to shareholder and trade and other receivables. The only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Loans to shareholders is managed on a monthly basis and the entity is currently not exposed to any risk regarding recoverability of this amount.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an on going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored.

Some credit limits were exceeded during the reporting period, these are closely monitored and management does not expect any losses from non-performance by these counterparties.

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

Financial instrument	2016	2015
Cash and cash equivalents	102 435 248	112 637 880
Trade and other receivables	41 762 675	37 855 760
Loans to shareholders	59 680 583	36 883 676

Notes to the Financial Statements

Figures in Rand	2016	2015

30. GOING CONCERN

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

The ability of the entity to continue as a going concern is dependent on financial support of the entity's only shareholder, The City of Johannesburg Metropolitan Municipality, which The City of Johannesburg Metropolitan Municipality confirmed.

31. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Identified in current year but incurred in the prior year	-	18 519 315
Identified and incurred in the current year	-	452 218
	-	**18 971 533**

2015

Settlement of protracted contractual dispute dating back to 2006.

32. IRREGULAR EXPENDITURE

No new items of irregular expenditure in the current financial year.

Reconciliation of irregular expenditure		
Opening balance	25 690 481	8 416 854
Irregular expenditure identified in current year relating to prior year	-	15 512 212
Irregular Expenditure identified in current year	590 282	1 761 415
	26 280 763	**25 690 481**

Details of irregular expenditure – current year

Splitting of orders	Investigations and other steps are underway to address this matter		590 282

Details of irregular expenditure - prior year

120 year celebration	Investigations, disciplinary action and other steps are underway to address this matter		2 788 679
Mobile standby generators	Investigations, disciplinary action and other steps are underway to address this matter		14 484 948
			17 273 627

Notes to the Financial Statements

Figures in Rand	2016	2015

32. IRREGULAR EXPENDITURE (continued)

2016

In terms of regulation 12(3) of the Municipal Supply Chain Management Regulation; supply chain management policy must state that goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy and that when determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

2015

The contract entered into does not comply with SCM regulation 28(1)(a)(ii) and PPR4, as the bids were not adequately evaluated for functionality. The irregularity was found in the current year but the bids were awarded in the prior year.

The contract for mobile generators does not comply with SCM regulation 19(a), as the mobile generators do not fall within the definition of a category B specialised vehicle in terms of the definition within the Section 32 contract selected from the parent municipality.

33. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Audit fees

Current year audit fee	2 333 891	1 753 173
Amount paid - previous years	(2 333 891)	(1 753 173)
	-	-

PAYE and UIF

Opening balance	1 640 203	-
Current year expense	18 928 203	17 619 424
Amount paid - current year	(18 928 203)	(15 979 221)
Amount paid - previous years	(1 640 203)	-
	-	**1 640 203**

Pension and Medical Aid Deductions

Current year expense	8 434 973	7 524 173
Amount paid - current year	(8 434 973)	(7 524 173)
	-	-

VAT

VAT receivable	4 075 802	4 016 008

VAT output payables and VAT input receivables are shown in note 34.

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

Notes to the Financial Statements

Figures in Rand	2016	2015

34. 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.

Deviations authorised by the Accounting Officer	2016	2015
Sole supplier	507 605	34 089
Extension of contracts	64 000	1 632 965
Emergency procurement	11 669 189	6 548 224
Avoidable deviations	-	600 929
	12 240 794	**8 816 207**

During the prior year under review the Board became aware of procurement irregularities. This necessitated investigations, which resulted in the appointment of forensic investigators and legal counsel. These deviations are listed as Emergency in the above table for R10 million in 2016 (R6,5 million 2015). Refer to item 19 in the Director's report.

35. VAT RECEIVABLE

VAT	4 075 802	4 016 008

36. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2016

Financial assets

	At fair value	Total
Loans to shareholders	59 680 583	59 680 583
Trade and other receivables from exchange transactions	41 762 675	41 762 675
Cash and cash equivalents	102 435 248	102 435 248
	203 878 506	**203 878 506**

Financial liabilities

	At amortised cost	Total
Loans from shareholders	64 942 204	64 942 204
Other financial liabilities	1 616 151	1 616 151
Trade and other payables from exchange transactions	118 892 789	118 892 789
	185 451 144	**185 451 144**

2015

Financial assets

	At fair value	Total
Loans to shareholders	36 883 676	36 883 676
Trade and other receivables from exchange transactions	37 855 760	37 855 760
Cash and cash equivalents	112 637 880	112 637 880
	187 377 316	**187 377 316**

Financial liabilities

	At amortised cost	Total
Loans from shareholders	100 129 306	100 129 306
Other financial liabilities	2 859 580	2 859 580
Trade and other payables from exchange transactions	105 050 487	105 050 487
	208 039 373	**208 039 373**

37. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

Name of the Person and company awarded	Capacity of person in service of state	Nature of the relationship	**Amount**
Ms Y Phosa-SMEC South Africa	Chairperson of committee for Department of Higher Education and Training	Ms Phosa is the spouse of Dr. M Phosa, Chairperson of the board of SMEC South Africa and non-executive director	1 114 000

Notes to the Financial Statements

Figures in Rand	2016	2015

38. IMPAIRMENT OF ASSETS

	2016	2015
Impairments		
Property, plant and equipment	-	4 915 165

The cost above is as a result of impairment testing of the generator system. The generator has remained in work in progress since 2008 at cost less impairment made in 2012. It has been tested in the open market for the value of a similar system in current condition, in so doing it has been further impaired in the year under review.

39. CHANGE IN ESTIMATE

Property, plant and equipment

The useful life of Furniture and Fittings, Computer Equipment, Plant and machinery and Office Equipment was estimated in 2015 to be 12,9,13 and 9 years resectively. In the current period management have revised their estimate to 13,10, 14 and 10 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 324 900.

40. EVENTS AFTER THE REPORTING DATE

Non-adjusting event :

Performance Bonuses

As disclosed in note 11 to the annual financial statements, an amount of R2 310 683 is disclosed as a provision for performance bonus. Management did not complete the performance evaluation process for the 2014/2015 financial year in order to effect payment of performance bonuses in the 2015/2016 financial year. This was as a result of the requirements of the performance management system not being adhered to. Subsequent to the financial year evaluation criteria and ratings are in the process of been finalised in order to pay performance bonuses for the 2014/2015 financial year. The matter is awaiting final board approval.