JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd
(Registration number 2003/008063/07)
Financial statements
for the year ended 30 June 2016

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Joshco is appointed as the preferred implementing agent for social and institutional housing developments in the City of Johannesburg and to: a) Manage Council owned rental stock; b) Manage and refurbish staff and public hostels; c) Develop new rental stock and to implement other mutually agreed housing developments; d) Provide housing management services and turnaround strategies.
REGISTERED OFFICE	137 Sivewright Avenue New Doornfontein 2094
BUSINESS ADDRESS	1st Floor 137 Sivewright Avenue 2094
POSTAL ADDRESS	P O Box 16021 New Doornfontein 2028
	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	Standard Bank of South Africa (011) 636 9111
AUDITORS	The Auditor General South Africa (AGSA) Registered Auditors
COMPANY REGISTRATION NUMBER	2003/008063/07
PREPARER OF FINANCIAL STATEMENTS	These financial statements were internally prepared by the Management Accountant and reviewed by the CFO.
AUDIT OF FINANCIAL STATEMENTS	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71of 2008 and the MFMA Act 56 of 2003

Index

The reports and statements set out below comprise the annual financial statements presented to the City Council of the Johannesburg Metropolitan Municipality:

Director's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003) (MFMA) and the Companies Act (Act 71 of 2008) to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the company and the results of its operations and cash flows for the period and conforms with South African Statements of Generally Recognized Accounting Practice (GRAP). The AGSA is required to express an independent opinion on the financial statements and is given unrestricted access to all financial records and related data.

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

The directors acknowledge that they are 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 in the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined policies and procedures.

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

The directors have reviewed the company's cash flow forecast for the year ending 30 June 2016 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operation for the foreseeable future.

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

Although the directors are primarily responsible for the financial affairs of the company, they are also supported by the company's internal auditors and by management.

The financial statements set out on pages 4 to 53, which have been prepared on the going concern basis, were approved by the directors on 27 August 2015 and were signed on their behalf by:

Director	**Director**
Designation	**Designation**

Directors' Report

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

1. INCORPORATION

The company was incorporated on 2 April 2003 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

JOSHCO is appointed as the preferred implementing agent for social and institutional housing developments in the City of Johannesburg Metropolitan Municipality and to:
- manage council owned rental stock;
- manage and refurbish staff and public hostels;
- develop new rental stock and to implement other mutually agreed housing developments; and
- provide housing management services and turnaround strategies.

We draw attention to the fact that the substance of the Service Delivery Agreement between JOSHCO and the City of Johannesburg Metropolitan Municipality is that of an operating lease. The agreement is currently being amended to include the leasing agreement of the rental stock.

The company operates in South Africa.

During the year ended 30 June 2016 there were no major changes in the activities of the business.

The financial position of the company shows a net asset position of R17 602 564 (2015: R13 747 354).

Net surplus of the entity was R 3 732 819 (2015: surplus R 1 588 392), after taxation of R 935 830(2015: R0 -).

3. GOING-CONCERN

The existence of the company is partially dependent on the continued support of its parent, The City of Johannesburg Metropolitan Municipality, by way of management fees/subsidies paid each year in terms of a service delivery agreement entered into between the company and the City of Johannesburg Metropolitan Municipality.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going-concern. The 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 the business.

We draw attention to the fact that at 30 June 2016, the company had an accumulated surplus of R17 602 449 (2015: R13 747 354). and that the company's current assets exceed its current liabilities by R30 529 031 (2015: R69 676 071).

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, which significantly affect the financial position of the company or the results of its operations that would require adjustments to or disclosure in the financial statements.

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Directors' Report

5. DIRECTORS' PERSONAL FINANCIAL INTEREST

For the financial year under review, there have been no related party transactions that JOSHCO engaged which involved transactions with Directors of the organization. Such declaration are also made by individual directors in the official records of JOSHCO.

6. ACCOUNTING POLICIES

The annual financial statements were prepared in accordance with Statements of Generally Recognised Accounting Practice (GRAP) as the prescribed framework by National Treasury, including any interpretations of Statements issued by the Accounting Practices Board and International Financial Reporting Standards (IFRS).

7. SHARE CAPITAL

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

8. BORROWING LIMITATIONS

The directors may authorize borrowing by the company subject to approval by the City of Johannesburg Metropolitan Municipality.

9. CHANGES TO ASSETS AND LIABILITIES

There were no significant changes to non-current assets and non-current liabilities.

Directors' Report

10. DIRECTORS

As per resolution at the AGM on the 3rd February 2015, the sole shareholder, the City of Johannesburg Metropolitan Municipality, resolved that the directors would be represented as follows:

The following member were retired/resigned in terms of the abovementioned resolution on the 25 February 2014:

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Directors' Report

11. SECRETARY

The acting company secretary Ms .T Molefe

12. CORPORATE GOVERNANCE

General

The Board of 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 on-going development of best practice.

The Johannesburg Social Housing Company SOC Ltd confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa. The directors confer the responsibilities of management in this respect, at Board meetings and monitor the company's compliance with the code on a quarterly basis.

Board of directors

The Board:

retains full control over the company, its plans and strategy;
acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication by the company, both internally and externally;
is of a unitary structure comprising:

- 9 non-executive directors, all of whom are independent directors as defined in the Code; and
- 2 executive director, who are the Chief Executive Officer and Chief Financial Officer.

Chairperson and chief executive

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

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

Remuneration

The upper limits of the remuneration of the Chief Executive Officer and all executive managers of the company are determined by the parent municipality. The Board determines the remuneration within the above mentioned limits.

Directors' Report

Board and Board Sub-Committee meetings

The board of directors has met on 9 separate occasions during the financial year. Of these meetings, 4 meetings were ordinary and 5 being special meetings to discuss urgent business, such as approval of financial statements. The directors are scheduled to attend 4 ordinary meetings per annum, being one meeting per quarter.

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

Attendance at board and sub-commitee meetings were as follows:

Director	Board			Corporate Support			Development			Social and Ethics		
	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies
Number of Meetings		9			5			4			2	
1. Ms. Zeona Jacobs	6	-	3									
2. Dr.Lesenyego Mathape	6	-	3	1	-	-						
3. Dr Didibhuku Thwala	7	-	2				2	-	2			
4. Mr. Isaac Makopo*	4	-	-									
5. Mr. Moope Mphahele*	1	-	-				1	-	-			
6. Ms Mpumi Tshabalala#	4	-	-	3	-	-	1	-	-			
7. Ms. Glenda Sengoara	9	-	-				4	-	-			
8. Ms.Buyiswa Majola	9	-	-	5	-	-				2	-	-
9. Mr Molefi Oifant**	5	-	-	1	-	-						
10. Mr Joel Chauke **	5	-	-				1	-	-			
11. Ms Dereleen James**	4	-	-							1	-	-
12. Mr Isaac Makopo***	4	-	-									
13. Mr Bishop Adams****	2	-	-									
14. Thembi Sethaelo**	9	-	-				3	-	-	1	-	-

*Resigned in the 2nd quarter
Temporary member, retired in the second quarter
** Member appointed in April 2015 to the Committee, and in February 2015 to the Board.
***Retired in the second quarter
**** Member appointed in October 2014, and rotated in February 2015.

Audit Committee

For the year ended 30 June 2015 the Chairperson of the Audit Committee was Mr H Moolla who is an independent Non-Executive Director. The committee met 6 times during the year to review matters necessary to fulfil its role.

Directors' Report

In terms of Section 166 of the Municipal Finance Management Act, the City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the company's audit committees who are not directors of the municipal company onto the audit committee. The City of Johannesburg, as a parent municipality, was satisfied that the Audit Committee of the company is properly constituted to fulfil its role and to advise the Board of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

Risk Management Commitee

The Risk Management Committee has had 4 meetings during the financial year. R Hill, a non-executive director, is the Chairperson of the sub-committee which is made up of the Executive Directors and all Senior Managers of the company.

Corporate Support Commitee

There have been a total of 5 Committee meetings convened during the financial year. The commitee currently consist of the following members:

Dr. L Matlhape (Chairperson)	Non-Executive Director
Mr. M Olifant	Non-Executive Director
Ms. B Majola	Non-Executive Director
Mr. R Gallocher (CEO)	Executive Director

Development Commitee

There have been a total of 4 Committee meetings during the financial year. The Committee currently consists of the following members :-

Ms.G Sengoara (Chairperson)	Non-Executive Director
Mr. J Chauke	Non-Executive Director
Dr. D Thwala	Non-Executive Director
Mr. R Gallocher (CEO)	Executive Director

Social and Ethics Commitee

There have been a total of 2 Committee meetings during the financial year. The Committee currently consists of the following members :-

Ms.B Majolara (Chairperson)	Non-Executive Director
Ms. D James	Non-Executive Director
Mr. R Gallocher (CEO)	Executive Director

Internal audit

The company has outsourced its internal audit function to Sekela Consulting (Pty) Ltd. The appointment of an internal auditor is in compliance with the Municipal Finance Management Act, 2003.

13. ECONOMIC ENTITY

The company's parent municipality is The City of Johannesburg Metropolitan Municipality incorporated in South Africa, in terms of the Municipal Systems Act.

Directors' Report

14. INTEREST IN JOINTLY CONTROLLED ENTITIES

Name of Jointly controlled entity	*Net* Loss
JOSHCO Madulamoho Joint Venture (JMJV)	(R58 379)

The main transactions between JOSHCO and the JMJV were accounts receivable in respect of provincial subsidies payable by the JMJV to JOSHCO. JOSHCO has also accounted for its 55% share of the loss from the joint venture in its consolidated financial statements amounting to -R58 379 (2015: R79 989).

15. SPECIAL RESOLUTIONS

The company did not pass any special resolutions during the current year.

Company Secretary's Certification

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

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

Ms. T Molefe
Acting Company Secretary

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Inventories	2	223 528	173 112
Loans to parent municipality	4	150 894 333	71 095 227
Current tax receivable	34	335 273	735 726
Receivables from exchange transactions	6	242 896 392	247 607 961
VAT receivable	17	2 803 778	1 278 373
Cash and cash equivalents	7	12 472 029	51 895 726
		409 625 333	**372 786 125**
Non-Current Assets			
Property, plant and equipment	8	4 441 829	3 654 048
Intangible assets	9	378 743	263 053
Investment in joint venture	10	24 192 489	24 800 869
Deferred tax	12	7 954 307	6 548 995
		36 967 368	**35 266 965**
Total Assets		**446 592 701**	**408 053 090**
Liabilities			
Current Liabilities			
Borrowings - DBSA	13	741 662	678 781
Finance lease obligation	14	387 514	353 403
Operating lease liability	5	73 985	21 154
Payables from exchange transactions	15	385 921 358	299 631 747
Deferred income from non-exchange transactions	18	913 993	913 993
Provisions	16	1 877 011	1 507 977
		389 915 523	**303 107 055**
Non-Current Liabilities			
Borrowings - DBSA	13	15 910 991	16 652 653
Finance lease obligation	14	214 907	602 422
Deferred income from non-exchange transactions	18	23 070 987	73 943 487
		39 196 885	**91 198 562**
Total Liabilities		**429 112 408**	**394 305 617**
Net Assets		**17 480 293**	**13 747 473**
Net Assets			
Share capital	20	120	120
Accumulated surplus		17 480 173	13 747 354
Total Net Assets		**17 480 293**	**13 747 474**

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Rendering of services (Exchange transaction)	21	8 620 252	5 609 886
Rental facilities (Exchange transaction)	21	102 355 268	82 319 452
Utility Recoveries (Exchange transaction)		681 704	560 056
Other income (Exchange transaction)		1 719 577	281 730
Baddebts recovered (Exchange transaction)		12 390	-
Other income 3		-	(45 666)
Interest received (Exchange transaction)		5 800 274	3 803 733
Dividends received (Exchange transaction)		550 000	550 000
Government grants & subsidies		19 952 000	19 970 000
Capital grants realised		913 993	913 993
Total revenue		**140 605 458**	**113 963 184**
Expenditure			
Governance & employee costs	23	(36 709 974)	(33 132 308)
Other housing management costs	26	(14 552 087)	(14 665 302)
Depreciation and amortization	29	(1 062 315)	(900 012)
Finance costs	30	(1 448 662)	(1 339 482)
Repairs and maintenance	27	(50 056 522)	(36 280 609)
Contracted services	32	(1 375 867)	(1 024 955)
General Expenses	22	(30 123 003)	(24 477 571)
Total expenditure		**(135 328 430)**	**(111 820 239)**
Operating surplus		**5 277 028**	**2 142 945**
Gain on disposal of assets and liabilities		-	75 436
Fair value adjustments		(550 000)	(550 000)
Profit / (Loss) from investment in JV	10	(58 379)	(79 989)
		(608 379)	**(554 553)**
Surplus before taxation		**4 668 649**	**1 588 392**
Taxation	31	935 830	-
Surplus for the year		**3 732 819**	**1 588 392**

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Accumulated surplus	Total Net Assets
Opening balance as previously reported		120	16 561 673	16 561 793
Adjustments				
Prior year adjustments	49	-	(4 402 711)	(4 402 711)
Balance at 01 July 2014 as restated		**120**	**12 158 962**	**12 159 082**
Changes in net assets				
Surplus for the year		-	1 588 392	1 588 392
Total changes		-	1 588 392	1 588 392
Opening balance as previously reported		120	18 150 070	18 150 190
Adjustments				
Prior year error	49	-	(4 402 716)	(4 402 716)
Balance at 01 July 2015 as restated		**120**	**13 747 354**	**13 747 474**
Changes in net assets				
Surplus for the year		-	3 732 819	3 732 819
Total changes		-	3 732 819	3 732 819
Balance at 30 June 2016		**120**	**17 480 173**	**17 480 293**

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Sale of goods and services		106 739 689	99 556 715
Grants		19 952 000	19 970 000
Interest income		5 800 274	3 803 733
Dividends received		550 000	550 000
Other cash item		10 339 829	6 441 617
		143 381 792	130 322 065
Payments			
Employee costs		(36 638 395)	(33 409 824)
Suppliers		(58 052 235)	(78 818 449)
Finance costs		(1 326 388)	(1 339 482)
Taxes on surpluses	34	(1 940 689)	(1 616 664)
		(97 957 707)	(115 184 419)
Undefined difference compared to the cash generated from operations note		**(110 018)**	**96 025 595**
Net cash flows from operating activities	33	**45 314 067**	**111 163 241**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(431 594)	(69 653)
Purchase of other intangible assets	9	(102 091)	(62 171)
Loans advanced to economic entities		-	(672 682)
Net cash flows from investing activities		**(533 685)**	**(804 506)**
Cash flows from financing activities			
Repayment of borrowings - dbsa		(678 781)	(628 207)
Proceeds from shareholders loan		(79 909 121)	(22 348 673)
Finance lease payments		(427 083)	(265 190)
Deffered income		(1 867 014)	1 132 456
Net cash flows from financing activities		**(82 771 984)**	**(22 109 614)**
Net increase/(decrease) in cash and cash equivalents		**(37 991 602)**	**88 249 121**
Cash and cash equivalents at the beginning of the year		51 895 726	61 310 196
Cash and cash equivalents at the end of the year	7	**13 904 124**	**149 559 317**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	10 492 000	(3 335 000)	**7 157 000**	8 620 252	**1 463 252**	
Rental facilities and equipment	104 615 000	(2 622 000)	**101 993 000**	102 355 268	**362 268**	
Recoveries	-	560 000	**560 000**	681 704	**121 704**	
Other income	1 215 000	-	**1 215 000**	1 719 577	**504 577**	
Other income - (rollup)	-	-	**-**	12 390	**12 390**	
Interest received - investment	1 367 000	2 149 000	**3 516 000**	5 800 274	**2 284 274**	
Dividends received	-	-	**-**	550 000	**550 000**	
Total revenue from exchange transactions	**117 689 000**	**(3 248 000)**	**114 441 000**	**119 739 465**	**5 298 465**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	19 952 000	-	**19 952 000**	19 952 000	**-**	
Other transfer revenue 1	-	-	**-**	913 993	**913 993**	
Total revenue from non-exchange transactions	**19 952 000**	**-**	**19 952 000**	**20 865 993**	**913 993**	
Total revenue	**137 641 000**	**(3 248 000)**	**134 393 000**	**140 605 458**	**6 212 458**	
Expenditure						
Governance and staff costs	(35 559 000)	-	**(35 559 000)**	(36 709 974)	**(1 150 974)**	
Other project costs	(8 879 000)	-	**(8 879 000)**	(14 552 087)	**(5 673 087)**	
Depreciation and amortisation	(1 063 000)	-	**(1 063 000)**	(1 062 315)	**685**	
Finance costs	(1 689 000)	-	**(1 689 000)**	(1 448 662)	**240 338**	
Repairs and maintenance	(49 685 000)	-	**(49 685 000)**	(50 056 522)	**(371 522)**	
Contracted Services	(3 437 000)	925 000	**(2 512 000)**	(1 375 867)	**1 136 133**	
General Expenses	(35 829 000)	2 883 000	**(32 946 000)**	(30 123 003)	**2 822 997**	
Total expenditure	**(136 141 000)**	**3 808 000**	**(132 333 000)**	**(135 328 430)**	**(2 995 430)**	
Operating surplus	**1 500 000**	**560 000**	**2 060 000**	**5 277 028**	**3 217 028**	
Fair value adjustments	-	-	**-**	(550 000)	**(550 000)**	
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	-	-	**-**	(58 379)	**(58 379)**	
	-	**-**	**-**	**(608 379)**	**(608 379)**	
Surplus before taxation	**1 500 000**	**560 000**	**2 060 000**	**4 668 649**	**2 608 649**	
Taxation	1 500 000	560 000	**2 060 000**	935 830	**(1 124 170)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**3 732 819**	**3 732 819**	

Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standard Board (ASB). In the absence of effective Standard of GRAP, Directive 5 dated March 2009 from the ASB provides the continued application of International Financial Reporting Standards (IFRS). The recognition and measurements principles in the GRAP and IFRS statements do not differ as a result in material differences in items presented and disclosed in the financial statements. The annual financial statements are prepared on the historical cost basis except where otherwise stated and accounting policies applied are consistent with the application in previous years except where otherwise stated

The following new Standards of GRAP, as prescribed by the ASB, have been adopted by JOSHCO in the 2015/16 financial year: All other accounting policies were consistent with the previous period.

1.1 Going concern assumption

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

1.2 Consolidation

Interests in joint ventures

The Joint venture relates to the BG Alexandra property of which the shareholding is as follows:

- JOSHCO SOC Ltd	55%
- Madulamoho (Pty) Ltd	45%
Total	**100%**

Madulomaholo (Pty) Ltd have a 35-year lease over the property BG Alexandra from Gauteng Provincial Housing Department and which commenced in September 2006. JOSHCO through its shareholders, has obtained capital funding to renovate the property and to which the leasehold improvement must be depreciated over the remaining period of the lease.

An interest in a jointly controlled company is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on non-current asset held-for-sale and discontinued operations. Under the equity method, interest in jointly controlled entities are carried in the consolidated statement of financial position at a cost adjusted for post-acquisition changes in the company's share net assets of the company, less any impairment losses. surpluses and deficits on transactions between the company and a joint venture are eliminated to the extent of the company's interest therein.
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1.3 Significant accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods:

Fair value estimation

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

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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

The following factors were considered to determine the useful life of the assets:
- Expected usage of the asset;
- Expected physical wear and tear of the asset;
- Technical obsolescence; and
- Legal or other limits on the use of the asset

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised). Gains and losses on disposal of of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

The residual value and the usefule life of each asset are reviewed at each reporting date. The useful life of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Leasehold property	Lower of the Lease Period or useful life (3 - 5 Years)
Furniture and fixtures	5 - 8 Years
Motor vehicles	5 - 8 Years
Office equipment	5 - 8 Years
IT equipment	5 - 8 Years
Leasehold improvements	Lower of the Lease Period or Useful life 3 Years

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

The useful life of technological assets such as computers are set at R1 as these items are expected to have nigligible sales value at the end of its useful life.

The residual value of all other assets with a cost less that R5 000 are estiamted at 10% of the cost as this is appropriately the maximum amount expected to be at the end of its useful life.

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.

Accounting Policies

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability;

- arises from the contractual rights or other legal rights, regarless whether those rights are transferable or separate from JOSHCO 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.

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Amortisation commenses when the intangible assets are ready for their intended use.

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.

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 - 8 Years
Other intangible assets	3 - 7 Years

1.6 Conditional grants and receipts

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

Government grants (including capital grants) are recognised when there is reasonable assurance that:
- the company will comply with the conditions attaching to them; and
- the grants will be received.

A government grant that becomes receivable as compensation for expenses or deficit already incurred or for the purpose of giving immediate financial support to the company with no future related costs is recognised as income of the period in which it becomes receivable.

Capital grants are recorded as deferred income when they become receivable and are recognised as income on a systematic basis over the periods necessary to match grants with the related costs, which they are intended to compensate. Capital grants on infrastructure property, plant and equipment are credited on a straight-line basis to the Statement of Financial Performance based on the estimated useful life of the relevant infrastructure property, plant and equipment.

1.7 Financial instruments

Financial assets and financial liabilities are recognised on JOSHCO's balance sheet when the organisation becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are initially recognised using trade date accounting. Financial instuments are initially measured at fair value, which includes transaction costs. Subsequent to initial recognition the instruments are measured as set out below:

Accounting Policies

1.7 Financial instruments (continued)

Financial assets

JOSHCO's principle financial assets are Loans to group companies, accounts and other receivables, and cash and cash equivalents.

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

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

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

Loans to / (from) group companies

These include loans to parent municipality, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

Accounts and Other 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 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 allowance is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against operating expenses in surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Financial liabilities

JOSHCO's principle financial liabilities are Loans from group companies, accounts and other payables and interest bearing borrowings & overdraft.

All financial liabilities are measured at amortised cost, comprising original debts less principle payments and amortisations, except for financial liabilities held for trading and derivative liabilities, which are subsequently measured at fair value.

Loans to / (from) group companies

As noted in the financial assets above.

Accounts and other payables

Accounts and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rates method.

Interest bearing borrowings and overdraft

Interest bearing borrowings and overdraft are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Gains and losses

Gains and losses arising from a change in the fair value of the financial instrument, other than available-for-sale financial asset, are included in net profit or loss in the period in which it arises. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognized in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net profit or loss for the period.

Accounting Policies

1.7 Financial instruments (continued)

De-recognition

A financial asset as a portion thereof is derecognised when the organisation realises the contractual rights to the benefits specified in the contract, the rights expire, the organisation surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net profit or loss for the period.

A financial liability as a part thereof is derecognised when the onligation specified in the contract is discharged, cancelled, or expires. On derecognition the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in net profit or loss for the period.

The fair values at which the financial instruments are carried at the balance sheet date have been dertemined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the organisation could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short term trading cycle of these assets.

Financial assets and financial liabilities are offset if there is any intention to realise the asset and settle the liability simultaneously and a legally enforceable right to off set exists.

1.8 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 South African Revenue Services (SARS), using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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).

Accounting Policies

1.8 Tax (continued)

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 goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting surplus nor taxable surplus / (tax deficit).:

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:
- the parent, investor or venture is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

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, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:
- is not a business combination; and
- at the time of the transaction, affects neither accounting surplus nor taxable surplus / (tax deficit)

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:
- the temporary difference will reverse in the foreseeable future; and
- taxable surplus will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax deficit and unused secondary tax on companies (STC) credits to the extent that it is probable that future taxable surplus will be available against which the unused tax deficit 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.

1.9 Leases

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

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments plus any initial direct costs incured. 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.

Accounting Policies

1.9 Leases (continued)

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 income is recognised as an income on a month to month basis.

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.

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

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

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.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, and then their costs are their value as at the date of acquisition.

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

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

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

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

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

1.11 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Accounting Policies

1.12 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:
(a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
(b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

1.13 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an company after deducting all of its liabilities. Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits 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. The company's retirement benefit plan is managed by the parent municipality.

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

1.15 Provisions and contingencies

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

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

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

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

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

Accounting Policies

1.15 Provisions and contingencies (continued)

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

1.16 Revenue from exchange transactions

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

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

Rental income is accrued on a time proportionate basis over the period of the lease agreement. Rental paid in advance is recognised as a liability in the statement of financial position.

Management fees paid by the City of Johannesburg Metropolitan Municipality to the company to manage the properties owned by the City of Johannesburg Metropolitan Municipality are recognised once the annual budget of the City of Johannesburg Metropolitan Municipality has been approved.

Project implementation fees, which are paid by the City of Johannesburg Metropolitan Municipality to the company and other contractors to manage the construction of new housing projects, are recognised at various stages of project implementation. The fee is determined on the construction cost of the project that will be developed or partly developed in the financial year until the construction of the project is complete.

Provincial Government subsidies for projects undertaken by the Company are recognised when the Company incurs the cost of the project that is subsidised.

Interest income is accrued on a time basis, by reference to the principal outstanding, and at the effective interest rate applicable.

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

Interest and dividends

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

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

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

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

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

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

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

1.18 Cash flow statement

The cashflow statement is prepared based on the direct method.

1.19 Cost of sales

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

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

Accounting Policies

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Comparative figures

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

1.23 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.

1.24 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.

1.25 Irregular expenditure

Irregular expenditure in terms of MFMA refers to expenditure incurred by JOSHCO in contravention of, or that is not in accordance with, a requirement of the MFMA, the Municipal Systems Act, the Public Office Bearers Act, and Supply Chain Management policy of JOSHCO or any of the municipality's by-laws and which has not been condoned.

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

1.26 Budget information

The budget is approved by the sole shareholder, the City of Johannesburg Metropolitan Municipality, on the accrual basis by functional classification. The operational budget is prepared using the zero-based budget methodology and applies to the period relevant to the Medium Term Expenditure Framework. The approved budget covers the fiscal periods 1 July 2014 to 30 June 2017.

JOSHCO presents a separate budget statement for public accountability. In the event of variances i.e. where actuals exceed the budgets by more than 1% of total revenue, reasons for such varainces are noted on the budget statement.

Accounting Policies

1.26 Budget information (continued)

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1.27 Related parties

Transactions that are disclosed has related party transactions where JOSHCO has in the normal course of its operation, entered into transactions with entities related to COJ.

1.28 Presentation of currency

These annual financial statements are presented in South African Rand.

1.29 Offsetting

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

Notes to the Financial Statements

Figures in Rand	2016	2015

2. INVENTORIES

Consumable stores	223 528	173 112

There was no inventory written down in both the current and prior years.

3. LOANS TO / (FROM) GROUP COMPANIES

Fellow group companies

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4. LOANS TO / (FROM) PARENT MUNICIPALITY

Sweeping account - Interest bearing	144 936 164	65 027 043
Interest on 'Non-Sweeping' Bank Accounts	5 958 169	6 068 184
Terms and conditions		
	150 894 333	**71 095 227**

The company did not default on any of the loans.

None of the terms attached to the intercompany creditors were re-negotiated.

City of Johannesburg Metropolitan Municipality - Non-interest bearing

Notes to the Financial Statements

Figures in Rand	2016	2015

4. LOANS TO / (FROM) PARENT MUNICIPALITY (continued)

Capex loans

Capex amount still outstanding from The City of Johannesburg Metropolitan Municipality.

Sweeping account

Loans at beginning of the year	65 027 043	33 109 684
Advances	79 909 121	31 917 359
	144 936 164	**65 027 043**

The City of Johannesburg has an arrangement with all its municipal owned entities (MOE's), that the bank accounts will be swept over night to the primary bank account of the City of Johannesburg, and the required amounts by the MOE's will be swept back to their accounts when requested. The account bears interest at repo rate, compounded daily.

Interest on the sweeping account is linked to the bank prime rate

Eldorado Parrk Ext 7

5. OPERATING LEASE ASSET / (ACCRUAL)

Operating lease liability represent rental payable by the company in respect of offices as a result of straight lining of lease payments over the lease term. The lease payments are payable monthly and lease payments are straight-lined over a period of 2 years. The operating lease agreement was renegotiated for another 2 years commencing 01 November 2015, with unit size increasing from 1 682sqm to 2 300sqm consequently increasing the base rent. There was no contingent rent on the operating lease. There are no restrictions imposed by the lease arrangement.

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Current Liabilities	73 985	21 154

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	7 459 979	6 173 364
Security deposits	118 091	118 091
Sundry debtors	31 109 712	31 072 868
Project debtors	34 777 724	34 777 724
Petty cash advance	-	650
Related party debtors	169 430 886	175 465 264
	242 896 392	**247 607 961**

Notes to the Financial Statements

Figures in Rand	2016	2015

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Trade Debtors
Trade debtors consist of the tenant rentals/levies receivable net of provision. These amounts are receivable as a result of binding lease agreements between JOSHCO and the tenants.

Security deposits
These deposits are held by the lessor of the operating leases for the rental JOSHCO Head Office.

Sundry Debtors
Sundry debtors consist of operating grants and VAT receivable in prior accounting periods.

Project debtors
Project debtors consist of the monies owed by provincial government

Petty Cash Advanced
Petty cash advanced consist of amounts that have been advanced to staff from petty cash and the receipts where not yet submitted.

Related party debtors
Related party debtors also consist of tenant rentals/levies receivable and for which lease agreements are in place. These debts are however receivable from other Municipal Owned Entities in which the lessee is employed.

Fair value of trade and other receivables

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2016, R7 459 979 (2015 R6 219 269) were past due but not impaired.

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

1 month past due	4 219 429	2 804 647
2 months past due	2 905 867	2 294 844

Trade and other receivables impaired

As of 30 June 2016, trade and other receivables of R31 496 831 (2015: R24 748 300) were impaired.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	24 748 300	36 404 132
Provision for impairment - Current year	12 031 237	12 627 055
Write offs of trade debtors amounts previously provided for	(5 282 706)	(24 282 887)
	31 496 831	**24 748 300**

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	2 190	2 276
Bank balances	12 469 839	51 893 450
	12 472 029	**51 895 726**

Notes to the Financial Statements

Figures in Rand	2016	2015

7. CASH AND CASH EQUIVALENTS (continued)

The company's bank account is "swept" on a daily basis by the City of Johannesburg Metropolitan Municipality in order to facilitate efficient cash-flow management. Petty cash is reflected as being on hand. No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The maximum exposure to credit risk is the carrying amount of the cash and cash equivalents as at the reporting date.

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 - Cheque - 407-197-2149	-	-	1 189	-	-	1 189
ABSA BANK - Cheque - 407-466-9030	-	-	1 175	-	-	1 175
STANDARD BANK - Cheque - 197734-COJ CAPEX	-	36 267 973	32 961 376	-	36 267 973	32 961 376
STANDARD BANK - 197742-COJ JOSHCO	-	1 886 336	8 151 305	-	1 886 336	8 151 305
STANDARD BANK - 197750-COJ DEP ACCOUNT	12 473 379	12 473 499	12 473 498	12 473 379	12 473 499	12 473 498
STANDARD BANK - 197769-COJ JOSHCO FLEURHOF	-	1 269 338	7 518 286	-	1 269 338	7 518 286
STANDARD BANK - 197718-COJ JOSHCO CHARGES	(3 540)	(3 696)	(2 600)	(3 540)	(3 696)	(2 600)
STANDARD BANK - 197726-COJ JOSHCO Main	-	-	205 268	-	-	205 268
Total	**12 469 839**	**51 893 450**	**61 309 497**	**12 469 839**	**51 893 450**	**61 309 497**

8. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment losses	Carrying value
Land	177 799	-	177 799	177 799	-	177 799
Leasehold property	1 648 639	(1 016 330)	632 309	1 648 639	(592 830)	1 055 809
Furniture and fixtures	1 785 045	(1 100 457)	684 588	1 577 179	(960 139)	617 040
Motor vehicles	350 643	(153 764)	196 879	192 222	(95 364)	96 858
Office equipment	1 139 162	(760 956)	378 206	1 015 891	(638 825)	377 066
IT equipment	3 081 546	(1 351 316)	1 730 230	2 328 984	(1 131 822)	1 197 162
Leasehold improvements	2 833 726	(2 191 908)	641 818	2 548 855	(2 416 541)	132 314
Total	**11 016 560**	**(6 574 731)**	**4 441 829**	**9 489 569**	**(5 835 521)**	**3 654 048**

Notes to the Financial Statements

Figures in Rand	2016	2015

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Land	177 799	-	-	177 799
Leasehold property	1 055 809	-	(423 500)	632 309
Furniture and fixtures	617 040	207 865	(140 317)	684 588
Motor vehicles	96 858	158 421	(58 400)	196 879
Office equipment	377 066	107 880	(106 740)	378 206
IT equipment	1 197 162	699 426	(166 358)	1 730 230
Leasehold improvements	132 314	626 997	(117 493)	641 818
	3 654 048	**1 800 589**	**(1 012 808)**	**4 441 829**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Land	177 799	-	-	-	177 799
Leasehold property	65 758	1 106 099	-	(116 048)	1 055 809
Furniture and fixtures	473 021	276 864	-	(132 845)	617 040
Motor vehicles	177 809	-	(20 566)	(60 385)	96 858
Office equipment	378 592	79 979	-	(81 505)	377 066
IT equipment	974 083	442 438	(43 054)	(176 305)	1 197 162
Leasehold improvements	379 604	20 950	-	(268 240)	132 314
	2 626 666	**1 926 330**	**(63 620)**	**(835 328)**	**3 654 048**

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

	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold Improvement	3 175 850	(2 534 034)	641 816	2 548 854	(2 416 541)	132 313
Leasehold property	1 648 640	(1 016 331)	632 309	1 648 640	(592 831)	1 055 809
Total	**4 824 490**	**(3 550 365)**	**1 274 125**	**4 197 494**	**(3 009 372)**	**1 188 122**

Details of property

	2016	2015
Development Land (ERF 2083 Roodepoort Township)		
Terms and conditions: Land purchased for development		
- Purchase price: 23 July 2009	177 799	177 799

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

9. INTANGIBLE ASSETS

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortization and accumulated impairment	Carrying value
Computer software	1 150 144	(771 401)	378 743	984 949	(721 896)	263 053

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortization	Total
Computer software	263 053	165 195	(49 505)	378 743

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortization	Total
Computer software	265 564	62 171	(64 682)	263 053

10. INVESTMENT IN JOINT VENTURE

Name of company	Listed / Unlisted	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
Group co ID 21		- %	55,00 %	24 192 489	24 800 869

The carrying amount of the joint venture has shown net loss of -R58 379 (2015: R-79 989)

Principal activities and reporting dates of joint venture

Name of entity	Principal activity	Reporting date	Period of Results included
JOSHCO Madulamoho Joint Venture (JMJV)	55%	2016/06/30	1 July 2015 to 30 June 2016

The JMJV is an investment between JOSHCO and Madulamoho for social rental housing. The separate annual financial statements of the joint venture are available at the registered office of the entity. There are no contingent liabilities, contingent assets or commitments relating to the joint venture.

The joint venture's ability to distribute reserves is not restricted in terms of the joint venture agreement.

The JMJV has not been pledged as security.

11. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below. The amount reflected in the table below is net of any impairment :

2016

Notes to the Financial Statements

Figures in Rand	2016	2015

11. FINANCIAL ASSETS BY CATEGORY (continued)

	Loans and receivables	Total
Loans to group companies	64 075 671	64 075 671
Receivable from exchange transaction	37 078 725	37 078 725
Cash and cash equivalents	12 469 958	12 469 958
	113 624 354	**113 624 354**

2015

	Loans and receivables	Total
Loans to parent municipality	65 027 043	65 027 043
Receivable from exchange transaction	31 226 852	31 226 852
Cash and cash equivalents	51 895 726	51 895 726
	148 149 621	**148 149 621**

12. DEFERRED TAX

Deferred tax liability

Other deferred tax liability - 1	7 954 307	6 548 995

Deferred tax asset

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Reconciliation of deferred tax asset \ (liability)

At beginning of year	6 548 995	8 490 044
Provisions	-	(54 887)
Income received in advance	2 070 913	545 034
Leases	-	(34 545)
Doubtful debts allowance	-	(2 396 651)
Other	(665 601)	-
	7 954 307	**6 548 995**

13. BORROWINGS - DBSA

At amortised cost		
Development Bank of Southern Africa	16 652 653	17 331 434

[JOSHCO has two loans from Development Bank of South Africa (DBSA) for City Deep Housing Project an amount of R7 821 487.00 and Roodepoort Social Housing Project for R11 732 231.00. The loan period is for twenty years bearing interest at a fixed interest rate of 8.5% per annum. The borrowing is repayable in 36 equal six monthly instalments totalling R1 070 913.45 with the last redemption date in March 2029.

Non-current liabilities		
Development Bank of Southern Africa	15 910 991	16 652 653

Current liabilities		
Development Bank of Southern Africa	741 662	678 781

Notes to the Financial Statements

Figures in Rand	2016	2015

14. FINANCE LEASE OBLIGATION

	2016	2015
Minimum lease payments due		
- within 1 year	427 083	427 083
- in 2 to 5 year (inclusive of finance charges)	221 172	648 256
	648 255	1 075 339
Less: Finance charges	(45 834)	(119 514)
Present value of minimum lease payments	**602 421**	**955 825**
Present value of minimum lease payments due		
- within 1 year	387 515	353 403
- in 2 to 5 year	214 906	602 422
	602 421	**955 825**
Non-current liabilities	214 907	602 422
Current liabilities	387 514	353 403
	602 421	**955 825**

The finance leases relates to the lease of office equipment. The average lease term ranges between 3 years and 5 years. The company did not default on any of the interest or capital repayments of the finance leases. Interest rates are linked to prime. All leases have fixed repayments and no arrangements have been entered into for contingent rent on the leased asset. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

15. PAYABLES FROM EXCHANGE TRANSACTIONS

	2016	2015
Trade payables	312 161 851	228 016 431
Rental received in advance	7 396 117	6 338 888
Accrued leave pay	1 903 091	2 214 690
Accrued finance costs	352 899	367 284
Payroll Liabilities -	1 287 278	1 273 135
Consumer deposit received	11 659 832	11 468 236
Provision	30 008 460	33 514 704
Related party creditors	21 151 830	16 438 379
	385 921 358	**299 631 747**

16. PROVISIONS

Reconciliation of provisions - 2016	Opening Balance	Additions	Utilised/Paid during the year	Total
Perfomance Bonus	1 507 977	1 750 754	(1 381 719)	1 877 012

Reconciliation of provisions - 2015	Opening Balance	Additions	Utilised/Paid during the year	Total
Perfomance Bonus	2 224 092	505 754	(1 221 869)	1 507 977

17. VAT RECEIVABLE

	2016	2015
	5 493 995	1 278 373

Notes to the Financial Statements

Figures in Rand	2016	2015

18. DEFERRED INCOME FROM NON-EXCHANGE TRANSACTIONS

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Social Housing Foundation Grant - City Deep	-	41 205 967
Provincial grant- Kliptown Golf Course	-	8 795 892
Gauteng Provincial Grant - JMJV	23 807 180	24 677 821
Local Government Grant - Roodepoort	177 800	177 800
	23 984 980	**74 857 480**

Movement during the year

Balance at the beginning of the year	74 857 480	72 173 429
Additions / (Repayments) during the year	(49 958 507)	3 598 044
Income recognition and other adjustments during the year	(913 993)	(913 993)
	23 984 980	**74 857 480**

Non-current liabilities	23 070 987	73 943 487
Current liabilities	913 993	913 993
	23 984 980	**74 857 480**

Gauteng Provincial Grant - JMJV

The grant relates to funds received to finance the acquisition of the JMJV. Conditions are met as the operating lease is utilized and the revenue is recognized over the duration of the lease term.

Local Government Grant - Roodepoort

The Grant relates to funds received from the parent municipality for the purchase of land for the Roodepoort development. The grant is secured by land disclosed under property, plant & equipment. The funds will remain in liabilities until the asset is transferred to the City of Johannesburg Metropolitan Municipality.

19. FINANCIAL LIABILITIES BY CATEGORY

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

2016

	Financial liabilities at amortized cost	Total
DBSA loan	16 652 653	16 652 653
Payables from exchange transaction	377 122 285	377 122 285
Finance lease obligation	602 421	602 421
Current tax payable	1 074 606	1 074 606
Operating lease liability	73 985	73 985
	395 525 950	**395 525 950**

2015

Notes to the Financial Statements

Figures in Rand	2016	2015

19. FINANCIAL LIABILITIES BY CATEGORY (continued)

	Financial liabilities at amortised cost	Total
Loans from group companies	15 910 421	15 910 421
DBSA loan	17 331 434	17 331 434
Trade and other payables	295 801 551	295 801 551
Finance lease obligation	955 825	955 825
Operating lease liability	21 154	21 154
	330 020 385	**330 020 385**

20. SHARE CAPITAL

	2016	2015
Authorised		
1000 Ordinary shares of R1 each or par value of 1000	1 000	1 000
Issued		
120 Ordinary shares of R1 each	120	120

21. REVENUE

	2016	2015
Rendering of services	8 620 252	5 609 886
Rental facilities and equipment	102 355 268	82 319 452
Utility recoveries	681 704	560 056
Other Income	1 719 577	281 730
Bad debts recovered	12 390	-
Other income 3	-	(45 666)
Interest received - investment	5 800 274	3 803 733
Dividends received	550 000	550 000
Government grants & subsidies	19 952 000	19 970 000
Capital Grants Released	913 993	913 993
	140 605 458	**113 963 184**

	2016	2015
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	8 620 252	5 609 886
Rental facilities and equipment	102 355 268	82 319 452
Utility recoveries	681 704	560 056
Other Income	1 719 577	281 730
Bad debts recovered	12 390	-
Other income 3	-	(45 666)
Interest received - investment	5 800 274	3 803 733
Dividends received	550 000	550 000
	119 739 465	**93 079 191**

	2016	2015
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Subsidy received from shareholder	19 952 000	19 970 000
Capital grants realised	913 993	913 993
	20 865 993	**20 883 993**

Notes to the Financial Statements

Figures in Rand	2016	2015

22. GENERAL EXPENSES

Advertising	2 775 748	3 507 352
Auditors remuneration	1 772 210	1 704 411
Bank charges	100 678	128 541
Computer expenses	367 573	163 839
Project planning fees and consulting	6 118 017	3 483 838
Consumables	189 238	193 595
Entertainment	247 076	329 907
Equipment hire	(66 502)	629 330
Insurance	739 253	754 429
Conferences and seminars	767 179	231 121
Lease rentals on operating lease	1 935 633	1 788 869
Fuel and oil	24 842	21 299
Placement fees	838 695	717 484
Postage and courier	767 325	494 852
Printing and stationery	539 255	430 098
Royalties and license fees	369 884	267 333
Subscriptions and membership fees	313 750	168 639
Telephone and fax	2 059 774	1 564 029
Training	1 136 186	357 038
Travel - local	-	76 703
Electricity	4 105 917	4 124 499
Gas	179 027	207 417
Sewerage and waste disposal	15 298	20 566
Water and related services	4 312 446	2 678 711
Refuse	432 941	430 457
Levy	81 560	28 862
Fair value adjustments (expenses)	-	(25 648)
	30 123 003	**24 477 571**

Notes to the Financial Statements

Figures in Rand	2016	2015

23. GOVERNANCE AND EMPLOYEE COSTS

	2016	2015
Employee related costs : Salaries and wages	24 911 621	24 062 234
Employee related costs : Temporary staff	3 026 302	1 697 295
Bargaining council	12 031	4 373
Housing benefits and allowances	161 339	15 529
Overtime payments	176 925	153 949
Bonuses	2 459 339	1 365 037
Travel, motor car, accommodation, subsistence and other allowances	1 147 233	1 207 599
Directors remuneration	1 548 920	1 495 143
UIF	166 929	135 206
SDL	329 202	261 745
Leave pay provision charge	(294 921)	519 943
Pension fund contributions	2 263 524	1 869 746
Leave pay	626 734	179 765
Acting allowances	174 796	164 744
	36 709 974	**33 132 308**

24. DIRECTORS REMUNERATION

	2016	2015
Non-Executive Directors		
Ms. Z Jacobs	158 412	208 095
Mr. A Adams	-	54 101
Mr. A James	54 265	39 178
Mr. J Chauke	71 605	54 207
Mr. E Neluvhalani	23 318	-
Ms. N Twala	23 272	-
Ms. B Majola	113 747	131 282
Ms. T Sethaelo	131 001	134 366
Ms. N Tshabalala	10 019	86 272
Mr. I Makopo	-	30 058
Dr. L Matlhape	147 014	151 402
Ms. G Sengoara	98 739	150 749
Mr. M Mphahlele	-	39 176
Mr. M Oliphant	123 372	54 206
Dr. D W Thwala	92 408	122 943
Mr. B Twala	17 466	-
	1 064 638	**1 256 035**

	2016	2015
Audit Committee Members		
Mr. H Moolla	275 369	168 824
Ms. Mosweu	65 749	31 560
Mr. R Hill	137 289	38 724
Ms. L Zabala	5 875	-
	484 282	**239 108**

Notes to the Financial Statements

Figures in Rand	2016	2015

25. EXECUTIVE AND SENIOR MANAGERS SALARIES

Executive Directors - Mr R Gallocher		
Annual Remuneration	958 775	1 557 734
Perfomance Bonus	173 381	111 846
Other	29	79 399
	1 132 185	**1 748 979**
Executive Directors - Mr S Marota #		
Annual Remuneration	1 057 958	-
Other	82 924	-
	1 140 882	**-**
Executive Managers		
Ms. C Holmes	1 120 333	1 070 793
Ms. P Ngwasheng #	925 550	-
Mr. G Randal *	530 385	770 871
Ms. C Nkosi*	674 203	713 941
Ms. M Nkopane	1 163 492	1 049 854
Mr. P Maseko#	77 222	-
	4 491 185	**3 605 459**

* Resigned
#Appointed

26. OTHER HOUSING MANAGEMENT COSTS

The following amounts relate to project costs incured at various projects:		
Bad Debts	7 095 333	(11 655 832)
Bad Debts Written off	5 282 706	24 282 887
Collection Fees	749 760	615 581
Community Development	1 424 288	1 422 667
	14 552 087	**14 665 303**

27. REPAIRS AND MAINTENANCE

The following costs relate to the repairs and maintenance incured for tenants at the various projects:		
Cleaning Services	9 150 725	5 549 402
Gardening and Landscaping	1 952 972	1 045 524
General Maintenance (plumbing, electricity, etc.)	26 076 973	19 156 596
Security for premises and tenants	12 875 851	10 529 087
	50 056 521	**36 280 609**

28. INVESTMENT REVENUE

Dividend received		
JMJV	550 000	550 000
Interest received		
Bank interest	3 588 572	2 588 787
Interest earned - Outstanding debtors	2 211 702	1 214 946
	5 800 274	**3 803 733**
	6 350 274	**4 353 733**

Notes to the Financial Statements

Figures in Rand	2016	2015

29. DEPRECIATION AND AMORTISATION

Property, plant and equipment	1 012 810	835 330
Intangible assets	49 505	64 682
	1 062 315	**900 012**

30. FINANCE COSTS

Interest paid - DBSA Loan	1 448 662	1 339 482

31. TAXATION

Major components of the tax expense

Current		
Local income tax - current period	2 341 142	1 941 049
Deferred		
Originating and reversing temporary differences	(1 405 312)	(1 941 049)
	935 830	**-**

Reconciliation of the tax expense

Accounting surplus / (deficit)	4 668 649	1 588 392
Tax at the applicable tax rate of 28% (2015: 28%)	2 919 742	(578 600)
Tax effect of adjustments on taxable income		
Prior year (over) / under provision - current tax	(578 600)	2 821 985
Prior year (over) / under provision - deffered tax	(1 405 312)	(2 243 385)
	935 830	**-**

Included in taxable income is subsidies received from parent municipality.

Tax rate reconciliation:

Statutory rate (%)	28	28
Tax effect of adjustments on taxable income		

32. CONTRACTED SERVICES

Contracted services	1 375 867	1 024 955

Amounts included in contracted services relate to IT services, recruitment agencies and investigation services

Notes to the Financial Statements

Figures in Rand	2016	2015

33. CASH/ (USED IN) GENERATED FROM OPERATIONS

Surplus/ (deficit)	3 732 819	1 588 392
Adjustments for:		
Depreciation and amortisation	1 062 315	900 012
Loss on disposal of assets	-	(75 436)
Loss from equity accounted investments	58 379	79 989
Fair value adjustments	550 000	550 000
Movements in operating lease assets and accruals	52 831	(21 154)
Movements in provisions	369 034	(716 115)
Movement in tax receivable and payable	2 341 142	(1 992 123)
Annual charge for deferred tax	(1 405 312)	(1 941 049)
Other non-cash items	-	(1 630 061)
Changes in working capital:		
Inventories	(50 416)	25 375
Receivables from exchange transactions	4 711 569	(28 871 679)
Payables from exchange transactions	86 289 611	144 105 763
VAT	(1 525 405)	(1 176 907)
Deferred income from non-exchange transactions	(50 872 500)	338 234
	45 314 067	**111 163 241**

34. TAX PAID

Balance due (to) / from at beginning of the year	735 726	(2 821 986)
Current tax for the year recognised in surplus / deficit	(2 341 142)	(1 941 049)
Deferred tax adjustments	1 940 689	(244 743)
Balance due to / (from) at end of the year	(335 273)	(735 726)

35. CONTINGENT LIABILITIES AND COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for		
Investment property	94 335 864	475 079 813
Total capital commitments		
Already contracted for but not provided for	94 335 864	475 079 813

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases – as lessee (Buildings)

Minimum lease payments due		
- within one year	73 985	465 392

Operating lease payments represent rentals payable by the company for its Head office premises. Leases are negotiated for an average term of three years and rentals are fixed for one year and subject to escalation clauses. No contingent rent is payable.

Further contingencies relates to rates incorrectly invoiced by the parent municipality to the value of R1 053 806.

Figures in Rand	2016	2015

36. RELATED PARTIES

Relationships

Other members of the group

The City of Johannesburg Metropolitan Municipality
City Housing Company SOC Ltd
City of Johannesburg Property Company SOC Ltd
City Power Johannesburg SOC Ltd
Johannesburg City Parks and Zoo NPC
Johannesburg Development Agency SOC Ltd
Johannesburg Metropolitan Bus Services SOC Ltd
Johannesburg Roads Agency SOC Ltd
Johannesburg Tourism Company NPC
Johannesburg Water SOC Ltd
Metropolitan Trading Company SOC Ltd
Pikitup Johannesburg SOC Ltd
Roodepoort City Theatre NPC
The Johannesburg Civic Theatre SOC Ltd
The Johannesburg Fresh Produce Market SOC Ltd
Joshco JM/JV

Related party balances

	2016	2015
Amounts included in Loans,		
Trade and other receivables regarding related parties		
COJ and Other MOEs	169 364 408	174 719 620
Johannesburg Metropolitan Bus Services SOC Ltd	43 029	-
Pikitup Johannesburg SOC Ltd	16 247	371 185
The Johannesburg Fresh Produce Market SOC Ltd	7 202	12 019
	169 430 886	**175 102 824**

	2016	2015
Amounts included in Loans,		
Trade and other payables regarding related parties		
City of Johannesburg Metropolitan Municipality	1 263 690	16 383 007
The Johannesburg Civic Theatre (Pty) Ltd	17 640	-
Pikitup Johannesburg (Pty) Ltd	287 757	-
City Power Johannesburg (Pty) Ltd	2 750 446	-
Johannesburg Water (Pty) Ltd	7 403 326	-
	11 722 859	**16 383 007**

Related party transactions

	2016	2015
Sales to related parties		
City of Johannesburg Metropolitan Municipality	32 160 823	25 579 886

	2016	2015
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	(11 705 220)	(3 077)
Johannesburg Metropolitan Bus Services (Pty) Ltd	-	(8 520)
Johannesburg Civic Theatre (Pty) Ltd	15 473	-
	(11 689 747)	**(11 597)**

37. RISK MANAGEMENT

Capital risk management

37. RISK MANAGEMENT (continued)

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, in order to provide returns for shareholder and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

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

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 company is a wholly owned subsidiary of the City of Johannesburg Metropolitan Municipality. Risk management is carried out by a central treasury department within the Metro Municipality (City treasury) under policies approved by the City's Assets & Liability committee of which the company's CFO is part. City treasury identifies and evaluates financial risks in close cooperation with ALCO. ALCO provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk.

Liquidity risk

The company’s risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities. The company also receives an annual subsidy from the City of Johannesburg Metropolitan Municipality which mitigates to a large extent the liquidity risk of the company.

Interest rate risk

As the entity 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 entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk.

During 2016 and 2015, the entity’s borrowings of R15,910,991 from the Development Bank of Southern Africa, at fixed rate of 8.5% and the loan is denominated in the South African Rand.

Notes to the Financial Statements

37. RISK MANAGEMENT (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The company services the widespread public of the metropolitan area. The company is therefore exposed to credit risk. The company is exposed to credit risk as a result of the following: transactions entered into with the public on extended payment terms and long term loans with the City of Johannesburg Metropolitan Municipality. These customers may not be able to produce cash on demand and the company manages these risks by independent checks on the credit quality of debtors and giving long term loans only to City of Johannesburg Metropolitan Municipality in terms of approved policy and credit terms. No changes occurred in the management of these risks from the prior year.

The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus / (deficit). The company's interest rate risk arises from interest bearing borrowings and financial service assets. Borrowings issued at floating rates expose the company to cash flow interest rate risk, while fixed rate borrowings expose the company to fair value interest rate risk. As part of the process of managing the company's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

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

Financial instrument	2016	2015
Trade and other receivables	35 361 526	85 671 394
Loans to group companies	244 651 198	245 603 199

38. EVENTS AFTER THE REPORTING DATE

There were no reportable events after the reporting date that were not addressed in this report.

39. UNAUTHORISED EXPENDITURE

The were no reportable unauthorized expenditure in the financial year ended 30 June 2015.

40. FRUITLESS AND WASTEFUL EXPENDITURE

No incidents of fruitless and wasteful expenditure were reported in the financial year ended 30 June 2015.

41. IRREGULAR EXPENDITURE

2016

Management was not aware of any irregular expenses incurred during the financial year ended 30 June 2015.

Notes to the Financial Statements

Figures in Rand

42. 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.

As per SCM prescipts, Paragraph 36 of the same gazette states, the accounting officer may authorise deviations from procurement processes in circumstances provided for in the SCM regulations. thereafter the Accounting Officer must report the deviations to the Board of Directors.

For the financial year, the following deviations occured and was approved by the Accounting Officer:

2015 - 2016 Deviations		
Delta-Link (Mfiles)	-	2 222
Otis (PTY) LTD	-	129 175
Lumacon Air Conditioning	-	56 948
Mthimkhulu Stone Works CC	-	101 837
Delta Link	-	14 214
Jolobe Trading	-	406 080
Gochi Trading	-	413 280
VZ Contractor	-	533 040
Exlusive People	-	45 996
The leadership Magazine	-	44 460
HP Repairs Centre	-	3 081
	-	**1 750 333**

2014 - 2015 Deviations		
Human Communications	-	11 012
Kha Guards	-	10 759
E. Martins	-	2 850
Werksmens Attorneys	-	217 595
Sinden E Associates	-	20 538
Eller Security Services	-	285 000
PC Plug	-	5 706
21St Century	-	61 560
Dempster Mckinnon	-	6 987 261
MDA Properties Systems	-	193 408
BKS / AECOM	-	12 183 346
Shabangu Architects	-	21 000 000
The Housing Development Agency	-	30 000 000
	-	5 762 145
	-	**76 741 180**

43. ASSETS SUBJECT TO RESTRICTIONS

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

44. BUDGET DIFFERENCES

Material differences between budget and actual amounts

Notes to the Financial Statements

44. BUDGET DIFFERENCES (continued)

In terms of accounting policy, variances of R1.14 Million (i.e. 1% of total revenue) must be reported and supported with explanations. The following reasons apply to material varances:

x Total Revenue - the variance was R5.3 Million under budget. This is attributed to interest received from trust accounts and loans to parent municipality (sweeping account) which bears an interest based on agreed rate between the City of Joburg and Standard bank.
x General Expenses - the varience equated to a R2.8 Million savings and this is mainly due to correction of on interim charges and subsequent credits from the City of Johannesburg on its billing.
x Other project related costs - The variance also equated to a R3.5 Million. This is attributed to the Bad Debts written-off
X Finance costs - The Variance was R0.36 Million under budget and this is mainly due toDBSA loan repayments .

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages to in the annual report

Notes to the Financial Statements

45. NEW STANDARDS AND INTERPRETATIONS

Notes to the Financial Statements

Figures in Rand	2016	2015

46. OTHER FINANCIAL ASSETS

47. FINANCIAL INSTRUMENTS DISCLOSURE

48. DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS

The entity is a contributor to the following fund(s): Fund 1 and Fund 2.

49. PRIOR PERIOD ERRORS

Correction of a prior period 2014-2015 balance resulting from a clasification error on loans to parent municipality that have been reclasified as related party trade receivables. The City of Joburg Treasyry policy gives guidance to all MOE'sto classify their sweeping accounts as loans loans to or from the City.

Statement of financial position		
JOSHCO - Accumulated depreciation on Property, plant and equipment	-	(291 947)
JOSHCO - Consumer debtors Related party	175 048 180	-
JOSHCO- Loans to parent municipality	(175 048 180)	-
CJMM - Creditors	16 435 505	-
JOSHCO - Property, plant and equipment	(16 435 505)	291 947
Trade and other payables	(400 000)	-
Accumulated surplus	400 000	-
	-	**-**