Joburg Market SOC Limited
Annual Financial Statements
for the year ended 30 June 2017

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Providing of infrastructure to distribute fresh produce mainly in the Gauteng area
DIRECTORS	Ms D Dondur (Chairperson) Mr M Makopo Mr J Mocke Dr P Naidoo Mr S Ndlovu Mr L Nengovhela Ms A Ramakoaba
REGISTERED OFFICE	1 Heidelberg Road City Deep Johannesburg 2049
BUSINESS ADDRESS	4 Fortune Road (Off Heidelberg Road) City Deep Johannesburg 2049
POSTAL ADDRESS	P O Box 86007 City Deep Johannesburg 2049
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	Standard Bank Limited
AUDITORS	The Auditor-General: South Africa
SECRETARY	Mr K Singh
COMPANY REGISTRATION NUMBER	2000/023383/07

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

Directors' Responsibilities and Approval

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

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

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

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

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

The directors have reviewed the entity’s cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

Approval of annual financial statements:

The annual financial statements set out on pages 9 to 67, which have been prepared on the going concern basis, were approved by the directors on 29 November 2017 and were signed on its behalf by:

Ms D Dondur **Chairperson of the Board**	**Mr A Kanana** **Chief Executive Officer**

Johannesburg

29 November 2017

Audit and Risk Committee Report

Audit and Risk Committee Report

Audit and Risk Committee Report

Report of the Auditor General

To the Provincial Legislature of Joburg Market SOC Limited

The Auditor-General: South Africa

01 March 1900

Directors' Report

The directors hereby submit their report for the year ended 30 June 2017.

1. INCORPORATION

The entity was incorporated on 08 September 2000 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

The company is a municipal owned entity, engaged in providing of infrastructure to distribute fresh produce mainly in the Gauteng area and operates principally in the City of Johannesburg.

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

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements. Revenue comprising mainly commission income increased by 2.4%. Macro factors which are prevalent in the production and trading of fresh produce have introduced some volatility in price discovery. In view of the latter it is regarded as prudent for the entity to follow its internal forecasting model.

The net surplus of the entity was R 74 269 503 (2016: surplus R 73 939 497), after taxation of R 25 749 992 (2016: R 28 872 958).

3. GOING CONCERN

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

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

The current assets of the entity exceeds its current liabilities at year end by R126,318,838 (2016: R 57,421,396). The net liquidity position of the entity has strengthened by R68,897,442 over the last year. Included in current liabilities is an amount of R 15,146,780 (2016: R 22,276,995) relating to current portion of loans from the shareholder which is payable in the coming year. The directors are confident that the entity will meet all its obligations in the coming financial year.

4. SUBSEQUENT EVENTS

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

Chief Executive Officer, Mr Ayanda Kanana, has been appointed effective 1 September 2017.

5. DIRECTORS' PERSONAL FINANCIAL INTERESTS

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

6. ACCOUNTING POLICIES

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

There were no changes in accounting policies during the year.

7. SHARE CAPITAL

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

Directors' Report

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

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

8. BORROWING LIMITATIONS

In terms of the sale of business agreement, The Joburg Market SOC Limited does not have the authority to borrow funds on its own behalf. All external funding is managed under the auspices of The City of Johannesburg Metropolitan Municipality Asset and Liability Committee.

9. NON-CURRENT ASSETS

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

Property plant and equipment to the value of R 28,893,900 (2016: R 54,201,793) and intangible assets to the value of R 980,613 (2016: R5,080,234) were acquired during the year under review.

10. DIVIDENDS

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

11. DIRECTORS

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

Name	Nationality	Changes
Non-Executive Directors		
Ms D Dondur (Chairperson)	South African	
Mr J Mocke	South African	
Mr M Makopo	South African	
Dr P Naidoo	South African	
Mr S Ndlovu	South African	
Mr L Nengovhela	South African	
Mr H Raborifi	South African	
Ms A Ramakoaba	South African	
Mr S Mafadza	South African	Retired 16 March 2017
Mr S Masango	South African	Resigned 16 March 2017
Mr C Molebatsi	South African	Retired 16 March 2017
Ms S Childs	South African	Retired 16 March 2017
Mr S Ndlungwane	South African	Retired 16 March 2017
Mr B Nkosi	South African	Retired 16 March 2017
Bishop S Tsekedi	South African	Retired 16 March 2017
Mr T Tselane	South African	Retired 16 March 2017
Mr K Shubane (Chairperson)	South African	Resigned 16 March 2017

Directors' Report

12. SECRETARY

Mr K Singh was appointed on 01 July 2013 as secretary of the entity.

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

13. CORPORATE GOVERNANCE

General

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

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

Board of directors

The Board of directors:
- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - 8 non-executive directors, all of whom are independent directors as defined in the King Code of Corporate Governance.
  - 2 executive directors; Chief Executive Officer and Chief Financial Officer.

Chairperson and Chief Executive Officer

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

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

Remuneration

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

Directors' Report

Board and committee meetings

The directors have met on 11 separate occasions during the financial year. The directors were scheduled to meet 6 times within the year. Ongoing investigations necessitated 5 additional special meetings.

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

Name	Board Meeting	Audit & Risk committee meeting	Remuneration committee meeting	Service Delivery committee meeting	Finance, Investment & Procurement Committee	Social & Ethics
Total number of meetings held	**11**	**5**	**6**	**5**	**6**	**2**
Ms D Dondur (Chairperson) #	4					
Mr M Makopo #	4				1	
Mr J Mocke #	2		1	1		
Dr P Naidoo #	4		-	1		
Mr S Ndlovu #	3		1			
Mr L Nengovhela #	4		1		1	
Mr H Raborifi #	3		1		1	
Ms A Ramakoaba #	2					
Mr S Mafadza *	6		6	5		
Mr S Masango **	7	4			4	
Mr C Molebatsi *	7		5	5		2
Mr S Ndlungwane *	6		6	5	1	1
Mr B Nkosi *	5	5			5	
Bishop S Tsekedi *	4					
Mr T Tselane *	6			5		2
Ms S Childs *	7		6		5	2
Mr K Shubane (Chairperson) **	7					
Independent audit committee members:						
Mr Y Gordhan		3				
Mr H Raborifi		0				
Mr R Hill		5				
Mr R Theunissen		0				
Mr C Tilly		0				

The members did not all serve for the full year, refer to page 10 for the relevant term dates.
* Retired
** Resigned
\# Appointed

Directors' Report

Audit and Risk Committee

The Audit and Risk Committee (ARC) comprises of 4 members, 1 of whom are non-executive directors and 3 independent members. The committee is constituted in accordance with Section 166 of the Municipal Finance Management Act and was chaired by Mr S Masango, who is a non-executive director. The ARC had 3 ordinary and 2 special meetings during the 2017 financial year to review matters necessary to fulfil its role. At the AGM held on 16 March 2017, Mr S Masango resigned and Mr C Tilly, who is an independent audit committee member was appointed as Audit and Risk Committee chairperson on 20 June 2017. Subsequently Mr C Tilly resigned on 20 June 2017 and Mr R Theunissen was appointed as chairperson on 10 July 2017.

Internal audit

The internal audit function was performed internally. Certain internal audit activities were outsourced.

14. CONTROLLING ENTITY

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

15. SPECIAL RESOLUTIONS

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

16. BANKERS

Standard Bank Limited.

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

17. AUDITORS

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

18. CONTINGENCIES

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

19. CURRENT INVESTIGATIONS

Procurement irregularities that necessitated investigations in the prior year, have been finalised. Disciplinary action was taken and appropriate internal processes were concluded. In the current year new investigations are underway. These matters are being dealt with as expeditiously as possible and appropriate steps will be taken once the investigations have been finalised.

Company Secretary's Certification

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

In terms of section 88(2)(e) of the Companies Act 71 of 2008 (as amended), I certify that, to the best of my knowledge and belief, the company has lodged and/or filed, for the financial year ended 30 June 2017, all such returns and notices as required and that all such returns and notices are true, correct and up to date.

Mr K Singh
Company Secretary

The Joburg Market (SOC) Ltd
29 November 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Loans to shareholder	2	81 618 304	59 680 583
Current tax receivable		5 442 357	-
Receivables from exchange transactions	3	34 260 623	39 274 667
VAT receivable	35	3 866 593	4 075 802
Cash and cash equivalents	4	124 022 152	102 435 248
		249 210 029	**205 466 300**
Non-Current Assets			
Investment property	5	422 835	445 654
Property, plant and equipment	6	349 631 360	358 355 828
Intangible assets	7	6 768 435	7 740 589
Deferred tax	8	9 906 029	10 314 716
		366 728 659	**376 856 787**
Total Assets		**615 938 688**	**582 323 087**
Liabilities			
Current Liabilities			
Loans from shareholder	2	15 146 780	22 276 995
Current tax payable		-	901 693
Finance lease obligation	9	242 526	1 373 625
Payables from exchange transactions	10	104 447 777	118 836 173
Provisions	11	3 054 108	4 656 418
		122 891 191	**148 044 904**
Non-Current Liabilities			
Loans from shareholder	2	28 179 746	42 665 209
Deferred tax	8	145 305	581 586
Finance lease obligation	9	-	242 526
Employee benefit obligation	12	3 019 245	3 355 164
		31 344 296	**46 844 485**
Total Liabilities		**154 235 487**	**194 889 389**
Net Assets		**461 703 201**	**387 433 698**
Share capital	13	20 000 000	20 000 000
Accumulated surplus		441 703 201	367 433 698
Total Net Assets		**461 703 201**	**387 433 698**

* See Note 38

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Commission		342 537 521	339 976 417
Storage		7 348 058	3 439 099
Rental facilities and equipment		42 483 014	38 685 190
Banana ripening		1 771 211	3 754 889
Miscellaneous other revenue		1 190 734	1 094 917
Discount received		6 600	40 570
Sundry revenue		1 544 299	5 326 182
Cash handling fees		2 882 284	3 053 672
Interest received	18	15 320 780	10 138 360
Fair value adjustments		146 011	62 842
Total revenue		**415 230 512**	**405 572 138**
Expenditure			
Employee related costs	16	(134 550 536)	(129 766 425)
Depreciation and amortisation	19	(21 652 739)	(18 723 705)
Finance costs	20	(6 129 899)	(9 626 336)
Lease rentals on operating lease		(461 764)	(663 307)
Debt impairment	17	(1 192 620)	715 997
Repairs and maintenance		(26 513 243)	(20 164 787)
General expenses	15	(106 863 866)	(122 455 181)
Total expenditure		**(297 364 667)**	**(300 683 744)**
Operating surplus		**117 865 845**	**104 888 394**
Loss on disposal of assets and liabilities		(17 846 350)	(2 075 939)
Surplus before taxation		**100 019 495**	**102 812 455**
Taxation	21	(25 749 992)	(28 872 958)
Surplus for the year		**74 269 503**	**73 939 497**

* See Note 38

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Share premium	Total share capital	Accumulated surplus	Total equity
Balance at 01 July 2015		**1**	**19 999 999**	**20 000 000**	**293 494 201**	**313 494 201**
Changes in net assets						
Surplus for the year		-	-	-	73 939 497	73 939 497
Total changes		-	-	-	73 939 497	73 939 497
Balance at 01 July 2016		**1**	**19 999 999**	**20 000 000**	**367 433 698**	**387 433 698**
Changes in net assets						
Surplus for the year		-	-	-	74 269 503	74 269 503
Total changes		-	-	-	74 269 503	74 269 503
Balance at 30 June 2017		**1**	**19 999 999**	**20 000 000**	**441 703 201**	**461 703 201**

* See Note 38

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		404 917 176	391 423 451
Interest income		15 320 780	10 138 360
		420 237 956	401 561 811
Payments			
Employee costs		(135 088 503)	(129 690 269)
Suppliers		(154 525 247)	(136 675 615)
Finance costs		(6 030 109)	(9 396 344)
Taxes on surpluses	24	(32 121 636)	(30 543 775)
		(327 765 495)	(306 306 003)
Net cash flows from operating activities	23	**92 472 461**	**95 255 808**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(24 972 993)	(40 920 777)
Proceeds from sale of property, plant and equipment	6	94 863	1
Purchase of intangible assets	7	(980 613)	(5 080 234)
Net cash flows from investing activities		**(25 858 743)**	**(46 001 010)**
Cash flows from financing activities			
Repayment of shareholders loan		(43 553 399)	(57 984 009)
Finance lease payments		(1 473 415)	(1 473 421)
Net cash flows from financing activities		**(45 026 814)**	**(59 457 430)**
Net increase/(decrease) in cash and cash equivalents		**21 586 904**	**(10 202 632)**
Cash and cash equivalents at the beginning of the year		102 435 248	112 637 880
Cash and cash equivalents at the end of the year	4	**124 022 152**	**102 435 248**

* See Note 38

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Investment revenue	8 251 070	-	8 251 070	-		8 251 070	15 320 780		7 069 710	186 %	186 %
Other own revenue	391 237 657	20 658 000	411 895 657	-		411 895 657	399 909 732		(11 985 925)	97 %	102 %
Total revenue (excluding capital transfers and contributions)	**399 488 727**	**20 658 000**	**420 146 727**	**-**		**420 146 727**	**415 230 512**		**(4 916 215)**	**99 %**	**104 %**
Employee costs	(135 038 605)	(7 990 980)	(143 029 585)	-	-	(143 029 585)	(134 550 536)	-	8 479 049	94 %	100 %
Debt impairment	(2 511 093)	-	(2 511 093)			(2 511 093)	(1 192 620)	-	1 318 473	47 %	47 %
Depreciation and asset impairment	(20 632 262)	-	(20 632 262)			(20 632 262)	(21 652 739)	-	(1 020 477)	105 %	105 %
Finance charges	(23 362 697)	3 121 627	(20 241 070)	-	-	(20 241 070)	(6 129 899)	-	14 111 171	30 %	26 %
Other expenditure	(135 627 562)	(16 739 501)	(152 367 063)	-	-	(152 367 063)	(151 685 223)	-	681 840	100 %	112 %
Total expenditure	**(317 172 219)**	**(21 608 854)**	**(338 781 073)**	**-**	**-**	**(338 781 073)**	**(315 211 017)**	**-**	**23 570 056**	**93 %**	**99 %**
Surplus/(Deficit)	**82 316 508**	**(950 854)**	**81 365 654**	**-**		**81 365 654**	**100 019 495**		**18 653 841**	**123 %**	**122 %**
Taxation	23 960 000	890 000	24 850 000	-		24 850 000	25 749 992		899 992	104 %	107 %
Surplus/(Deficit) for the year	**58 356 508**	**(1 840 854)**	**56 515 654**	**-**		**56 515 654**	**74 269 503**		**17 753 849**	**131 %**	**127 %**
Capital expenditure and funds sources											
Total capital expenditure	123 724 000	(49 524 000)	74 200 000	-		74 200 000	29 874 513		(44 325 487)	40 %	24 %

Appropriation Statement

Figures in Rand

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

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

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

Other own revenue - no material difference to report. Turnover decreased by 2.9% to adjustment budget mainly as a result of a decline in tonnage. Volume decreased by 8.1% on prior year and 17.0% on budget.

Expenditure
Employee costs - within acceptable 10% variance.

Debt impairment - one of the tenants have requested a reduction in the rental space allocated as well as a review of their rental rate. They have signed an acknowledgement of debt but are unable to pay the full amount. The entity is reviewing their lease and debt recovery methods are being explored.

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

Finance charges -below budget due to reducing finance cost and self funding of capital projects.

Other expenditure - within acceptable 10% variance.

Capital expenditure
The budget for the year under review for capital expenditure was R74.2 million and the actual capital expenditure incurred by 30 June 2017 amounted to R29.8 million which represents **40%** of actual spend. Capital budget was not spent due to unresponsive bids, ineffective bid specifications that led to difficulties in evaluating bids and poor planning.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables and loans and receivables is calculated on a portfolio basis. The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

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

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

Impairment testing

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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

Provisions

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

Employee benefit obligation

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the entity considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

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

Effective interest rate

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

Impairment of financial assets

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

Useful lives and residual value

The entity’s management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the entity. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

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

1.3 Investment property

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

1.3 Investment property (continued)

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

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

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

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

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

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

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

Item	**Average useful life**
Investment property	30 years

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 5).

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Plant and machinery	Straight line	10 - 15 years
Furniture and fixtures	Straight line	7 - 14 years
Motor vehicles	Straight line	8 - 10 years
Office equipment	Straight line	7 - 12 years
IT equipment	Straight line	5 - 11 years
Finance leased assets	Straight line	3 - 5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

Accounting Policies

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software	3 - 5 years

The amortisation charge for each period is recognised in surplus or deficit.

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

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Financial instruments

Classification

Accounting Policies

1.6 Financial instruments (continued)

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Fair value determination

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

Impairment of financial assets

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

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

Loans to (from) economic entities

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

Loans to economic entities are classified as loans and receivables.

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Receivables from exchange transactions

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

Accounting Policies

1.6 Financial instruments (continued)

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

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

Cash and cash equivalents

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

Derecognition

Financial assets

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

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

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

Financial liabilities

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

Impairment of financial assets

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

Assets are carried at amortised cost.

Accounting Policies

1.7 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

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

1.8 Leases

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

1.8 Leases (continued)

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

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

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

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

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

Operating leases - lessee

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

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

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

1.9 Impairment of cash-generating assets

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

Management use their discretion in acquiring and managing assets of the entity. Where assets are used primarily with the intention of generating a commercial return and generating cash flows managed for cash-generating purposes the assets are treated as cash-generating assets.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

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

Identification

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

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

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

Value in use

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

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

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

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Reversal of impairment loss

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

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

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

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

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

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

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

Redesignation

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Impairment of non-cash-generating assets

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

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

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

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

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

Criteria developed by the entity to distinguish non-cash-generating assets from cash-generating assets are as follow: Management use their discretion in acquiring and managing assets of the municipality. Where assets are used primarily with the intention of service delivery and generating cash flows managed for non-cash-generating purposes the assets are treated as -noncash-generating assets.

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

Accounting Policies

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

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

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.11 Share capital

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

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

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

1.12 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

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

Other post retirement obligations

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

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

1.13 Provisions and contingencies

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.15 Revenue from exchange transactions

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, 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.

1.16 Revenue from non-exchange transactions

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

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

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

1.17 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the entity. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

1.18 Investment income

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

Accounting Policies

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

1.21 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.

1.22 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.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipal entity’s supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Value-added tax (VAT)

The entity is registered with the South African Revenue Services (SARS) for VAT on the accrual basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.25 Budget information

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

1.26 Related parties

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

1.27 Events after reporting date

Events after 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:

Accounting Policies

1.27 Events after reporting date (continued)

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Statements on GRAP issued but not yet effective

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

GRAP 12 (as amended 2016) - Inventories
GRAP 16 (as amended 2016) - Investment Property
GRAP 17 (as amended 2016) - Property, Plant and Equipment
GRAP 18 - Segment reporting
GRAP 20 - Related Parties
GRAP 21 (as amended 2016) - Impairment on non-cash generating assets
GRAP 26 (as amended 2016) - Impairment of cash generating assets
GRAP 27 (as amended 2016) - Agriculture
GRAP 31 (as amended 2016) - Intangible assets
GRAP 32 - Service concession arrangements: Grantor.
GRAP 34 - Separate financial statements
GRAP 35 - Consolidated financial statements
GRAP 36 - Investments in associates and joint ventures
GRAP 37 - Joint arrangements
GRAP 38 - Disclosure of interest in other entities
GRAP 103 (as amended 2016) - Heritage assets
GRAP 106 (as amended 2016) - Transfers of functions between entities under common control
GRAP 108 - Statutory Receivables
GRAP 109 - Accounting by Principles and Agents
GRAP 110 - Living and non-living resources
IGRAP 18 - Interpretation of the standard of GRAP on recognition and derecognition of land

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

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

2. LOANS TO/(FROM) SHAREHOLDER

City of Johannesburg Metropolitan Municipality - Capital expenditure loans	(43 326 526)	(64 942 204)
Sweeping account	81 618 304	59 680 583
	38 291 778	**(5 261 621)**

Current assets	81 618 304	59 680 583
Non-current liabilities	(28 179 746)	(42 665 209)
Current liabilities	(15 146 780)	(22 276 995)
	38 291 778	**(5 261 621)**

Credit quality of loans to shareholder

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

Fair value of loans to and from shareholder

Loans to shareholder	81 618 304	59 680 583
Loans from shareholders	43 326 526	64 942 204

Loans to shareholder past due but not impaired

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

1 month past due	43 326 526	59 680 583

Capital expenditure claim

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

Current account

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

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

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

Capital expenditure loans

Loans at beginning of the year	(64 942 204)	(100 129 306)
Repayments	27 311 771	43 710 682
Interest	(5 696 093)	(8 523 580)
	(43 326 526)	**(64 942 204)**

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

Sweeping account

Loan at beginning of the year	59 680 583	36 883 676
Receipts	41 012 162	62 516 791
Repayments	(27 311 771)	(43 710 682)
Interest	8 237 330	3 990 798
	81 618 304	**59 680 583**

The sweeping account loan is unsecured and bears interest at an average rate of 7.4% per annum. The bank balance for the business account is rolled over on a daily basis into the sweeping account. The loan is repayable on demand.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables	35 208 492	32 136 920
Less : Provision for impairment	(11 430 636)	(10 238 094)
Sundry receivable	8 996 093	10 555 439
Related party debtors	902 636	6 240 226
Prepayments	430 226	154 907
Operating lease receivables	153 812	571 280
Adjustment for fair value at amortised cost	-	(146 011)
	34 260 623	**39 274 667**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 18 363 401 (2016: R 22 013 409) were past due but not impaired.

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

1 month past due	16 055 987	19 723 098
2 months past due	1 186 370	1 118 713
3 months past due	1 121 044	1 171 599

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables of R 11 430 636 (2016: R 10 238 094) were impaired and provided for.

The ageing of these loans is as follows:

3 to 6 months	660 188	567 089
Over 6 months	10 770 448	9 671 005

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(10 238 094)	(10 954 258)
Provision for impairment	(1 332 474)	(1 954 645)
Unused amounts reversed	139 932	2 670 809
	(11 430 636)	**(10 238 094)**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 17). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	12 000	12 000
Bank balances	124 010 152	102 423 248
	124 022 152	**102 435 248**

The entity had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
ABSA Bank - Deposit account - 405-439-4655	-	3 173 306	-	3 173 306
ABSA Bank - Business account - 405-439-4663	-	1 623 312	-	1 623 312
ABSA Bank - RD cheque account - 405-439-4689	-	(3 424)	-	(3 424)
ABSA Bank - Trust - 405-442-3252	-	(4 193)	-	(4 193)
ABSA Bank - Salary account - 405-439-4671	-	(1 510)	-	(1 510)
ABSA Bank - charges account - 405-515-0630	-	(30 553)	-	(30 553)
First National Bank - Business account - 620-124-71257	1 119 113	678 251	1 119 113	678 252
First National Bank - Business account - 513-909-61353	1	-	-	-
Standard Bank - Deposit account - 000-197-033	117 365 967	93 195 580	122 129 270	96 186 726
Standard Bank - RD cheque account - 000-196-991	539 548	792 510	539 548	792 510
Standard Bank - Business account - 000-196-916	-	-	128 791	8 822
Standard Bank - Salary account - 000-196-924	94 180	-	93 430	-
Standard Bank - Charges account - 000-196-878	1	-	-	-
Standard Bank - Trust account - 000-197-025	1	-	-	-
Total	**119 118 811**	**99 423 279**	**124 010 152**	**102 423 248**

Standard Bank is the entity's official banker. ABSA accounts have been closed. First National Bank deposit account has remained open and active to accommodate buyers in areas where Standard Bank is not available.

5. INVESTMENT PROPERTY

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	811 061	(388 226)	422 835	811 061	(365 407)	445 654

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	445 654	(22 819)	422 835

Reconciliation of investment property - 2016

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

Details of property

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

Investment Property consists of the following:

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

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

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

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

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

The gross property rental income earned by the entity from its investment property, all of which are leased out under gross operating leases, amounted to R1,351,166 (2016: R1,386,010).

Expenditure relating to repairs and maintenance incurred during the year on investment property amounted to RNil (2016:RNil).

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

5. INVESTMENT PROPERTY (continued)

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 municipality.

During the year no assets were pledged for security.

Notes to the Annual Financial Statements

Figures in Rand

6. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 639 000	-	17 639 000	17 639 000	-	17 639 000
Buildings	356 713 569	(108 914 884)	247 798 685	338 348 611	(97 494 706)	240 853 905
Plant and machinery	62 784 776	(15 678 327)	47 106 449	40 007 382	(11 974 469)	28 032 913
Furniture and fixtures	4 144 531	(2 787 418)	1 357 113	4 019 136	(2 475 375)	1 543 761
Motor vehicles	1 635 783	(1 195 733)	440 050	1 610 253	(1 034 380)	575 873
Office equipment	1 647 248	(887 885)	759 363	1 471 221	(731 368)	739 853
IT equipment	27 456 607	(15 458 328)	11 998 279	24 608 698	(12 644 730)	11 963 968
Capital work in progress	40 285 155	(17 941 214)	22 343 941	55 708 470	-	55 708 470
Finance lease assets	3 337 934	(3 149 454)	188 480	3 337 934	(2 039 849)	1 298 085
Total	**515 644 603**	**(166 013 243)**	**349 631 360**	**486 750 705**	**(128 394 877)**	**358 355 828**

Notes to the Annual Financial Statements

Figures in Rand

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 639 000	-	-	-	-	17 639 000
Buildings	240 853 905	6 605 761	1	11 759 199	(11 420 181)	247 798 685
Plant and machinery	28 032 913	7 749 730	-	15 027 664	(3 703 858)	47 106 449
Furniture and fixtures	1 543 761	125 395	-	-	(312 043)	1 357 113
Motor vehicles	575 873	25 530	-	-	(161 353)	440 050
Office equipment	739 853	176 027	-	-	(156 517)	759 363
IT equipment	11 963 968	370 240	-	2 477 669	(2 813 598)	11 998 279
Capital work in progress	55 708 470	13 841 217	(17 941 214)	(29 264 532)	-	22 343 941
Finance lease assets	1 298 085	-	-	-	(1 109 605)	188 480
	358 355 828	**28 893 900**	**(17 941 213)**	**-**	**(19 677 155)**	**349 631 360**

Where construction or development has been halted or if a project was taking significantly longer to complete the entity disposed of the items from the work in progress account.

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 639 000	-	-	-	-	17 639 000
Buildings	225 127 263	8 070 364	(1 513 376)	19 661 785	(10 492 131)	240 853 905
Plant and machinery	27 898 054	3 466 777	(530 075)	173 908	(2 975 751)	28 032 913
Furniture and fixtures	1 671 763	206 412	(3 272)	-	(331 142)	1 543 761
Motor vehicles	582 076	141 125	-	-	(147 328)	575 873
Office equipment	661 482	233 400	(7 708)	-	(147 321)	739 853
IT equipment	11 442 746	3 142 838	(21 509)	-	(2 600 107)	11 963 968
Capital work in progress	36 603 286	38 940 877	-	(19 835 693)	-	55 708 470
Finance lease assets	2 415 128	-	-	-	(1 117 043)	1 298 085
	324 040 798	**54 201 793**	**(2 075 940)**	**-**	**(17 810 823)**	**358 355 828**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Assets subject to finance lease (Net carrying amount)

	2017	2016
Finance lease assets	188 480	1 298 085

Refer to Note 9 for the liability relating to the finance lease assets. Other than that no assets were pledged for security.

Details of properties

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

Land and buildings comprise of the following properties:

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

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 municipality.

Property, plant and equipment in the process of being constructed or developed

	2017	2016
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Sweating of assets	1 264 450	3 380 128
New strategic direction regarding land development.		
Generator	4 915 165	4 915 165
Entity unable to commission generators acquired in 2008.		
	6 179 615	**8 295 293**

	2017	2016
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Market of the future	-	13 857 657
Project no longer funded. New strategic direction.		
Project research and development costs written off in 2017.		
Refurbishment of ground floor	-	289 759
Designs outdated. New strategic direction rendered architectural plans void.		
Design costs written off in 2017.		
Spikes and boom gates	-	71 546
Installation was halted due to damages to vehicles. The viability of project not in best interest of the entity.		
Cost written off in 2017.		
Upgrade of Hall 1 and 2 and Ablutions	-	342 123
Consulting and designs did not fit in with the new strategic direction.		
Costs written off in 2017.		
	-	**14 561 085**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Other PPE	Total
Buildings	12 991 858	-	12 991 858
Plant and machinery	-	20 439 969	20 439 969
Impairment	-	(11 087 885)	(11 087 885)
	12 991 858	**9 352 084**	**22 343 942**

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Other PPE	Total
Buildings	28 637 030	-	28 637 030
Plant and machinery	-	34 810 645	34 810 645
Impairment	-	(11 087 885)	(11 087 885)
Computer Equipment	-	3 348 679	3 348 679
	28 637 030	**27 071 439**	**55 708 469**

Expenditure incurred to repair and maintain property, plant and equipment

	2017	2016
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Expenditure on property plant and equipment in aggregate	24 905 048	19 427 509

7. INTANGIBLE ASSETS

	2017			2016		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	10 487 563	(3 719 128)	6 768 435	9 506 951	(1 766 362)	7 740 589

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	7 740 589	980 613	(1 952 767)	6 768 435

Reconciliation of intangible assets - 2016

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

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 municipality.

During the year no assets were pledged for security.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
8. DEFERRED TAX		
Deferred tax liability		
Deferred tax liability - Trade and other receivables	(92 527)	(218 119)
Deferred tax liability - Leases	(52 778)	(363 467)
Total deferred tax liability	**(145 305)**	**(581 586)**
Deferred tax asset		
Trade and other receivables	2 400 434	2 190 883
Health care and leases deferred tax asset	777 481	1 393 316
Trade and other payables and provisions	6 728 114	6 730 517
Total deferred tax asset	**9 906 029**	**10 314 716**
Deferred tax liability	(145 305)	(581 586)
Deferred tax asset	9 906 029	10 314 716
Total net deferred tax asset	**9 760 724**	**9 733 130**
Reconciliation of deferred tax asset \ (liability)		
At beginning of year	9 733 130	4 847 574
Movement in temporary timing differences	27 594	4 885 556
	9 760 724	**9 733 130**

9. FINANCE LEASE OBLIGATION

	2017	2016
Minimum lease payments due		
- within one year	(245 562)	(1 473 415)
- in second to fifth year inclusive	-	(245 569)
	(245 562)	(1 718 984)
less: future finance charges	3 036	102 826
Present value of minimum lease payments	**(242 526)**	**(1 616 158)**
Present value of minimum lease payments due		
- within one year	242 526	(1 373 625)
- in second to fifth year inclusive	-	(242 533)
	242 526	**(1 616 158)**
Non-current liabilities	-	242 526
Current liabilities	242 526	1 373 625
	242 526	**1 616 151**

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

The average lease term was 3 - 5 years and the average effective borrowing rate was 11% (2016: 11%).

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

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

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. PAYABLES FROM EXCHANGE TRANSACTIONS

	2017	2016
Trade payables	71 510 246	79 551 465
Related party creditor	10 403 642	14 749 173
Payroll and sundry accruals	10 203 808	12 438 643
Accrued leave pay	7 248 986	6 978 710
Accrued staff 13th cheques	3 323 741	2 980 569
Accruals	1 757 354	2 137 613
	104 447 777	**118 836 173**

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

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

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

Fair value of trade and other payables

	2017	2016
Trade payables	104 447 777	118 836 181

11. PROVISIONS

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	4 656 418	1 965 404	(1 162 043)	(2 405 671)	3 054 108

Reconciliation of provisions - 2016

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

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

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. EMPLOYEE BENEFIT OBLIGATIONS

12.1 Defined benefit plan

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

	2017	2016
Post-retirement liability		
Post-Retirement Medical Aid Plan	(903 412)	(934 610)
Retirement Gratuity Plan	(2 115 833)	(2 420 554)
	(3 019 245)	**(3 355 164)**

12.1.1 Post retirement medical aid plan

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

Movements for the year

	2017	2016
Opening balance	934 610	298 761
Net expense recognised in the statement of financial performance	(31 198)	635 849
	903 412	**934 610**

Net expense recognised in the statement of financial performance

	2017	2016
Current service cost	-	5 689
Interest cost	79 340	24 502
Actuarial (gains) losses	(52 243)	651 976
Curtailment or settlement	(58 295)	(46 318)
	(31 198)	**635 849**

Key assumptions used

Assumptions used on last valuation on 30 June 2017.

	2017	2016
Discount rates used	8,56 %	8,72 %
Expected increase in salaries	6,37 %	7,38 %

The liability is sensitive to the real rate of return earned (i.e. the difference between the rate of discount and the rate at which medical aid contributions increase) as illustrated below :
- 1% decrease in discount rate will increase the liability to R1,008,554.
- 1% increase in discount rate will decrease the liability to R815,388.

	2017	**2016**	**2015**	**2014**	**2013**
Post retirement medical aid plan	903 412	934 610	298 761	594 000	525 000

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. EMPLOYEE BENEFIT OBLIGATIONS (continued)

12.1.2 Post retirement gratuity plan

The Joburg Market SOC Limited provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with The City of Johannesburg Metropolitan Municipality or The Joburg Market SOC Limited when they were not members of one of the retirement funds and who meet certain service requirements in terms of The City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.There are currently 11 qualifying staff members.

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

The plan is a post-employment gratuity benefit plan.

Movements for the year

	2017	2016
Opening balance	2 420 554	2 470 611
Net expense recognised in the statement of financial performance	(304 721)	(50 057)
	2 115 833	**2 420 554**

Net expense recognised in the statement of financial performance

	2017	2016
Interest cost	193 695	187 075
Actuarial (gains) losses	(136 475)	(3 294)
Curtailment or settlement	(361 941)	(233 838)
	(304 721)	**(50 057)**

Key assumptions used

Assumptions used on last valuation on 30 June 2017.

	2017	2016
Discount rates used	8,56 %	8,72 %
Expected increase in salaries	6,37 %	7,38 %

The liability is sensitive to the real rate of return earned (i.e. the difference between the rate of discount and the rate at which medical aid contributions increase) as illustrated below :
- 1% increase in discount rate will decrease the liability to R2,032,597.
- 1% decrease in discount rate will increase the liability to R2,207,693.

	2017	**2016**	**2015**	**2014**	**2013**
Present value of post retirement gratuity plan	2 115 833	2 420 554	2 470 611	2 597 000	2 554 000

Notes to the Annual Financial Statements

12. EMPLOYEE BENEFIT OBLIGATIONS (continued)

12.2 Defined contribution plan

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

The total amount recognised as an expense for defined contribution plans for the year amounts to R12,699,633 (2016: R9,076,993).

During 2005 the City entered into an agreement with the Johannesburg Municipal Pension Fund and the City of Johannesburg Pension Fund to the effect that, in return for payment of an amount of R400 million plus interest from 1 January 2006:

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

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

13. SHARE CAPITAL

	2017	2016
Authorised		
1 000 000 Ordinary shares of R0.01	10 000	10 000

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

	2017	2016
Issued		
1 Ordinary share rounded up to R1	1	1
Share premium	19 999 999	19 999 999
	20 000 000	**20 000 000**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

14. REVENUE

Commission	342 537 521	339 976 417
Rental facilities and equipment	42 483 014	38 685 190
Interest received	15 320 780	10 138 360
Storage	7 348 058	3 439 099
Cash handling fees	2 882 284	3 053 672
Banana ripening fees	1 771 211	3 754 889
Sundry revenue	1 544 299	5 326 182
Miscellaneous other revenue	1 190 734	1 094 917
Fair value adjustments	146 011	62 842
Discount received	6 600	40 570
	415 230 512	**405 572 138**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Commission	342 537 521	339 976 417
Rental facilities and equipment	42 483 014	38 685 190
Interest received	15 320 780	10 138 360
Storage	7 348 058	3 439 099
Cash handling fees	2 882 284	3 053 672
Banana ripening fees	1 771 211	3 754 889
Sundry revenue	1 544 299	5 326 182
Miscellaneous other revenue	1 190 734	1 094 917
Discount received	6 600	40 570
	415 084 501	**405 509 296**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Fair value adjustments	146 011	62 842

Notes to the Annual Financial Statements

Figures in Rand		2017	2016

15. GENERAL EXPENSES

Advertising		3 633 470	4 649 070
Assets expensed		37 720	84 293
Auditors remuneration		2 453 433	2 321 261
Bank charges		6 089 483	5 502 112
Cash losses		-	135 000
Cleaning		5 908 804	5 748 809
Conferences and seminars		122 300	1 098 221
Consulting and professional fees		5 993 049	11 956 866
Consumables		369 977	1 280 553
Donations		944 340	3 707 671
Electricity		31 447 832	30 608 168
Entertainment		12 210	-
Gifts		24 697	46 221
Hostel charges		7 202	70 885
Insurance		355 592	708 328
IT expenses		4 326 193	4 606 974
Marketing		2 618 700	2 932 815
Motor vehicle expenses		2 128 485	1 612 544
Placement fees		368 779	228 551
Postage and courier		-	3 728
Printing and stationery		2 206 879	705 107
Protective clothing		130 820	932 813
Refuse		12 435 675	7 863 583
Secretarial fees		39 800	30 446
Security (Guarding of municipal property)		17 775 397	16 989 164
Sewerage and waste disposal		993 110	5 299 889
Staff welfare		1 537 642	1 382 117
Subscriptions and membership fees		237 494	365 855
Telephone and fax		826 288	866 988
Training		1 730 037	2 153 462
Travel - local		869 620	598 997
Travel - overseas		-	253 785
Water		1 238 838	7 710 905
		106 863 866	**122 455 181**

16. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages		101 956 738	86 381 420
Provident fund	12	12 672 490	21 688 231
Other payroll costs		6 582 973	6 124 144
Bonus - 13th cheque and performance		5 547 665	7 777 780
Leave pay provision charge		3 013 361	3 570 039
Overtime payments		1 204 542	900 162
SDL		1 119 732	998 620
WCA		993 823	862 925
Pension costs		647 156	680 656
UIF		566 775	523 020
Gratuities		245 281	259 428
		134 550 536	**129 766 425**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

17. DEBT IMPAIRMENT

Debt impairment	79	166
Contributions to/(reversals of) debt impairment provision	1 192 541	(716 163)
	1 192 620	**(715 997)**

18. INTEREST RECEIVED

Interest revenue		
Bank	6 940 908	5 900 458
Interest earned - outstanding debtors	142 542	153 913
Interest earned - sweeping account	8 237 330	3 990 798
Interest received - other	-	93 191
	15 320 780	**10 138 360**

19. DEPRECIATION AND AMORTISATION

Property, plant and equipment	19 677 154	17 810 824
Investment property	22 819	22 882
Intangible assets	1 952 766	889 999
	21 652 739	**18 723 705**

20. FINANCE COSTS

Interest paid on shareholder loans	5 696 093	8 523 580
Finance leases	99 790	229 992
Bank	61 341	13 813
Fair value adjustments: Notional interest	-	637 774
Other interest paid	272 675	221 177
	6 129 899	**9 626 336**

21. TAXATION

Major components of the tax expense

Current		
Local income tax - current period	28 297 468	34 459 512
Local income tax - recognised in current tax for prior periods	(2 519 882)	(700 999)
	25 777 586	**33 758 513**
Deferred		
Originating and reversing temporary differences	(27 594)	(4 885 555)
	25 749 992	**28 872 958**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28,00 %	28,00 %
Disallowable charges	0,26 %	(0,50)%
Current tax - prior period adjustment	(2,52)%	(0,65)%
	25,74 %	**26,85 %**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

22. AUDITOR'S REMUNERATION

Fees	2 453 433	2 321 261

23. CASH GENERATED FROM OPERATIONS

Surplus	74 269 503	73 939 497
Adjustments for:		
Depreciation and amortisation	21 652 739	18 723 705
(Gain) loss on sale of assets and liabilities	17 846 350	2 075 939
Finance costs - Finance leases	99 790	229 992
Debt impairment	1 192 620	(715 997)
Movements in retirement benefit assets and liabilities	(335 919)	585 792
Movements in provisions	(1 602 310)	2 345 735
Movement in tax receivable and payable	(6 344 050)	3 214 738
Other non-cash items - deferred tax prior period	(27 594)	(4 885 555)
Other non-cash items - payables capital expenditure accrued	(3 920 907)	(13 281 015)
Changes in working capital:		
Receivables from exchange transactions	3 821 421	(702 911)
Payables from exchange transactions	(14 388 391)	13 785 682
VAT	209 209	(59 794)
	92 472 461	**95 255 808**

24. TAX PAID

Balance at beginning of the year	(901 693)	2 313 045
Current tax for the year recognised in surplus or deficit	(25 777 586)	(33 758 513)
Balance at end of the year	(5 442 357)	901 693
	(32 121 636)	**(30 543 775)**

25. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for		
• Property, plant and equipment	30 929 685	16 829 137

Total capital commitments		
Not yet contracted for and authorised by directors	30 929 685	16 829 137

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

Operating leases - as lessee (Fleet)

Minimum lease payments due		
- within one year	-	310 595

Operating leases – as lessor (income)

Minimum lease payments due		
- within one year	2 229 432	8 698 726
- in second to fifth year inclusive	447 171	2 224 251
- later than five years	-	446 132
	2 676 603	**11 369 109**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. CONTINGENCIES

Economic entity

Other contingencies

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

Disputes with employees

The entity is involved in three (3) litigious matters with former employees. The directors are of the opinion that the claims can be successfully defended by the company.

Contingent assets

Subsequent to the disciplinary hearing in respect of the irregular expenditure referred to in Note 32, civil proceedings have commenced against the employees concerned to recover an amount of R 1 870 107. According to entity's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

27. RELATED PARTIES

Relationships	
Shareholder	The City of Johannesburg Metropolitan Municipality
Other members of the group	Johannesburg Social Housing Company SOC Ltd
	Joburg Theatre (SOC) Ltd
	Johannesburg Water (SOC) Ltd
	City Power Johannesburg (SOC) Ltd
	Pikitup Johannesburg (SOC) Ltd
	Johannesburg Roads Agency (SOC) Ltd
	Johannesburg City Parks (SOC) Ltd
Members of key management	

Related party balances

	2017	2016
Amounts owing by related parties		
City of Johannesburg Metropolitan Municipality	82 174 631	65 776 511
Pikitup Johannesburg (SOC) Ltd	189 160	144 300
City of Joburg Property Company (SOC) Ltd	160 547	-
	82 524 338	**65 920 811**

	2017	2016
Amounts owing to related parties		
City of Johannesburg Metropolitan Municipality	59 171 218	76 535 333
City Power Johannesburg SOC Ltd	-	4 560 000
Joburg Theatre (SOC) Ltd	-	6 525
Johannesburg Social Housing Company SOC Ltd	-	7 202
	59 171 218	**81 109 060**

Related party transactions

	2017	2016
Sales to related parties		
City of Johannesburg Metropolitan Municipality	12 583 208	18 730 097
Pikitup Johannesburg (SOC) Ltd	189 160	639 964
Johannesburg City Parks (SOC) Ltd	7 150	15 053
	12 779 518	**19 385 114**

	2017	2016
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	1 522 750	1 418 237
Pikitup Johannesburg (SOC) Ltd	12 061 041	10 004 122
City Power Johannesburg (SOC) Ltd	31 447 835	35 277 026
Johannesburg Water (SOC) Ltd	2 231 948	13 405 449
Johannesburg Theatre (SOC) Ltd	12 847	106 645
Johannesburg Roads Agency (SOC) Ltd	-	1 097 690
	47 276 421	**61 309 169**

	2017	2016
Interest paid to related parties		
City of Johannesburg Metropolitan Municipality (loans)	5 696 093	8 523 580
City of Johannesburg Metropolitan Municipality	87 535	201 748
City of Johannesburg Metropolitan Municipality	(8 237 330)	(3 990 798)
	(2 453 702)	**4 734 530**

Notes to the Annual Financial Statements

Figures in Rand

27. RELATED PARTIES (continued)

Remuneration of management

Executive management

2017

	Basic salary	Performance bonus	Other benefits received	Total
Chief Executive Officer (Acting)	1 474 601	91 620	469 978	2 036 199
Chief Financial Officer (Acting)	1 042 376	94 704	499 233	1 636 313
Executice : Core Operations	1 035 556	69 843	300 831	1 406 230
Executive : Shared Services	1 207 913	-	525 281	1 733 194
Executive : Agr-Business	1 238 250	69 333	400 829	1 708 412
Executive : Strategy & Transformation	1 461 563	97 607	253 511	1 812 681
Company Secretary	856 336	68 346	222 497	1 147 179
	8 316 595	**491 453**	**2 672 160**	**11 480 208**

2016

	Basic salary	Performance bonus	Other benefits received	Total
Chief Executive Officer (Acting)	1 411 293	-	505 778	1 917 071
Chief Financial Officer (Acting)	995 607	-	451 410	1 447 017
Executive: Core Operations	918 828	-	207 481	1 126 309
Executive : Shared Services	1 672 192	-	382 241	2 054 433
Executive : Agri-Business	1 202 943	-	252 758	1 455 701
Executive: Strategy & Transformation	1 249 645	-	200 018	1 449 663
Company Secretary	793 579	85 600	237 906	1 117 085
	8 244 087	**85 600**	**2 237 592**	**10 567 279**

Notes to the Annual Financial Statements

28. DIRECTORS' EMOLUMENTS

Executive

2016

	Emoluments	Total
Ms S Sekgobela - Chief Executive Officer (5 months)	1 295 224	1 295 224
Mr B Dhlamini - Chief Financial Officer	1 331 394	1 331 394
	2 626 618	**2 626 618**

Non-executive

2017

	Directors' fees	Total
Ms D Dondur (Chairperson)	288 000	288 000
Mr K Shubane (Chairperson)	97 348	97 348
Ms S Childs	140 934	140 934
Mr S Mafadza	185 768	185 768
Mr M Makopo	66 084	66 084
Mr S Masango	114 094	114 094
Mr J Mocke	163 125	163 125
Mr C Molebatsi	112 365	112 365
Dr P Naidoo	60 334	60 334
Mr S Ndlovu	96 168	96 168
Mr S Ndlungwane	109 543	109 543
Mr L Nengovhela	156 834	156 834
Mr B Nkosi	100 394	100 394
Mr H Raborifi	87 709	87 709
Ms A Ramakoaba	72 000	72 000
Mr T Tselane	91 156	91 156
	1 941 856	**1 941 856**

During the year under review the remuneration policy of non-executive directors was amended and retainers are no longer applicable. For start and end dates of non-executive refer to Director's report on page 9.

2016

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

Notes to the Annual Financial Statements

29. RISK MANAGEMENT

Financial risk management

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

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

Liquidity risk

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

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

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

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

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	15 146 780	20 283 896	7 895 849	-
Payables from exchange transactions	104 447 777	-	-	-
Finance lease	242 526	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	22 276 995	26 356 899	16 308 310	-
Payables from exchange transactions	118 836 173	-	-	-
Finance lease	1 373 625	242 526	-	-

Notes to the Annual Financial Statements

29. RISK MANAGEMENT (continued)

Interest rate risk

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

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

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

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

Credit risk

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

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

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

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

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

Financial instrument	2017	2016
Cash and cash equivalents	124 022 152	102 435 248
Receivables from exchange transactions	34 260 623	39 274 667
Loans to shareholder	81 618 304	59 680 583

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

30. GOING CONCERN

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

31. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Opening balance	18 971 533	18 971 533
Identified in current year but incurred in the prior year	14 796 416	-
Identified and incurred in the current year	10 550 366	-
	44 318 315	**18 971 533**

2016

Settlement costs for re-instated employees and associated legal costs R 25,219,982.

Event cancellation R126,800.

32. IRREGULAR EXPENDITURE

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

Reconciliation of irregular expenditure		
Opening balance	26 280 763	25 690 481
Irregular expenditure identified in current year relating to prior year	16 880 449	-
Irregular expenditure identified in current year	-	590 282
	43 161 212	**26 280 763**

Details of irregular expenditure – current year

Rocker bins	Investigations, disciplinary action and other steps are underway to address this matter	530 075
Washbasins project	Investigations, disciplinary action and other steps are underway to address this matter	1 340 032
Transformers (multi year)	Investigations, disciplinary action and other steps are underway to address this matter	15 010 341
		16 880 448

Details of irregular expenditure - prior year

Splitting of orders	Corrective measures have been implemented and monitored.	590 282

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

33. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Audit fees

Current year audit fee	2 453 433	2 333 891
Amount paid - previous years	(2 453 433)	(2 333 891)
	-	-

PAYE and UIF

Opening balance	-	1 640 203
Current year expense	24 739 010	18 928 203
Amount paid - current year	(24 739 010)	(18 928 203)
Amount paid - previous years	-	(1 640 203)
	-	-

Pension and Medical Aid Deductions

Current year expense	9 266 409	8 434 973
Amount paid - current year	(9 266 409)	(8 434 973)
	-	-

VAT

VAT receivable	3 866 593	4 075 802

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

34. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

Deviations authorised by the Accounting Officer	2017	2016
Sole supplier	1 050 541	507 605
Extension of contracts	4 169 165	64 000
Emergency procurement	4 881 301	11 669 189
	10 101 007	**12 240 794**

During the prior year under review the Board became aware of procurement irregularities. This necessitated investigations, which resulted in the appointment of forensic investigators and legal counsel. These deviations are listed as Emergency in the above table for R4 million in 2017 (R10 million 2016). Refer to item 19 in the Director's report.

35. VAT RECEIVABLE

VAT	3 866 593	4 075 802

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

36. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Loans to shareholders	81 618 304	81 618 304
Trade and other receivables from exchange transactions	34 260 623	34 260 623
Cash and cash equivalents	124 022 152	124 022 152
	239 901 079	**239 901 079**

Financial liabilities

	At amortised cost	Total
Loans from shareholders	43 326 526	43 326 526
Finance lease obligation	242 526	242 526
Trade and other payables from exchange transactions	104 447 777	104 447 777
	148 016 829	**148 016 829**

2016

Financial assets

	At amortised cost	Total
Loans to shareholders	59 680 583	59 680 583
Trade and other receivables from exchange transactions	39 274 667	39 274 667
Cash and cash equivalents	102 435 248	102 435 248
	201 390 498	**201 390 498**

Financial liabilities

	At amortised cost	Total
Loans from shareholders	64 942 204	64 942 204
Finance lease obligation	1 616 151	1 616 151
Trade and other payables from exchange transactions	118 836 173	118 836 173
	185 394 528	**185 394 528**

37. CHANGE IN ESTIMATE

Property, plant and equipment

The useful life of furniture and fittings, computer equipment, plant and machinery and office equipment was estimated in 2016 to be 13,10,14 and 11 years respectively. In the current period management have revised their estimate to 14,11, 15 and 12 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 352 022.

38. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance that have been affected by prior-year adjustments:

Statement of financial position

2016

	As previously reported	Correction of error	Restated
Property,plant and equipment	360 348 731	(1 992 903)	358 355 828
Receivables	41 762 675	(2 488 008)	39 274 667
Accumulated surplus	(371 914 601)	4 480 911	(367 433 690)
	30 196 805	**-**	**30 196 805**

Statement of financial performance

2016

	As previously reported	Correction of error	Restated
Donations	1 219 664	2 488 008	3 707 672
Depreciation	18 774 252	(50 547)	18 723 705
Loss on disposal of assets	32 488	2 043 450	2 075 938
Surplus for the year	**20 026 404**	**4 480 911**	**24 507 315**

Errors

PPE disposed off related to prior year investigations. The correction of PPE cost and depreciation was due to this write off.

Donations and receivables related to costs the entity incurred in a corporate social investment program that was completed in the prior year.