Joburg Market (SOC) Limited
Financial statements
for the year ended 30 June 2018

General Information

COUNTRY OF INCORPORATION AND DOMICILE	Republic of South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Providing of infrastructure to distribute fresh produce
DIRECTORS	Ms D Dondur (Chairperson) Mr J Mocke Dr P Naidoo Mr S Ndlovu Mr L Nengovhela Ms A Ramakoaba Mr A Kanana (Chief Executive Officer) Mr S Dlamini (Chief Financial Officer)
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 (Acting)
COMPANY REGISTRATION NUMBER	2000/023383/07
PREPARER	The financial statements were internally compiled by: Mr S Dlamini CA(SA) Chief Financial Officer

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

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 judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal 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 sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 is 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 2019 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

Approval of annual financial statements:

The financial statements set out on pages 7 to 64, which have been prepared on the going concern basis, were approved by the directors on 29 November 2018 and were signed on its behalf by:

Naidoo

Dr P Naidoo
Chairperson of the Board (Acting)

Mr A Kanana
Chief Executive Officer

Johannesburg

29 November 2018

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Background

The composition of the Audit and Risk Committee during the year under review was:

Name	Qualifications	Date of Appointment	Contract End Date
Mr Robin Neill Theunissen	BAcc.; CA(SA); R.A.; Diploma in Criminal Justice & Forensic Auditing (RAU)	16 March 2017	22 March 2019
Mr Livhu Nengovhela	LLM Labour Law; BCom Honours; Post Grad Dip. Labour Relations; B Admin; Advanced Management; Programme; International Executive Development Programme	16 March 2017	22 March 2019
Mr Robert Hill	BSc Information Processing; BSc (Hons); Higher Diploma Computer Auditing	16 March 2017	22 March 2019
Mr Cassim Tilly	CA (SA); M. Com (SA Domestic & International Tax); P.G.Dip Auditing; B.Compt Hons/ C.T.A; BCom	10 May 2017	22 March 2019
Mr Madumetsa Makopo	BCom (Economics, Insurance and Risk Management)	10 May 2017	22 March 2019

The meetings held and attendances at the meetings during the year under review were as follows:

Meeting Date	17 Jul 2017	25 Aug 2017	19 Oct 2017	28 Nov 2018	11 Dec 2018	25 Jan 2018	30 Jan 2018	26 Mar 2018	09 Apr 2018
Attendance:									
Mr Robin Neill Theunissen	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Livhu Nengovhela		✓		✓	✓		✓	✓	✓
Mr Robert Hill	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Cassim Tilly	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Madumetsa Makopo	✓	✓	✓		✓	✓		✓	✓

Audit and Risk Committee Responsibility

The Committee reports that it has complied with its responsibilities arising from legislation and Treasury Regulations. The Committee also reports that it has adopted formal terms of reference as its Audit and Risk Committee Terms of

Audit and Risk Committee Report

Reference, regulated the affairs in compliance with the charter and discharged all the responsibilities contained therein.

The Effectiveness of Internal Control

Based on the assessment of the work done for the year under review the committee believes that the internal audit function has provided professional, independent and objective assurance to the operations of the Joburg Market and has added value to the operations of the Joburg Market.

Internal audit reports were concluded and discussed with management and action plans were monitored for implementation on a continuing basis.
It is of concern that the Senior Manager: Internal Audit resigned on 01 April 2018 and no replacement has been made due to the pending integration of the internal audit function within the City of Joburg which timelines have not been finalised.

Combined assurance

The company has adopted a combined assurance model to enable an effective control environment and support the integrity of information used for decision making by management, the board and its committees.

Quarterly Reports

The Audit and Risk Committee has had sight of the quarterly reports submitted to the shareholder during the year under review.

General

The Committee is responsible for, and fulfilled, the following responsibilities:

- Reviewed the accounting practices adopted by the company;
- Reviewed the accounting policies adopted by the company and recommended any changes considered appropriate;
- Reviewed and recommended disclosed financial information;
- Considered the programmes introduced to improve the overall ethics of the company and reviewed reports from management and the internal auditors relating to material issues;
- Considered ethical conduct by the company and its senior management;
- Monitored the Company's compliance with all applicable legislation and regulations;
- Reported in terms of any unauthorised, fruitless and wasteful and irregular expenditure in terms of the MFMA.
- Ensured cooperation between the External Auditor and Internal Audit by clarifying and co-ordinating their roles and functions and that the combined assurance received is appropriate to address all significant Joburg Market risks;
- Considered the King Code of Governance recommendations and their applicability to the company;
- Assisted Management in carrying out its risk management responsibilities; and
- Received and dealt appropriately with any complaints and/or allegations of wrongdoing, including fraud.

The Internal Auditors and External Auditors had and have direct access to the Chairman of the Committee and its members. The Committee's agendas provided for confidential one-on-one in-committee meetings with the members.

Audit and Risk Committee Report

Risk Management

Internal Audit adopts a risk-based approach and the Audit and Risk Committee approved the internal audit plan for the year under review as well as a three year plan.

It is of concern that the Senior Manager: Compliance and Enforcement was seconded to the City of Joburg on 01 June 2018 and is still on secondment without any replacement having been made. This is obviously impeding risk management processes within the company.

Chief Financial Officer

On 01 January 2018, Mr Sifiso Dlamini was appointed as the CFO of the company and as an executive director. The Committee is satisfied with his qualifications and experience and with the direction he has given to the finance function.

Independence of the external auditor

The Committee is satisfied with the Auditor-General SA's independence in performing the audit of the company.

Evaluation of Financial Statements

The Audit and Risk Committee has reviewed the annual financial statements prepared by the company.

Auditor's Report

The company's implementation plan for audit issues raised in the prior year has been reviewed by the Committee who is satisfied that the matters are being adequately resolved.

The Audit and Risk Committee concurs and accepts the conclusions of the Auditor-General South Africa on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General South Africa.

Robin Neill Theunissen
Chairperson of the Audit and Risk Committee
Joburg Market (SOC) Ltd
27 November 2018

Directors' Report

The directors hereby submit their report for the year ended 30 June 2018.

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 entity is a municipal owned entity, engaged in providing of infrastructure to distribute fresh produce 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 annual financial statements. Revenue comprising mainly commission income increased by 9%.

Net surplus of the entity was R 95 838 404 (2017: surplus R 56 394 189), after taxation of R 59 622 032 (2017: R 41 995 793).

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 current assets of the entity exceeds its current liabilities at year end by R223,525,737 (2017: R 126,909,110). The net liquidity position of the entity has strengthened by R96,616,627 over the last year. Included in current liabilities is an amount of R 10,408,637 (2017: R15,146,780) 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 annual financial statements and the 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 financial statements.

The chairperson of the board Ms Doris Dondur has resigned as of 29 October 2018.

5. DIRECTORS' PERSONAL FINANCIAL INTERESTS

All of the directors have declared that they do not have 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 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 / CONTRIBUTED CAPITAL

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

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

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

Report of the auditor-general to the Gauteng Provincial Legislature and council of the City of Johannesburg Metropolitan Municipality on Joburg Market (SOC) Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Joburg Market (SOC) Limited set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Joburg Market (SOC) Limited as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 32 the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors in the financial statements of the municipal entity for the year ended, 30 June 2018.

Material uncertainties

8. As disclosed in note 28 to the financial statements, the municipal entity is the defendant in various lawsuits. The ultimate outcome of these matters cannot presently be determined and/or reliably measured; therefore, no provision for any liabilities that may result has been made in the financial statements.

Material impairments

9. As disclosed in note 8 to the financial statements, the receivables for exchange transactions balance has been significantly impaired. The provision for impairment was R11 483 073 (2017: R11 430 636), which represents 23% (2017: 25%) of the total receivables from exchange transactions balance.

Other matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

11. In terms of section 125(2)(e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting officer is responsible for assessing the Joburg Market (SOC) Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue

an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2018:

Strategic objectives	Pages in the annual performance report
Strategic objective 1 – Operate a sustainable resilient world class marketing & trading facility	x – x
Strategic objective 4 – Ensure financial sustainability and growth of the entity	x – x

19. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

20. I did not raise any material findings on the usefulness and reliability of the reported performance information for these strategic objectives:

- Strategic objective 1 – operate a sustainable resilient world-class marketing & trading facility
- Strategic objective 4 – ensure financial sustainability and growth of the entity

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipal entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with specific matters in key legislations are as follows:

Procurement and contract management

24. Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by Municipal Supply Chain Management (SCM) regulation 19(a).

Expenditure management

25. Reasonable steps were not taken to prevent irregular expenditure of R674 144, disclosed in note 35 to the annual financial statements, as required by section 95(d) of the MFMA. The irregular expenditure was caused by not following the competitive bidding process.

Other information

26. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected strategic objectives presented in the annual performance report that have been specifically reported in this auditor's report.

27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

30. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

31. Adequate measures were not implemented to prevent non-compliance with SCM prescripts. The non-compliance and irregular ecpenditure incurred could have been avoided had management put measures in place to prevent it.

32. The risk assessment conducted by the entity did not result in adequate controls being implemented or maintained to prevent in the findings on compliance with laws and regulations.

Other reports

33. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipal entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

34. Investigations into alleged financial irregularities, financial misconduct and fraud were completed during the year under review. Various measures were recommended, including taking action against the identified officials, and these were in the process of being implemented. The recommendations were at various stages of implementation.

Auditor - General.

Johannesburg

30 November 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Directors' Report

8. BORROWING LIMITATIONS

In terms of the sale of business agreement, The Joburg Market SOC Limited does not have the authority to borrow on its own behalf. All external funding is managed under the auspices of The City of Johannesburg Metropolitan Municipality's Assets and Liabilities 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 (including finance lease assets from the CoJ) to the value of R 9,524,147 (2017: R 28,893,900) and intangible assets to the value of R 4,702,046 (2017: R980,613) 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
Ms D Dondur (Chairperson)	South African	
Mr M Makopo	South African	Resigned 10 May 2018
Mr J Mocke	South African	
Dr P Naidoo	South African	
Mr S Ndlovu	South African	
Mr L Nengovhela	South African	
Mr H Raborifi	South African	Resigned 10 July 2017
Ms A Ramakoaba	South African	
Mr A Kanana (Chief Executive Officer)	South African	Appointed 01 September 2017
Mr S Dlamini (Chief Financial Officer)	South African	Appointed 01 January 2018

Directors' Report

12. SECRETARY

Ms T Melk was the secretary of the entity up until 26 June 2017. Mr K Singh has been appointed as acting secretary as of 01 July 2017.

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 the King Code 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:
  - 7 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 an independent non-executive 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 the executive committee, 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 10 separate occasions during the financial year. The directors were scheduled to meet 6 times within the year. Ongoing investigations and the appointment of the Chief Executive Officer and Chief Financial Officer necessitated 4 additional special meetings.

Non-executive directors have access to all members of management of the entity. The board is also expected to meet with the shareholder on a quarterly basis.

Name	Board Meeting	Audit & Risk committee meeting	Remuneration committee meeting	Service Delivery committee meeting	Social & Ethics
Total number of meetings held	**10**	**9**	**4**	**4**	**3**
Ms D Dondur (Chairperson)	10				2
Mr M Makopo****	5	7			2
Mr J Mocke	10		4	4	
Dr P Naidoo	8			3	3
Mr S Ndlovu	9		4	3	
Mr L Nengovhela	9	6	4		
Ms A Ramakoaba	5				3
Mr A Kanana**	6	7	2	2	2
Mr S Dlamini***	5	4		1	
Independent audit committee members:					
Mr R Theunissen (Chairperson)	8	9			
Mr R Hill		9			
Mr C Tilly		9			

The members did not all serve for the full year:
* Mr H Raborifi resigned 10 July 2017
** CEO appointed 1 September 2017
*** CFO appointed 1 January 2018
**** Resigned 10 May 2018

Directors' Report

Audit and Risk Committee

The Audit and Risk Committee (ARC) comprises of 5 members, 2 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 R Theunissen, who is an independent audit committee member. The ARC had 4 ordinary and 5 special meetings during the 2017/18 financial year to review matters necessary to fulfil its role

Internal audit

The internal audit function was performed internally. Certain internal audit activities were outsourced. This ensured that the internal audit function was effective throughout the period of review.

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's Assets and Liabilities Committee and Treasury Directorate.

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 has increased compared to the previous year. Disputes with employees have decreased. Refer to note 28.

19. CURRENT INVESTIGATIONS

Procurement irregularities that necessitated investigations in the prior years, have been finalised. Disciplinary action was taken and appropriate internal processes were concluded. In the current year new investigations have commenced. These matters are being dealt with as expeditiously as possible and appropriate action 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, I certify that, to the best of my knowledge and belief, the entity has lodged and/ or filed, for the financial year ended 30 June 2018, 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 (Acting)

Joburg Market (SOC) Ltd
28 August 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Loans to shareholder	5	153 606 150	81 618 304
Current tax receivable		-	7 141 392
Receivables from exchange transactions	8	39 485 957	34 260 623
VAT receivable	9	2 909 900	3 866 593
Cash and cash equivalents	10	201 206 750	124 022 152
		397 208 757	**250 909 064**
Non-Current Assets			
Investment property	2	400 016	422 835
Property, plant and equipment	3	337 977 651	349 631 360
Intangible assets	4	9 239 707	6 768 435
Deferred tax	6	6 076 335	7 168 992
		353 693 709	**363 991 622**
Total Assets		**750 902 466**	**614 900 686**
Liabilities			
Current Liabilities			
Loans from shareholder	5	10 408 637	15 146 780
Current tax payable		8 104 996	-
Finance lease obligation	12	136 126	242 526
Payables from exchange transactions	14	155 033 261	105 556 540
Provisions	13	-	3 054 108
		173 683 020	**123 999 954**
Non-Current Liabilities			
Loans from shareholder	5	18 499 143	28 179 746
Employee benefit obligation	7	2 782 000	3 019 245
Deferred tax	6	15 751 263	15 353 104
		37 032 406	**46 552 095**
Total Liabilities		**210 715 426**	**170 552 049**
Net Assets		**540 187 040**	**444 348 637**
Share capital / contributed capital	11	20 000 000	20 000 000
Accumulated surplus		520 187 045	424 348 640
Total Net Assets		**540 187 045**	**444 348 640**

* See Note 32

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Commission		367 793 837	342 537 521
Rental of facilities and equipment		47 991 889	42 483 014
Interest received	16	19 027 199	15 320 780
Storage		7 180 719	7 348 058
Cash handling fees		3 215 574	2 882 284
Banana ripening		3 669 889	1 771 211
Sundry revenue		1 434 850	1 544 299
Miscellaneous other revenue		1 224 960	1 190 734
Discount received		2 000	6 600
Fair value adjustments		-	146 011
Total revenue		**451 540 917**	**415 230 512**
Expenditure			
Employee related costs	17	(136 011 858)	(134 550 536)
Depreciation and amortisation	18	(23 438 759)	(21 652 739)
Finance costs	19	(4 061 997)	(6 129 899)
Lease rentals on operating lease		(590 678)	(461 764)
Debt impairment	20	(55 880)	(1 192 620)
General expenses	21	(131 928 620)	(135 006 622)
Total expenditure		**(296 087 792)**	**(298 994 180)**
Operating surplus		**155 453 125**	**116 236 332**
Gain (loss) on disposal of assets and liabilities		7 311	(17 846 350)
Surplus before taxation		**155 460 436**	**98 389 982**
Taxation	23	59 622 032	41 995 793
Surplus for the year		**95 838 404**	**56 394 189**

* See Note 32

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Share premium	Total share capital	Accumulated surplus	Total net assets
Opening balance as previously reported	1	19 999 999	20 000 000	367 433 702	387 433 702
Adjustments					
Prior year adjustments	-	-	-	520 749	520 749
Balance at 01 July 2016 as restated*	**1**	**19 999 999**	**20 000 000**	**367 954 451**	**387 954 451**
Changes in net assets					
Surplus for the year	-	-	-	56 394 189	56 394 189
Total changes	-	-	-	56 394 189	56 394 189
Opening balance as previously reported	1	19 999 999	20 000 000	442 223 954	462 223 954
Adjustments					
Prior year adjustments	-	-	-	(17 875 313)	(17 875 313)
Restated* Balance at 01 July 2017 as restated*	**1**	**19 999 999**	**20 000 000**	**424 348 641**	**444 348 641**
Changes in net assets					
Surplus for the year	-	-	-	95 838 404	95 838 404
Total changes	-	-	-	95 838 404	95 838 404
Balance at 30 June 2018	**1**	**19 999 999**	**20 000 000**	**520 187 045**	**540 187 045**
Note(s)	11	11	11		

* See Note 32

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		429 735 850	404 917 176
Interest income		19 027 199	15 320 780
		448 763 049	420 237 956
Payments			
Employee costs		(138 030 415)	(135 088 503)
Suppliers		(103 806 861)	(154 525 247)
Finance costs		(4 017 559)	(6 030 109)
Taxes on surpluses	25	(24 939 992)	(32 121 636)
		(270 794 827)	(327 765 495)
Net cash flows from operating activities	24	**177 968 222**	**92 472 461**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(8 740 275)	(24 972 993)
Proceeds from sale of property, plant and equipment	3	-	94 863
Purchase of intangible assets	4	(4 702 046)	(980 613)
Net cash flows from investing activities		**(13 442 321)**	**(25 858 743)**
Cash flows from financing activities			
Repayment of shareholders' loan		(86 406 592)	(43 553 399)
Finance lease payments		(934 711)	(1 473 415)
Net cash flows from financing activities		**(87 341 303)**	**(45 026 814)**
Net increase in cash and cash equivalents		**77 184 598**	**21 586 904**
Cash and cash equivalents at the beginning of the year		124 022 152	102 435 248
Cash and cash equivalents at the end of the year	10	**201 206 750**	**124 022 152**

* See Note 32

Joburg Market (SOC) Limited

(Registration number 2000/023383/07)
Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

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
2018											
Financial Performance											
Investment revenue	6 390 570	3 322 213	9 712 783	-		9 712 783	19 027 199		9 314 416	196 %	298 %
Other own revenue	435 522 119	(7 414 846)	428 107 273	-		428 107 273	432 521 029		4 413 756	101 %	99 %
Total revenue (excluding capital transfers and contributions)	**441 912 689**	**(4 092 633)**	**437 820 056**	-		**437 820 056**	**451 548 228**		**13 728 172**	**103 %**	**102 %**
Employee costs	(151 896 716)	(2 315 618)	(154 212 334)	-	-	(154 212 334)	(136 011 858)	-	18 200 476	88 %	90 %
Debt impairment	(2 246 692)	2 235 691	(11 001)			(11 001)	(55 880)	-	(44 879)	508 %	2 %
Depreciation and asset impairment	(21 746 405)	411	(21 745 994)			(21 745 994)	(23 438 759)	-	(1 692 765)	108 %	108 %
Finance charges	(25 114 697)	14 900 596	(10 214 101)	-	-	(10 214 101)	(4 061 997)	-	6 152 104	40 %	16 %
Other expenditure	(147 893 959)	10 835 076	(137 058 883)	-	-	(137 058 883)	(132 519 298)	-	4 539 585	97 %	90 %
Total expenditure	**(348 898 469)**	**25 656 156**	**(323 242 313)**	-	-	**(323 242 313)**	**(296 087 792)**	-	**27 154 521**	**92 %**	**85 %**
Surplus/(Deficit)	**93 014 220**	**21 563 523**	**114 577 743**	-		**114 577 743**	**155 460 436**		**40 882 693**	**136 %**	**167 %**
Taxation	28 466 000	4 997 303	33 463 303	-		33 463 303	59 622 032		26 158 729	178 %	209 %
Surplus/(Deficit) for the year	**64 548 220**	**16 566 220**	**81 114 440**	-		**81 114 440**	**95 838 404**		**14 723 964**	**118 %**	**148 %**
Capital expenditure and funds sources											
Total capital expenditure	52 899 650	(37 544 000)	15 355 650	-		15 355 650	13 442 320		(1 913 330)	88 %	25 %

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

2018

Management considers a variance of 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 have ensured positive bank balances and additional interest income.

Other own revenue - no material difference to report. Turnover increased marginally by 0.9% (excluding the amount of R7311 related to gain on disposal of assets) to adjustment budget mainly as a result of a decline in tonnage. Volume decreased by 9.81% on budget.

Expenditure
Employee costs - under budget by 12% due to unfilled vacancies.

Debt impairment - the Rand value of the debt impairment is not material. Collection levels remain high at 100,3% for the year.

Depreciation and asset Impairment - 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. The amount includes the Lease rentals on operating lease of R590 678

Capital expenditure
The budget for the year under review for capital expenditure was R15,4 million and the actual capital expenditure incurred by 30 June 2018 amounted to R13.4 million (excluding finance lease assets from the CoJ) which represents 88% of actual spend. The entity continued to experience delays mainly in its Bid committee processes. During the latter part of the year a CAPEX monitoring and support forum was introduced to enhance CAPEX spending and create early warning systems.

Accounting Policies

1. Presentation of Financial Statements

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

In preparing the 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 judgements 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 judgements 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 judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market 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.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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 13 - Provisions.

Employee benefit obligation

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers market yields at the 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 7.

Effective interest rate

The entity uses an appropriate interest rate taking into account guidance provided in the accounting standards and applying professional judgements, 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 receivable's 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 tangible 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 the previously estimated useful lives and decrease the depreciation charge where the useful lives are more than the previously estimated useful lives.

The carrying amounts of the assets are disclosed under notes 3 and 4.

Accounting Policies

1.3 Investment property

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

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

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 financial statements (see note).

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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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 - 17 years
Furniture and fixtures	Straight line	7 - 15 years
Motor vehicles	Straight line	8 - 10 years
Office equipment	Straight line	7 - 13 years
IT equipment	Straight line	5 - 12 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.

Accounting Policies

1.4 Property, plant and equipment (continued)

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 21).

The entity discloses relevant information relating to capital work in progress in the notes to the financial statements (see note 3).

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	Depreciation method	Average useful life

Accounting Policies

1.5 Intangible assets (continued)

Computer software, other	Straight line	3 - 7 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 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Loans to shareholder	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease	loans from shareholder
Loans from shareholder	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial instrument when the entity becomes a party to the contractual provisions of the instrument.

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.

Initial and subsequent measurement

Financial instruments are initially measured 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.

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

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

1.6 Financial instruments (continued)

Financial assets and financial liabilities

Loans to (from) economic entity

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

Loans to economic entity are classified as part of loans and receivables.

Loans from economic entity are classified as part of financial liabilities measured at amortised cost.

Receivables from exchange transactions

Trade receivables are initially measured at fair value, subsequently measured at amortised cost using the effective interest rate method. Appropriate allowance for estimated recoverable 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 payment (more than 30 days past due) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the assets carrying amount and the present value of estimated future cashflows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance asset, 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.

Fair value measurement considerations

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 and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the 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 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.

Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) where:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party.

  Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the 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 pay. Where continuing involvement takes the form of a written and/or purchased option (including cash-settled option or similar provision) on an asset, the extent of the entity's continuing involvement is the amount of the transferred asset that 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 recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

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.

1.7 Tax (continued)

Tax expenses

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

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

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

1.8 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.

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

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

Operating leases - lessee

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

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

Any contingent rent is expensed in the period in which it is incurred.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

A cash-generating unit is the smallest identifiable group of assets used 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.

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

Value in use

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

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

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.

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

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 used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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.

Accounting Policies

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

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 assets fair value less cost to sell and its value in use.

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

Value in use

Value in use of 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 current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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

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.

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

Reversal of an impairment loss

The entity assesses 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 / contributed 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.

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.

1.12 Employee benefits (continued)

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.

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.

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

Accounting Policies

1.13 Provisions and contingencies (continued)

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 28.

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-cancellable or only cancellable 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.

1.15 Revenue from exchange transactions

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions 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.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

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.

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.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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

1.18 Investment income

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

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.

1.22 Fruitless and wasteful expenditure (continued)

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 economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Value-added tax (VAT)

The entity is registered with the South African Revenue Services (SARS) for VAT on the invoice 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 financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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:

- 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.

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.

Accounting Policies

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 20 - Related Parties
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 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 Financial Statements

Figures in Rand	2018	2017

2. INVESTMENT PROPERTY

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	811 061	(411 045)	400 016	811 061	(388 226)	422 835

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	422 835	(22 819)	400 016

Reconciliation of investment property - 2018

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

Notes to the Financial Statements

Figures in Rand	2018	2017

2. INVESTMENT PROPERTY (continued)

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 properties:

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 R1,451,429 (2017: R1,351,166).

Expenditure relating to repairs and maintenance incurred during the year on investment property amounted to RNil (2017:RNil).

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

During the year no assets were pledged for security.

Notes to the Financial Statements

Figures in Rand

3. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 639 000	-	17 639 000	17 639 000	-	17 639 000
Buildings	358 937 922	(120 806 201)	238 131 721	356 713 569	(108 914 884)	247 798 685
Plant and machinery	63 234 606	(20 698 076)	42 536 530	62 784 776	(15 678 327)	47 106 449
Furniture and fixtures	4 262 207	(3 090 991)	1 171 216	4 144 531	(2 787 418)	1 357 113
Motor vehicles	1 816 783	(1 363 257)	453 526	1 635 783	(1 195 733)	440 050
Office equipment	1 817 073	(935 691)	881 382	1 647 248	(887 885)	759 363
IT equipment	22 919 169	(13 771 664)	9 147 505	27 456 607	(15 458 328)	11 998 279
Capital work in progress	27 558 260	-	27 558 260	22 343 941	-	22 343 941
Finance lease assets	783 873	(325 362)	458 511	3 337 934	(3 149 454)	188 480
Total	**498 968 893**	**(160 991 242)**	**337 977 651**	**497 703 389**	**(148 072 029)**	**349 631 360**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 639 000	-	-	-	-	17 639 000
Buildings	247 798 685	633 822	-	1 590 529	(11 891 315)	238 131 721
Plant and machinery	47 106 449	449 831	-	-	(5 019 750)	42 536 530
Furniture and fixtures	1 357 113	117 676	-	-	(303 573)	1 171 216
Motor vehicles	440 050	181 000	-	-	(167 524)	453 526
Office equipment	759 363	279 007	-	-	(156 988)	881 382
IT equipment	11 998 279	274 090	7 311	-	(3 132 175)	9 147 505
Capital work in progress	22 343 941	6 804 848	-	(1 590 529)	-	27 558 260
Finance lease assets	188 480	783 873	-	-	(513 842)	458 511
	349 631 360	**9 524 147**	**7 311**	**-**	**(21 185 167)**	**337 977 651**

Notes to the Financial Statements

Figures in Rand

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2018

	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**

Assets subject to finance lease (Net carrying amount)

Finance lease assets	458 511	188 480

Refer to Note 12 for the liability relating to the finance lease assets. Other than that no assets were pledged for security.

Notes to the Financial Statements

Figures in Rand	2018	2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

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 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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected	2018	2017
Sweating of assets (New strategic direction regarding land development.)	1 264 450	1 264 450
Generator (Entity unable to commission generators acquired in 2008)	4 915 165	4 915 165
	6 179 615	**6 179 615**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Other PPE	Total
Buildings	19 796 705	-	19 796 705
Plant and machinery	-	9 352 084	9 352 084
Transferred to completed items	(1 590 529)	-	(1 590 529)
	18 206 176	**9 352 084**	**27 558 260**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Other PPE	Total
Buildings	12 991 858	-	12 991 858
Plant and machinery	-	9 352 084	9 352 084
	12 991 858	**9 352 084**	**22 343 942**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2018	2017
Expenditure on property plant and equipment in aggregate	19 662 074	24 905 048

Figures in Rand	2018	2017

4. INTANGIBLE ASSETS

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	14 896 826	(5 657 119)	9 239 707	10 487 563	(3 719 128)	6 768 435

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	6 768 435	4 702 046	(2 230 774)	9 239 707

Reconciliation of intangible assets - 2018

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

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.

5. LOANS TO/(FROM) SHAREHOLDER

	2018	2017
City of Johannesburg Metropolitan Municipality - Capital expenditure loans	(28 907 780)	(43 326 526)
Sweeping account	153 606 150	81 618 304
	124 698 370	**38 291 778**

	2018	2017
Current assets	153 606 150	81 618 304
Non-current liabilities	(18 499 143)	(28 179 746)
Current liabilities	(10 408 637)	(15 146 780)
	124 698 370	**38 291 778**

Credit quality of loans to shareholders

The credit quality of loans to shareholders that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Fair value of loans to and from shareholders

	2018	2017
Loans to shareholder	153 606 150	81 618 304
Loans from shareholders	28 907 780	43 326 526

Loans to shareholders past due but not impaired

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

	2018	2017
1 month past due	28 907 780	43 326 526

Figures in Rand	2018	2017

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

Capex loans

Loans at beginning of the year	(43 326 526)	(64 942 204)
Repayments	18 177 283	27 311 771
Interest	(3 758 537)	(5 696 093)
	(28 907 780)	**(43 326 526)**

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	81 618 304	59 680 583
Receipts	79 902 835	41 012 162
Repayments	(18 177 283)	(27 311 771)
Interest	10 262 294	8 237 330
	153 606 150	**81 618 304**

The sweeping account loan is unsecured and bears interest at an average rate of 7.14% 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.

6. DEFERRED TAX

Deferred tax liability

Property, plant and equipment	(15 588 155)	(15 168 050)
Trade and other receivables	(34 726)	(185 054)
Leases	(128 382)	39 748
Total deferred tax liability	**(15 751 263)**	**(15 313 356)**

Deferred tax asset

Trade and other receivables	2 411 445	2 400 434
Health care and leases deferred tax asset	817 075	913 296
Trade and other payables and provisions	2 847 815	3 815 514
Total deferred tax asset	**6 076 335**	**7 129 244**

Deferred tax liability	(15 751 263)	(15 313 356)
Deferred tax asset	6 076 335	7 129 244
Total net deferred tax liability	**(9 674 928)**	**(8 184 112)**

Reconciliation of deferred tax asset \ (liability)

At beginning of year	(8 184 112)	9 733 130
Movement in temporary timing differences	(1 490 816)	(17 917 242)
	(9 674 928)	**(8 184 112)**

Recognition of deferred tax asset

The entity is confident that there will be sufficient taxable profit in the foreseeable future against which the deferred tax asset will be utilised.

7. EMPLOYEE BENEFIT OBLIGATIONS

7.1 Defined benefit plan

The actuarial valuations were done by ZAQ Consultants and Actuaries, 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.

	2018	2017
Post-retirement liability		
Post-Retirement Medical Aid Plan	(954 000)	(903 412)
Retirement Gratuity Plan	(1 828 000)	(2 115 833)
	(2 782 000)	**(3 019 245)**

7.1.1 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

	2018	2017
Opening balance	903 412	934 610
Net expense/(surplus) recognised in the statement of financial performance	50 588	(31 198)
	954 000	**903 412**

Net expense/(surplus) recognised in the statement of financial performance

	2018	2017
Interest cost	74 964	79 340
Actuarial (gains) losses	34 624	(52 243)
Curtailment or settlement	(59 000)	(58 295)
	50 588	**(31 198)**

Key assumptions used

Assumptions used on last valuation on 30 June 2017.

	2018	2017
Discount rates used	9.37 %	8.56 %
Expected increase in salaries	7.36 %	6.37 %

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 increase the liability to R1,063,000.
- 1% decrease in discount rate will decrease the liability to R861,000.

	2018	2017	2016	2015	2014
Post retirement medical aid plan	954 000	903 412	934 610	298 761	594 000

Figures in Rand	2018	2017

7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

7.1.2 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 9 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

	2018	2017
Opening balance	2 115 833	2 420 554
Net expense/(surplus) recognised in the statement of financial performance	(287 833)	(304 721)
	1 828 000	**2 115 833**

Net expense/(surplus) recognised in the statement of financial performance

	2018	2017
Interest cost	146 241	193 695
Actuarial (gains) losses	(34 074)	(136 475)
Curtailment or settlement	(400 000)	(361 941)
	(287 833)	**(304 721)**

Key assumptions used

Assumptions used on last valuation on 30 June 2017.

	2018	2017
Discount rates used	9.37 %	8.56 %
Expected increase in salaries	7.36 %	6.37 %

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 increase the liability to R1,911,000.
- 1% decrease in discount rate will decrease the liability to R1,751,000.

	2018	2017	2016	2015	2014
Present value of post retirement gratuity plan	1 828 000	2 115 833	2 420 554	2 470 611	2 597 000

7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

7.2 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 R10,121,454 (2017: R12,699,633).

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.

Notes to the Financial Statements

Figures in Rand	2018	2017

8. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2018	2017
Trade receivables	37 053 326	35 208 492
Less : Provisions for impairment	(11 483 073)	(11 430 636)
Sundry receivable	10 317 060	8 996 093
Prepayments	380 811	430 226
Operating lease receivables	18 149	153 812
Related party debtors	3 199 684	902 636
	39 485 957	**34 260 623**

Fair value of trade and other receivables

	2018	2017
Trade and other receivables	37 036 492	34 260 623

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 2018, 19 835 064 (2017: 18 363 401) were past due but not impaired.

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

	2018	2017
1 month past due	16 177 527	16 055 987
2 months past due	1 371 269	1 186 370
3 months past due	2 286 268	1 121 044

Trade and other receivables impaired

As of 30 June 2018, trade and other receivables of 11 483 073 (2017: 11 430 636) were impaired and provided for.

The ageing of these loans is as follows:

	2018	2017
3 to 6 months	204 285	660 188
Over 6 months	11 273 685	10 770 448

Reconciliation of provision for impairment of trade and other receivables

	2018	2017
Opening balance	(11 430 636)	(10 238 094)
Provision for impairment	(388 747)	(1 332 474)
Unused amounts reversed	336 310	139 932
	(11 483 073)	**(11 430 636)**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 20). 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 loan mentioned above. The entity does not hold any collateral as security.

9. VAT RECEIVABLE

	2018	2017
VAT	2 909 900	3 866 593

Notes to the Financial Statements

Figures in Rand	2018	2017

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	15 000	12 000
Bank balances	201 191 750	124 010 152
	201 206 750	**124 022 152**

The entity had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
First National Bank - Business account - 620-124-71257	-	1	-	-
First National Bank - Deposit account - 513-909-61353	-	1 119 113	-	1 119 113
Standard Bank - Deposit account - 000-197-033	181 818 508	117 365 967	198 749 423	122 129 270
Standard Bank - RD cheque account - 000-196-991	491 812	539 548	491 812	539 548
Standard Bank - Business account - 000-196-916	-	-	-	128 791
Standard Bank - Salary account - 000-196-924	1 950 515	94 180	1 950 515	93 430
Standard Bank - Charges account - 000-196-878	1	-	-	-
Standard Bank - Trust account - 000-197-025	1	-	-	-
Total	**184 260 837**	**119 118 809**	**201 191 750**	**124 010 152**

Standard Bank is the entity's official banker. First National Bank accounts have been closed, effective from 24th November 2017, the balance was transferred to the Standard Bank deposit account.

11. SHARE CAPITAL / CONTRIBUTED CAPITAL

	2018	2017
Authorised		
1 000 000 Ordinary shares of R0.01	10 000	10 000
Issued		
1 Ordinary share rounded up to R1	1	1
Share premium	19 999 999	19 999 999
	20 000 000	**20 000 000**

12. FINANCE LEASE OBLIGATION

	2018	2017
Minimum lease payments due		
- within one year	(137 830)	(245 562)
	(137 830)	(245 562)
less: future finance charges	1 704	3 036
Present value of minimum lease payments	**(136 126)**	**(242 526)**
Present value of minimum lease payments due		
- within one year	136 126	242 526

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

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2017: 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 3.

Notes to the Financial Statements

Figures in Rand	2018	2017

13. PROVISIONS

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	3 054 108	1 194 812	(1 755 801)	(2 493 119)	-

Reconciliation of provisions - 2018

	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

The entity resolved that no performance bonuses would be paid for the year under review. The decision will be reconsidered once the performance management system is implemented during the 2018/19 financial year.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

	2018	2017
Trade payables	98 495 464	71 510 247
Related party creditor	36 670 003	11 071 622
Payroll and sundry accruals	8 462 541	11 165 339
Accrued leave pay	6 737 421	7 248 986
Accrued staff 13th cheques	3 433 348	3 323 741
Accruals	1 234 484	1 236 605
	155 033 261	**105 556 540**

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

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

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

Fair value of trade and other payables

Trade payables	152 846 743	105 556 540

Notes to the Financial Statements

Figures in Rand	2018	2017

15. REVENUE

Commission	367 793 837	342 537 521
Storage	7 180 719	7 348 058
Rental of facilities and equipment	47 991 889	42 483 014
Banana ripening fees	3 669 889	1 771 211
Cash handling fees	1 224 960	1 190 734
Banana ripening fees	2 000	6 600
Sundry revenue	1 434 850	1 544 299
Cash handling fees	3 215 574	2 882 284
Interest received	19 027 199	15 320 780
Fair value adjustments	-	146 011
	451 540 917	**415 230 512**

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

Commission	367 793 837	342 537 521
Storage	7 180 719	7 348 058
Interest received	47 991 889	42 483 014
Banana ripening fees	3 669 889	1 771 211
Cash handling fees	1 224 960	1 190 734
Banana ripening fees	2 000	6 600
Sundry revenue	1 434 850	1 544 299
Cash handling fees	3 215 574	2 882 284
Interest received	19 027 199	15 320 780
	451 540 917	**415 084 501**

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

Fair value adjustments	-	146 011

16. INVESTMENT REVENUE

Interest revenue

Bank	8 666 277	6 940 908
Interest earned - outstanding debtors	98 628	142 542
Interest earned - sweeping account	10 262 294	8 237 330
	19 027 199	**15 320 780**

17. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	102 887 108	101 956 738
Provident fund	10 121 454	8 899 393
Other payroll costs	6 885 921	6 582 973
Bonus - 13th cheque and performance	4 824 267	5 547 665
Pension costs	4 245 914	4 420 253
Leave pay provision charge	2 445 850	3 013 361
Overtime payments	1 347 216	1 204 542
SDL	1 191 233	1 119 732
WCA	1 119 082	993 823
UIF	577 600	566 775
Gratuities	366 213	245 281
	136 011 858	**134 550 536**

Notes to the Financial Statements

Figures in Rand	2018	2017

18. DEPRECIATION AND AMORTISATION

Property, plant and equipment	21 185 166	19 677 154
Investment property	22 819	22 819
Intangible assets	2 230 774	1 952 766
	23 438 759	**21 652 739**

19. FINANCE COSTS

Interest paid on shareholder loans	3 758 537	5 696 093
Finance leases	44 438	99 790
Bank	32 344	61 341
Other interest paid	226 678	272 675
	4 061 997	**6 129 899**

20. DEBT IMPAIRMENT

Debt impairment	6 096	79
Contributions to/(reversals of) debt impairment provision	49 784	1 192 541
	55 880	**1 192 620**

21. GENERAL EXPENSES

Advertising	1 770 115	3 633 470
Assets expensed	121 429	37 720
Auditors remuneration	2 600 520	2 453 433
Bank charges	5 900 490	6 089 483
Cleaning	5 935 655	5 908 804
Conferences and seminars	244 108	122 300
Consulting and professional fees	5 464 376	5 993 049
Consumables	964 494	369 977
Donations	668 964	944 340
Electricity	33 693 623	31 447 832
Entertainment	-	12 210
Gifts	56 948	24 697
Hostel charges	-	7 202
Insurance	1 063 126	1 317 124
IT expenses	5 711 138	4 326 193
Marketing	1 866 500	2 618 700
Motor vehicle expenses	1 863 744	2 128 485
Placement fees	535 751	368 779
Postage and courier	455	-
Printing and stationery	2 039 847	2 206 879
Protective clothing	1 382 383	130 820
Refuse	15 164 355	13 103 656
Repairs and maintenance	19 978 040	26 513 243
Secretarial fees	94 798	39 800
Security (Guarding of municipal property)	17 957 834	17 775 397
Sewerage and waste disposal	553 198	993 110
Staff welfare	1 077 496	1 537 642
Subscriptions and membership fees	193 744	237 494
Telephone and fax	1 055 914	826 288
Training	2 346 776	1 730 037
Travel - local	474 941	869 620
Water	1 147 858	1 238 838
	131 928 620	**135 006 622**

Figures in Rand	2018	2017

22. AUDITORS' REMUNERATION

Fees	2 600 520	2 453 433

23. TAXATION

Major components of the tax expense

Current		
Local income tax - current period	41 215 157	26 598 433
Local income tax - recognised in current tax for prior periods	(1 028 777)	(2 519 882)
	40 186 380	**24 078 551**
Deferred		
Originating and reversing temporary differences	19 435 652	17 917 242
	59 622 032	**41 995 793**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %
Disallowable charges	1.49 %	2.00 %
Current tax - prior period adjustment	(0.67)%	(2.50)%
Deferred tax - prior year adjustment	9.55 %	15.18 %
	38.37 %	**42.68 %**

24. CASH GENERATED FROM OPERATIONS

Surplus	95 838 404	56 394 189
Adjustments for:		
Depreciation and amortisation	23 438 759	21 652 739
(Gain) loss on sale of assets and liabilities	(7 311)	17 846 350
Finance costs - Finance leases	44 438	99 790
Debt impairment	55 880	1 192 620
Movements in retirement benefit assets and liabilities	(237 245)	(335 919)
Movements in provisions	(3 054 108)	(1 602 310)
Movement in tax receivable and payable	15 246 388	(8 043 085)
Other non-cash items - deferred tax prior period	19 435 652	17 917 242
Other non-cash items - payables capital expenditure accrued	-	(3 920 907)
Deferred tax error	(17 944 835)	-
Reclassification of creditors with debit balances water and sanitation	(2 449 465)	-
Changes in working capital:		
Receivables from exchange transactions	(2 831 749)	3 821 423
Payables from exchange transactions	49 476 721	(12 758 880)
VAT	956 693	209 209
	177 968 222	**92 472 461**

25. TAX PAID

Balance at beginning of the year	7 141 392	(901 693)
Current tax for the year recognised in surplus or deficit	(40 186 380)	(24 078 551)
Balance at end of the year	8 104 996	(7 141 392)
	(24 939 992)	**(32 121 636)**

Notes to the Financial Statements

Figures in Rand	2018	2017

26. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Loans to shareholders	153 606 150	153 606 150
Trade and other receivables from exchange transactions	37 036 492	37 036 492
Cash and cash equivalents	201 206 750	201 206 750
	391 849 392	**391 849 392**

Financial liabilities

	At amortised cost	Total
Loans from shareholders	28 907 780	28 907 780
Trade and other payables from exchange transactions	152 846 743	152 846 743
	181 754 523	**181 754 523**

2018

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
Other financial liabilities	242 526	242 526
Trade and other payables from exchange transactions	105 556 540	105 556 540
	149 125 592	**149 125 592**

Notes to the Financial Statements

Figures in Rand	2018	2017

27. COMMITMENTS

Authorised capital expenditure

Authorised and contracted for		
• Property, plant and equipment	30 447 018	30 929 685
Total capital commitments		
Contracted for and authorised by directors	30 447 018	30 929 685

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

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	447 171	2 229 432
- in second to fifth year inclusive	-	447 171
	447 171	**2 676 603**

28. CONTINGENCIES

Other contingencies

The total estimated claims amount to R30,917,732, excluding legal costs, which is in respect of disputes with suppliers, the entity is of the view that this represents the maximum exposure. Details of the three (3) disputes are as follows:

Dispute with service provider - R7 717 732

Dispute with service provider - R200 000

Dispute with service provider - R23 000 000

The directors are of the opinion that the cases can be successfully defended by the entity.

Disputes with employees

The entity is involved in nine (9) litigious matters with employees and former employees. Five (5) of the matters are currently lodged with the CCMA and four (4) of the matters are currently lodged with the labour court. The directors are of the opinion that the cases can be successfully defended by the entity.

Contingent assets

Subsequent to the disciplinary hearing in respect of the irregular expenditure referred to in Note 35, civil proceedings will commence against the employee concerned to recover an amount of R 1 870 107. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

Notes to the Financial Statements

Figures in Rand	2018	2017

29. RELATED PARTIES

Relationships	
Directors	Refer to directors' report note 30
Shareholder	The City of Johannesburg Metropolitan Municipality
Controlled entities	Pikitup Johannesburg (SOC) Ltd
	Joburg Theatre (SOC) Ltd
	Johannesburg Water (SOC) Ltd
	City Power Johannesburg (SOC) Ltd
	Johannesburg City Parks/Zoo (SOC) Ltd
	Johannesburg Metro Trading Company

Related party balances

	2018	2017
Amounts owing by related parties		
City of Johannesburg Metropolitan Municipality	154 308 978	82 174 631
Pikitup Johannesburg (SOC) Ltd	-	189 160
City of Joburg Property Company (SOC) Ltd	-	160 547
The Johannesburg City Parks and Zoo NPC	47 390	-
Amounts owing to related parties		
City of Johannesburg Metropolitan Municipality	65 674 150	59 171 218
Johannesburg Metro Trading Company	10 523	-

Related party transactions

	2018	2017
Sales to related parties		
City of Johannesburg Metropolitan Municipality	947 889	4 345 878
Pikitup Johannesburg (SOC) Ltd	27 870	189 160
Johannesburg City Parks/Zoo (SOC) Ltd	321 135	7 150
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	1 730 443	1 522 750
Johannesburg Metro Trading Company	108 275	-
Joburg Theatre (SOC) Ltd	44 265	12 847
Pikitup Johannesburg (SOC) Ltd	15 141 505	12 061 041
Johannesburg Water (SOC) Ltd	1 679 106	2 231 948
City Power Johannesburg (SOC) Ltd	33 693 623	31 447 835
Interest paid to related parties		
City of Johannesburg Metropolitan Municipality (loans)	3 758 537	5 696 093
City of Johannesburg Metropolitan Municipality	-	87 535
Interest received from related parties		
City of Johannesburg Metropolitan Municipality	10 262 294	8 237 330

29. RELATED PARTIES (continued)

Remuneration of management

Executive management

2018

Name	Basic salary	Bonuses and performance related payments	Other benefits received	Total
Chief Executive Officer	1 415 141	-	407 354	1 822 495
Chief Executive Officer (Acting)	212 443	-	88 989	301 432
Chief Financial Officer	749 658	-	127 230	876 888
Chief Financial Officer (Acting)	554 525	-	246 926	801 451
Executice : Core Operations	1 649 673	148 734	214 829	2 013 236
Executive : Shared Services	217 387	72 917	184 842	475 146
Executive : Agr-Business	1 316 866	114 075	395 522	1 826 463
Executive : Strategy & Transformation	954 992	116 795	468 961	1 540 748
Executive : Strategy & Transformation (Acting)	471 169	117 770	180 124	769 063
Company Secretary	678 644	79 986	265 547	1 024 177
Company Secretary (Acting)	434 677	42 619	261 764	739 060
	8 655 175	**692 896**	**2 842 088**	**12 190 159**

2017

Name	Basic salary	Bonuses and performance related payments	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
Executive: Core Operations	1 035 556	69 843	300 831	1 406 230
Executive : Shared Services	1 207 913	-	525 281	1 733 194
Executive : Agri-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**

30. DIRECTORS' EMOLUMENTS

Executive

2018

	Emoluments	Other benefits	Total
Mr A Kanana (Chief Executive Officer)	1 415 141	407 354	1 822 495
Mr S Dlamini (Chief Financial Officer)	749 658	127 230	876 888
	2 164 799	**534 584**	**2 699 383**

Non-executive

2018

	Directors' fees	Other fees	Total
Ms D Dondur (Chairperson)	536 168	-	536 168
Mr M Makopo	137 403	-	137 403
Mr J Mocke	424 211	34 924	459 135
Dr P Naidoo	210 752	-	210 752
Mr S Ndlovu	186 588	220	186 808
Mr L Nengovhela	362 130	-	362 130
Mr H Raborifi	27 209	-	27 209
Ms A Ramakoaba	132 504	-	132 504
	2 016 965	**35 144**	**2 052 109**

2017

	Directors' fees	Total
Ms D Dondur (Chairperson)	288 000	288 000
Mr H Raborifi	87 709	87 709
Ms S Childs	140 934	140 934
Ms A Ramakoaba	72 000	72 000
Mr S Mafadza	185 768	185 768
Mr 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 K Shubane(Chairperson)	97 348	97 348
Mr S Ndlovo	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 T Tselane	91 156	91 156
	1 941 856	**1 941 856**

31. CHANGE IN ESTIMATE

Property, plant and equipment

The useful lives of the following assets were revised during the year:

Furniture and fitting - 16 years (2017: 14 years)

Computer equipment - 12 years (2017: 11 years)

Plant and machinery - 17 years (2017: 15 years)

Office equipment - 13 years (2017: 12 years)

Software - 7 years (2017: 5 years)

The cumulative effect of the increase in useful lives has resulted in a decrease of the depreciation charges for the current and future periods by R75 128

32. PRIOR-YEAR ADJUSTMENTS

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

Statement of financial position

2018

	As previously reported	Correction of error	Correction of 2016 Error	Restated
Payables from exchange transactions	(104 447 777)	(1 108 763)	-	(105 556 540)
Tax	5 442 357	1 699 035	-	7 141 392
Deferred Tax	9 760 724	(17 944 836)	-	(8 184 112)
Accumated surplus	(441 703 201)	17 875 313	(520 749)	(424 348 637)
	(530 947 897)	**520 749**	**(520 749)**	**(530 947 897)**

Statement of financial performance

2018

	As previously reported	Correction of error	Restated
Refuse	12 435 675	667 980	13 103 655
Insurance	355 592	961 532	1 317 124
Tax	28 297 468	(1 699 035)	26 598 433
Deferred tax	(27 594)	17 944 836	17 917 242
Surplus for the year	**41 061 141**	**17 875 313**	**58 936 454**

Errors

Refuse invoice was paid in the current that related to a prior year service.

Insurance costs paid in the current year was for the period ending June 2017 and required prior period adjustment.

Overseas travel expense which was incorrectly accrued for during the 2016 financial year was discovered in the current year.

An error in the calculation of deferred tax in the prior years was identified and corrected during the current year. The error was as a result of not claiming the wear and tear allowances on non-current assets as per the income tax.

32. PRIOR-YEAR ADJUSTMENTS (continued)

A deviation related to South African International Trade Exhibition services was inadvertently not disclosed during the prior period. The deviations note has since been ammended to include the deviation under exceptional cases in the peior period. The disclosure amount does not affect the statement of financial performance or the statement of financial position.

Error 1

In the prior period the entity had awarded certain contracts to persons who are spouses of members in the service of the state. These declarations should have been disclosed in line with regulation 45 of the Municipal Supply Chain Regulations but were not:

Name: Klaas Skosana

Capacity: Deputy Director - The department of Trade and Industry

Award amount: R45 000

Name: Zirk Joubert

Capacity: Chief Director - The department of Higher Education

Award amount: R200 000

33. 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's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the directors. Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity's operating units. The directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	10 408 637	14 292 854	4 206 288	-
Payables from exchange transactions	152 846 743	-	-	-
Finance Lease	136 126	-	-	-

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	105 556 540	-	-	-
Finance Lease	242 526	-	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2018	2017
Cash and cash equivalents	201 206 750	124 022 152
Receivables from exchange transactions	37 036 491	34 260 623
Loans to shareholder	153 606 150	81 618 304

34. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	26 195 891	18 971 533
Identified in current year but incurred in the prior year	205 025	7 224 358
	26 400 916	**26 195 891**

2018 : Re-instatement costs for an employee.

Notes to the Financial Statements

Figures in Rand	2018	2017

34. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

No disciplinary steps or criminal proceedings have been undertaken, the matter is currently under investigation.

2017 : Settlement costs for re-instated employees and associated legal costs R 7,097,558. Event cancellation R126,800

Disciplinary steps or criminal proceedings have been undertaken, the matter is currently under investigation.

35. IRREGULAR EXPENDITURE

	2018	2017
Opening balance	61 283 636	26 280 763
Add: Irregular Expenditure - Outside of Joburg Market's control	19 298 172	3 326 008
Add:Irregular expenditure - Within Joburg Market's control	674 144	31 676 865
	81 255 952	**61 283 636**

Details of irregular expenditure – current year

CCTV rental	The contract was extended whilst the entity awaits the organisational decision of Metro Trading Company	7 049 640
Rental and maintenance of photocopying machines	The contract was extended whilst the entity awaits the finalisation of the group procurement contracts	897 206
Security	The contract was extended whilst the entity awaits the insourcing of security services by the City of Johannesburg	10 832 271
Travelling	The amount spent was above R200 000 the entity should have followed a open tender process	361 568
Avis car rental	The contract expired, however there was a need to use the vehicles. The extension of the contract was done by CoJ which allowed the entities to continue to rent the Avis cars for transportation purposes.	349 045
Eqstra equipments rental	The contract expired, however there was a need to use the vehicles. The extension of the contract was done by CoJ which allowed the entities to continue to rent the Eqstra forklifts.	170 010
Strauss Daly Attorneys	The deviation was caused by the variation on the appointment which went above the threshold of R 200 000.00. This is because the service provider was charging on an hourly basis and the process was not completed when the budget was depleted. Therefore it would have been impractical to source another service provider.	312 576
		19 972 316

Figures in Rand	2018	2017

36. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Audit fees

Current year audit fee	2 600 520	2 453 433
Amount paid - previous years	(2 600 520)	(2 453 433)
	-	-

PAYE and UIF

Current year expense	23 481 793	24 739 010
Amount paid - current year	(21 608 385)	(24 739 010)
	1 873 408	-

Pension and Medical Aid Deductions

Current year expense	13 514 085	9 266 409
Amount paid - current year	(13 514 085)	(9 266 409)
	-	-

VAT

VAT receivable	2 909 900	3 866 593

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

37. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

Deviations authorised by the Accounting Officer	2018	2017
Sole supplier	-	1 050 541
Exceptional Case	-	164 355
Extension of contracts	-	4 169 165
Emergency procurement	537 478	4 881 301
	537 478	**10 265 362**

Details regarding the deviation is as follow

Emergency procurement

V2V Trading (Installation of Transformers at the Gen Farm) -This relates to an urgent replacement of a damaged transformer at Gen farm. This was to avoid loss of revenue.