Board of Directors' Responsibilities and Approval

The Directors are required by the Municipal Finance Management Act, No 56 of 2003 (MFMA) and Companies Act, No 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Directors to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended. The External Auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

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

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

Although the Board of Directors is primarily responsible for the financial affairs of the Company, they are supported by the Company's External Auditors.

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

The Integrated Annual Report as well as the financial statements set out on pages 79 to 108, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 November 2015 and were signed on its behalf by:

Mabizela

Helen Botes
Chief Executive Officer

Andile Mabizela
Chairperson

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

Audit and Risk Committee members and attendance

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

Name of member	Number of meetings attended
Mr T Hickman (Chairperson)	6
Mr N Rau (Non-Executive Director) – retired 03/02/2015	2
Dr N Mabuya (Non-Executive Director) – appointed 03/02/2015	1
Mr V Mokwena (Independent Member)	5
Mr G Mufana (Independent Member)	4
Mr Y Gordhan (Independent Member) – appointed 03/02/2015	1
Ms T Molala (Independent Member) – retired 03/02/2015	5

Audit and Risk Committee responsibility

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

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

The effectiveness of internal control

The system of internal controls applied by the Company over financial and risk management are substantially effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Financial Statements, and the Report of the Auditor-General South Africa, it was noted that no matters were reported (besides the matters highlighted by the Auditor-General) that indicate any material deficiencies in the system of internal control or any deviations therefrom.

Quarterly and Annual Reporting

The Audit and Risk Committee is satisfied with the content and quality of quarterly reports and the Integrated Annual Report prepared and issued by Management of the Company during the year under review. The Audit and Risk Committee recommended the Integrated Annual Report of the Company to the Board for approval.

Evaluation of financial statements

The Audit and Risk Committee has:

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

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

Risk management

The Audit and Risk Committee ensures that the Company has effective policies and plans for risk management. The Committee also:

- oversees the development and annual review of risk management policies and plans;
- monitors implementation of risk management policies and plans;
- recommends to the Board on levels of risk tolerance and appetite;
- ensures risk management is integrated into business operations;
- ensures risk management assessments are conducted on a continuous basis;
- ensures frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks; and
- ensures that Management considers and implements appropriate risk responses.

Finance function

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

Internal Audit

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

Auditor-General of South Africa

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

Thomas Hickman
Chairperson of the Audit and Risk Committee

30 November 2015

Auditor's Report

Report of the Auditor-General to the Gauteng Provincial Legislature and the Council of the City of Johannesburg Metropolitan Municipality on City of Joburg Property Company SOC Ltd.

Report on the financial statements

Introduction

1. I have audited the financial statements of the City of Joburg Property Company SOC Ltd set out on pages 90 to 132, which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement for the year then ended and the statement of comparison of budget and actual amounts, appropriation statement, as well as the notes comprising a summary of significant accounting policies and other explanatory information.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with 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 (No 71 of 2008), 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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, (Act No 25 of 2004)(PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipal entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of Joburg Property Company SOC Ltd as at 30 June 2015 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and the Companies Act.

Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

8. As disclosed in Note 38 to the financial statements, the corresponding figures for 30 June 2014 were restated as a result of errors discovered by Management in the financial statements of the municipal entity during the year ended 30 June 2015.

Additional matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Other reports required by the Companies Act

10. As part of our audit of the financial statements for the year ended 30 June 2015, I have read the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

Report on other legal and regulatory requirements

11. 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 findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2015:
    - Objective 1: Sustainable human settlements on page 137;
    - Objective 3: Financially and administratively sustainable and resilient city on page 137;
    - Objective 4: Transit oriented development – priority areas (corridors/nodes) on page 137; and
    - Objective 5: Investment attraction, retention and expansion on page 137.

13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for Managing Programme Performance Information* (FMPPI).

15. I did not identify material findings on the usefulness and reliability of the reported performance information for the following objectives:
    - Objective 1: Sustainable human settlements;
    - Objective 3: Financially and administratively sustainable and resilient city;
    - Objective 4: Transit-oriented development – priority areas (corridors/nodes); and
    - Objective 5: Investment attraction, retention and expansion.

Auditor's Report continued

Additional matters

16. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

Achievement of planned targets

17. Refer to the annual performance report on pages 52 to 55 for information on the achievement of the planned targets for the year.

Unaudited supplementary schedules

18. The supplementary information set out on pages 133 to 134 does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

19. I performed procedures to obtain evidence that the municipal entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

20. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor-General

Johannesburg
30 November 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Board of Directors' Report

The Directors have pleasure in submitting to the Shareholders their report together with the annual financial statements for the year ended 30 June 2015.

1. Incorporation

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

2. Review of activities

Main business and operations

The Company is a Municipal Entity. The principal activity of the Company is the Property and Facilities Management functions and where appropriate, to provide property services in respect of the City of Johannesburg Metropolitan Municipality and its entities. The Company operates only in South Africa.

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

The net deficit of the Company before taxation was R83 723 431 (2014: deficit R6 663 771), after taxation it was a deficit of R58 933 327 (2014: deficit R9 689 142).

3. Going concern

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

4. Subsequent events

The Directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosure in the annual financial statements.

5. Directors' personal financial interest

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

6. Share capital

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

7. Borrowing limitations

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

8. Non-current assets

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

9. Dividends

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

Board of Directors' Report continued

10. Directors

The Directors of the Company during the year ended 30 June 2015 were as follows:

Name	Nationality	Changes in appointment
Ms HM Botes – Chief Executive Officer	South African	
Mr A Mabizela – Chairperson	South African	
Mr IM Bhamjee – Chief Financial Officer	South African	
Prof AN Nevhutanda	South African	
Mr FD Ntombela	South African	
Mr J Mabaso	South African	Retired – 03/02/2015
Mr T Hickman	South African	
Ms PP Msweli	South African	
Mr MC Kai	South African	Appointed – 03/02/2015
Mr MJ Rabodila	South African	
Dr N Mabuya	South African	Appointed – 03/02/2015
Mr MM Morojele	South African	
Mr N Rau	South African	Retired – 03/02/2015

11. Company Secretary

Verusha Morgan is the Company Secretary.

Business address	33 Hoofd Street Forum II Braam Park Braamfontein 2000
Postal address	PO Box 31565 Braamfontein 2017

12. Corporate governance

12.1 General

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

The City of Joburg Property Company confirms and acknowledges its responsibility to comply with the Code of Governance Principles (the Code) as laid out in the King Report on Corporate Governance for South Africa 2009 (King III Report). The Board of Directors discusses the responsibilities of Management in this respect at Board meetings and monitors the Company's compliance with the code on a yearly basis.

12.2 Board of Directors

The Board

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

- is of a unitary structure comprising:
  - 9 Non-Executive Directors, all of whom are independent (as defined by the Code); and
  - 2 Executive Directors.

12.3 Chairperson and the Chief Executive Officer

The Chairperson is a Non-Executive and Independent Director (as defined by the Code).

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

12.4 Remuneration

The upper limits of the remuneration of the Senior Managers, including the Chief Executive Officer, are determined by the Shareholders and ratified by the Board of Directors. The Human Resources and Remuneration Committee (REMCO) advises the Board on Human Resource policies, remuneration and other conditions. The members of the REMCO sub-committee are Mr MJ Rabodila (Chairperson), Prof AN Nevhutanda, Mr FD Ntombela and Dr N Mabuya. Mr N Rau served on the committee prior to his retirement by the shareholders on 3 February 2015.

12.5 Board of Directors' meetings

The Board of Directors is required to meet a minimum of four times per annum. During the current financial year the Board of Directors of JPC met on 11 separate occasions.

Non-Executive Directors have access to all members of Management of the Company.

Name	Board	Audit and Risk Committee	Transformation Committee	Transaction Committee	Remuneration and HR Committee	Social and Ethics Committee
Mr A Mabizela (Chairperson)	11					
Mr J Mabaso (retired 03/02/2015)	9		1	2		2
Mr FD Ntombela	11		2	4	6	
Mr MJ Rabodila	10		2	3	6	
Prof AN Nevhutanda	9			3	5	
Mr T Hickman	9	6	1	1		1
Mr N Rau (retired 03/02/2015)	3	2			3	2
Ms PP Msweli	11		2	3		
Mr MM Morojele	9			2		3
Mr MC Kai	2					1
Dr N Mabuya	2	1		1	1	1
Total number of meetings held	**11**	**6**	**2**	**4**	**6**	**3**

12.6 Audit and Risk Committee

The Audit and Risk Committee has two Non-Executive Directors, Mr T Hickman (Chairperson) and Dr N Mabuya (appointed 3 February 2015). The Audit and Risk Committee of JPC met six times during the 2015 financial year to review matters necessary to fulfil its role.

In terms of section 166 of the MFMA, City of Johannesburg, as a parent municipality, must appoint members of the Audit and Risk Committee. Notwithstanding that Non-Executive Directors appointed by the parent municipality constituted the Municipal Entity's (ME) Audit and Risk

Board of Directors' Report continued

Committees, National Treasury policy requires that parent municipalities should appoint further members of the ME Audit and Risk Committees who are not directors of the ME onto the Audit and Risk Committee and these independent members are Ms T Molala (retired 3 February 2015), Mr V Mokwena, Mr G Mufana and Mr Y Gordhan (appointed 3 February 2015). The Audit and Risk Committee has fulfilled its responsibilities as provided for in section 166 of the MFMA.

12.7 Social and Ethics Committee

The Social and Ethics Committee is a committee consisting of the following four members: Mr MM Morojele (Chairperson), Mr T Hickman, Dr N Mabuya (appointed 3 February 2015) and Mr MC Kai (appointed 3 February 2015). Mr N Rau and Mr J Mabaso were retired by the Shareholders on 3 February 2015. The function of the committee is to monitor the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice. It looks into the Company's social and economic development, including the organisation's standing in terms of the goals and purposes; good corporate citizenship; the environment; health and public safety; consumer relationships including the Company's advertising, public relations and compliance with consumer protection laws; and labour and employment in terms of section 43(5) of the Companies Act.

12.8 Transformation Committee

The Transformation Committee is a committee consisting of five Non-Executive Directors: Mr FD Ntombela (Chairperson), Mr MJ Rabodila, Ms PP Msweli, Mr T Hickman and Mr MC Kai (appointed 3 February 2015). Mr J Mabaso was retired at the Shareholders' AGM on 3 February 2015. The Committee is mandated to develop the Transformation Policy, oversee and ensure the alignment of transformation strategy and plans proposed by the JPC corporate strategy, monitor the development and implementation of transformation strategies and define how JPC will transform the property industry.

12.9 Transactions and Service Delivery Committee

The Transactions and Service Delivery Committee consists of seven members: Prof AN Nevhutanda (Chairperson), Mr MM Morojele, Mr MJ Rabodila, Ms PP Msweli, Mr FD Ntombela, Dr N Mabuya and Mr MC Kai. Mr J Mabaso was retired at the Shareholders' AGM on 3 February 2015. The primary objective of the Committee is to assist the Board in discharging its responsibility by considering all reports relating to property transactions. The Committee also ensures that revenue generation targets are achieved in relation to the property portfolio and to make the necessary recommendations to the Board or CoJ to ensure that service delivery is enhanced and property-related transactions are concluded efficiently within the legal framework that JPC and the CoJ operates in.

12.10 Internal Audit

The Company's Internal Audit function is performed by Nexia SAB&T. This is in compliance with the MFMA.

13. Controlling entity

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

14. Auditors

The Auditor-General: Gauteng will continue in office in accordance with the Public Audit Act, No 25 of 2005 and section 92 of the MFMA.

Company Secretary’s Certification

Declaration by the Company Secretary in respect of section 88(2)(e) of the Companies Act

In my capacity as Company Secretary, I hereby confirm, in terms of section 88(2)(e) of the Companies Act, No 71 of 2008 of South Africa, that for the year ended 30 June 2015, the Company has lodged with the Companies and Intellectual Property Commission, all such returns as are required in terms of this Act and that all such returns, to the best of my knowledge, are true, correct and up-to-date.

Verusha Morgan
Company Secretary
City of Joburg Property Company SOC Ltd

Statement of Financial Position

as at 30 June 2015

Figures in Rand	Note	2015	2014 Restated*
ASSETS			
Current Assets			
Loans to shareholders	3	**–**	17 061 282
Current tax receivable	5	**10 728 931**	10 728 931
Receivables from exchange transactions	6	**253 173 965**	388 969 092
Receivables from non-exchange transactions	7	**2 600 636**	2 479 370
Prepayments	8	**314 598**	692 455
Cash and cash equivalents	9	**2 000**	2 000
		266 820 130	419 933 130
Non-Current Assets			
Property, plant and equipment	12	**18 186 742**	17 014 457
Intangible assets	13	**12 988 156**	9 165 154
Deferred tax	14	**37 331 909**	12 413 710
Prepayments	8	**809 582**	904 532
Deposits	10	**121 986**	480 628
		69 438 375	39 978 481
Total Assets		**336 258 505**	459 911 611
LIABILITIES			
Current Liabilities			
Loans from shareholders	3	**236 036 728**	298 986 896
Finance lease obligation	15	**3 280 586**	1 454 282
Operating lease liability	4	**1 040 749**	836 456
Payables from exchange transactions	16	**40 317 012**	36 245 450
Deferred income	17	**4 701 750**	6 364 000
Provisions	18	**745 928**	2 949 392
		286 122 753	346 836 476
Non-Current Liabilities			
Finance lease obligation	15	**1 756 283**	1 416 230
Employee benefit obligation	11	**1 223 546**	996 000
Deferred income	17	**–**	4 701 750
Deferred tax	14	**4 138 391**	4 010 296
		7 118 220	11 124 276
Total Liabilities		**293 240 973**	357 960 752
Net Assets		**43 017 532**	101 950 859
NET ASSETS			
Share Capital	19	**5 142 721**	5 142 721
Accumulated Surplus		**37 874 811**	96 808 138
Total Net Assets		**43 017 532**	101 950 859

** See Note 38.*

Statement of Financial Performance

Figures in Rand	Note	2015	2014 Restated*
Revenue	20	**305 339 899**	377 993 012
Other income	21	**1 183 588**	95 837
Operating expenses		**(382 554 117)**	(379 819 156)
Operating deficit		**(76 030 630)**	(1 730 307)
Investment revenue	22	**24 403**	81 371
Finance costs	23	**(7 717 204)**	(5 014 835)
Deficit before taxation		**(83 723 431)**	(6 663 771)
Taxation	27	**24 790 104**	(3 025 371)
Deficit for the year		**(58 933 327)**	(9 689 142)

** See Note 38.*

Statement of Changes in Net Assets

Figures in Rand	Note	Share capital	Share premium	Total share capital	Accumulated surplus	Total equity
Opening balance as previously reported		1 000	5 141 721	5 142 721	113 271 020	118 413 741
Adjustments						
Prior year adjustments	38	–	–	–	(13 706 905)	(13 706 905)
Balance at 1 July 2013		**1 000**	**5 141 721**	**5 142 721**	**99 564 115**	**104 706 836**
Changes in net assets						
Deficit for the year		–	–	–	(9 689 142)	(9 689 142)
Gains from transfer of functions of entities under common control	38	–	–	–	6 933 165	6 933 165
Total changes		–	–	–	(2 755 977)	(2 755 977)
Opening balance as previously reported		1 000	5 141 721	5 142 721	94 660 610	99 803 331
Adjustments						
Prior year adjustments	38	–	–	–	2 147 528	2 147 528
Balance at 1 July 2014 as restated		**1 000**	**5 141 721**	**5 142 721**	**96 808 138**	**101 950 859**
Changes in net assets						
Deficit for the year		–	–	–	(58 933 327)	(58 933 327)
Total changes		–	–	–	(58 933 327)	(58 933 327)
Balance at 30 June 2015		**1 000**	**5 141 721**	**5 142 721**	**37 874 811**	**43 017 532**
Notes		19	19	19		

Cash Flow Statement

Figures in Rand	Note	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Rendering of services		**441 339 886**	78 799 683
Grants		**–**	25 282 000
Interest income		**24 403**	81 371
		441 364 289	104 163 054
Payments			
Employee costs		**(192 170 635)**	(176 837 239)
Suppliers		**(191 551 530)**	(238 360 037)
Finance costs		**(7 161 959)**	(5 014 835)
Taxes on surpluses	5	**–**	(7 431 285)
		(390 884 124)	(427 643 396)
Net cash flows from operating activities	29	**50 480 165**	(323 480 342)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(140 000)**	(3 611 420)
Proceeds/(loss) from sale of property, plant and equipment	12	**47 345**	(240 955)
Purchase of other intangible assets	13	**–**	(271 393)
Receipts from deposits		**204 216**	–
Net cash flows from investing activities		**111 561**	(4 123 768)
Cash flows from financing activities			
Net movement of shareholders' loan		**(45 888 886)**	330 032 428
Finance lease payments		**(4 702 840)**	(2 428 318)
Net cash flows from financing activities		**(50 591 726)**	327 604 110
Cash and cash equivalents at the beginning of the year		**2 000**	2 000
Cash and cash equivalents at the end of the year	9	**2 000**	2 000

** See Note 38.*

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjust-ments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Rendering of services	102 735 000	–	**102 735 000**	53 705 137	**(49 029 863)**	Appendix E (1)
Rental facilities and equipment	414 674 000	–	**414 674 000**	249 957 627	**(164 716 373)**	Appendix E (1)
Third party development fees	–	–	**–**	1 677 135	**1 677 135**	Appendix E (1)
Overprovision of accruals	–	–	**–**	1 183 588	**1 183 588**	Appendix E (1)
Interest received	–	–	**–**	24 403	**24 403**	Appendix E (1)
Total revenue from exchange transactions	**517 409 000**	**–**	**517 409 000**	**306 547 890**	**(210 861 110)**	
EXPENDITURE						
Personnel	(209 018 000)	–	**(209 018 000)**	(190 736 864)	**18 281 136**	Appendix E (1)
Depreciation and amortisation	(5 030 000)	–	**(5 030 000)**	(3 765 722)	**1 264 278**	Appendix E (1)
Impairment loss/reversal of impairments	–	–	**–**	4 072 319	**4 072 319**	Appendix E (1)
Finance costs	(855 000)	–	**(855 000)**	(7 717 204)	**(6 862 204)**	Appendix E (1)
Bad debts	(2 053 000)	–	**(2 053 000)**	(154 425)	**1 898 575**	Appendix E (1)
Repairs and maintenance	(27 128 000)	–	**(27 128 000)**	(26 963 026)	**164 974**	Appendix E (1)
General expenses	(180 491 000)	–	**(180 491 000)**	(161 789 515)	**18 701 485**	Appendix E (1)
Total expenditure	**(424 575 000)**	**–**	**(424 575 000)**	**(387 054 437)**	**37 520 563**	
Operating deficit	92 834 000	–	**92 834 000**	(80 506 547)	**(173 340 547)**	
Loss on disposal of assets and liabilities	–	–	**–**	(3 216 884)	**(3 216 884)**	Appendix E (1)
Deficit before taxation	92 834 000	–	**92 834 000**	(83 723 431)	**(176 557 431)**	
Taxation	–	–	**–**	(24 790 104)	**(24 790 104)**	Appendix E (1)
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	**92 834 000**	**–**	**92 834 000**	**(58 933 327)**	**(151 767 327)**	

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of f inal budget	Actual outcome as % of original budget
2015											
Financial performance											
Investment revenue	–	–	–	–		–	24 403		24 403	0	0
Other own revenue	517 409 000	–	517 409 000	–		517 409 000	306 523 487		(210 885 513)	59%	59%
Total revenue (excluding capital transfers and contributions)	**517 409 000**	**–**	**517 409 000**	**–**		**517 409 000**	**306 547 890**		**(210 861 110)**	**59%**	**59%**
Employee costs	(209 018 000)	–	(209 018 000)			(209 018 000)	(190 736 864)	–	18 281 136	91%	91%
Debt impairment	(2 053 000)	–	(2 053 000)			(2 053 000)	(154 425)	–	1 898 575	8%	8%
Depreciation and asset impairment	(5 030 000)	–	(5 030 000)			(5 030 000)	306 597	–	5 336 597	(6%)	(6%)
Finance charges	(815 000)	–	(815 000)	–	–	(815 000)	(7 717 204)	–	(6 902 204)	947%	947%
Other expenditure	(207 659 000)	–	(207 659 000)	–	–	(207 659 000)	(191 969 425)	–	15 689 575	92%	92%
Total expenditure	**(424 575 000)**	**–**	**(424 575 000)**	**–**	**–**	**(424 575 000)**	**(390 271 321)**	**–**	**34 303 679**	**92%**	**92%**
Surplus	**92 834 000**	**–**	**92 834 000**	**–**		**92 834 000**	**(83 723 431)**		**(176 557 431)**	**(90%)**	**(90%)**
Taxation	–	–	–	–		–	(24 790 104)		(24 790 104)	0	0
Surplus for the year	**92 834 000**	**–**	**92 834 000**	**–**		**92 834 000**	**(58 933 327)**		**(151 767 327)**	**(63%)**	**(63%)**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, No 56 of 2003 (MFMA).

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

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

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 102	Intangible Assets
GRAP 105	Transfer of functions of entities under common control

The accounting policies are consistent with the previous period.

1.1 Transfer of functions between entities under common control

Definitions

An acquirer is the entity that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

A transferor is the entity that relinquishes control of a function.

Common control – For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it;
- Process: Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates or has the ability to create outputs; and
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the entity derecognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the entity reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the entity retrospectively adjusts the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The entity considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The entity recognises an increase/(decrease) in the provisional amount recognised for an asset/(liability) by means of decreasing/(increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

Accounting Policies continued

During the measurement period, the entity recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the entity revises comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the entity revises the accounting for a transfer of functions only to correct an error in accordance with the standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Subsequent measurement

The entity subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable standards of GRAP.

At the transfer date, the entity classifies or designates the assets acquired and liabilities assumed as necessary to apply other standards of GRAP subsequently. The entity makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the entity classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

1.2 Significant judgements and sources of estimation uncertainty

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

Provisions

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

Expected manner of realisation for deferred tax

Deferred tax is provided for based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer to Note 11 – Deferred tax.

Taxation

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the statement of financial position date could be impacted.

Post-retirement benefits

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

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

Effective interest rate

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

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its 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 is carried at cost less accumulated depreciation and any impairment losses.

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

Accounting Policies continued

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

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

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

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.

Assets held under finance lease agreement are depreciated over the term of lease. Refer to Note 12.

1.4 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;

- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- 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.

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

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

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Initial recognition and measurement

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

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

Loans to/(from) Group Companies

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

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

Accounting Policies continued

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

Loans to Shareholders

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

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

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

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

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

Receivables from exchange transactions

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

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

Trade and other receivables are classified as loans and receivables.

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

Payables from exchange transactions

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

Cash and cash equivalents

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

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

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

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

Derecognition

Financial assets

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

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

Financial liabilities

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

1.6 Current and Deferred Tax

Current tax assets and liabilities

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

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

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

Deferred tax assets and liabilities

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

Accounting Policies continued

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

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

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

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

Tax expenses

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

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

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

1.7 Leases

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

Finance leases – lessee

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

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

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Payments made in entering into or acquiring leasehold that is accounted for as an operating lease are amortised over the lease term.

1.8 Impairment of assets

The Company assesses at reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, *pro rata* on the basis of the carrying amount of each asset in the unit.

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or (deficit). Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Share capital

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

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

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

1.10 Employee benefits

Short-term Employee benefits

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

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.

Accounting Policies continued

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as and when they fall due. The Company has no further payment obligations once the contributions have been paid.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

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

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

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

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

Other post-retirement obligations

The Company provides post-retirement health care benefits to some Employees. The entitlement to these benefits is usually based on the Employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out by independent qualified actuaries.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

1.12 Revenue

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; 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 shall be recognised only to the extent of the expenses recognised that are recoverable.

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

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

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

1.13 Revenue from non-exchange transactions

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

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it cannot be linked to the borrowing requirements of an entity which relates directly to the nature of the expenditure to be funded, i.e. capital or current.

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

1.15 Comparative figures

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

1.16 Deferred income

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

1.17 Budget information

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

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 1 July 2015 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to Management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to Management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved by an entity within a particular region.

This standard has been approved by the Board, but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 – Transitional provisions for public entities, municipal entities and constitutional institutions state that no comparative segment information needs to be presented on initial adoption of this standard.

The effective date of the standard is for years beginning on or after 1 April 2016.

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

GRAP 20: Related parties

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

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

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

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

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

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- Management;
- related parties;
- remuneration; and
- significant influence.

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

- control;
- related party transactions; and
- remuneration of Management.

The effective date of the standard is for years beginning on or after 1 April 2016.

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

Notes to the Financial Statements continued

Figures in Rand	2015	2014
3. Loans to/(from) shareholders		
City of Johannesburg Metropolitan Municipality – Unsecured (Portfolio)	–	11 919 261
The City of Johannesburg Metropolitan Municipality Portfolio Loan Account includes commissions accrued. The loan does not bear any interest and is repayable within 12 months.		
City of Johannesburg Metropolitan Municipality – Unsecured loan – CoJ Housing	–	5 142 021
The loan was raised at year-end to account for transfer of properties over the financial year-end.		
Sweeping account	**(114 641 440)**	(207 740 608)
The Sweeping Account bears interest at an average call rate of per annum irrespective of the balance being favourable or not.	**5.7%**	
City of Johannesburg – Group Corporate Shared Services	**(121 395 288)**	(91 246 288)
Loan payable to Group Corporate Shared Services for the FMM payroll		
	(236 036 728)	(281 925 614)
Current assets	–	17 061 282
Current liabilities	**(236 036 728)**	(298 986 896)
	(236 036 728)	(281 925 614)
4. Operating lease liability		
Current liabilities	**(1 040 749)**	(836 456)

The operating lease liability was as a result of an office rental agreement for head office and corporate building accommodation (refer to Note 28).

Figures in Rand	2015	2014
5. Tax paid		
Balance at the beginning of the year	**10 728 931**	6 348 723
Current tax for the year recognised in surplus or (deficit)	–	(3 051 075)
Balance at the end of the year	**(10 728 931)**	(10 728 931)
	–	(7 431 283)
6. Receivables from exchange transactions		
Trade debtors	–	3 536 192
Provision for bad debts	–	(70 894)
Related party debtors	**253 173 965**	385 503 794
	253 173 965	388 969 092
6.1 Trade and other receivables due but not impaired		
The ageing of these debtors are as follows:		
Over 6 months	–	3 536 192

Figures in Rand	2015	2014
7. Receivables from non-exchange transactions		
Employee debtors	**178 778**	57 512
SARS VAT debtor	**2 421 858**	2 421 858
	2 600 636	2 479 370
8. Prepayments		
Current assets	**314 598**	692 455
Non-current assets	**809 582**	904 532
	1 124 180	1 596 987

Current assets

Prepayments of software licences to be amortised over the 2015/16 financial year.

Non-current assets

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

Figures in Rand	2015	2014
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	**2 000**	2 000

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

10. Deposits

Deposits held by municipal debtors for MTC informal trading facilities.

In the 2014/15 financial year miscellaneous municipal deposits that could not be identified were written off. The services of eGoli Gas are no longer required and JPC has been refunded the deposit of R204 216.

Figures in Rand	2015	2014
Eskom – Baragwanath	**121 986**	121 986
eGoli Gas	**–**	204 216
Miscellaneous	**–**	154 426
	121 986	480 628

Notes to the Financial Statements continued

11. Employee benefit obligations

Defined benefit plan

Post-retirement medical aid plan

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

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

Figures in Rand	2015	2014
Carrying value		
Present value of the defined benefit obligation	**(996 000)**	(879 000)
Net expense recognised in the statement of financial performance	**(227 546)**	(117 000)
	(1 223 546)	(996 000)
Net expense recognised in the statement of financial performance		
Current service cost	**(85 000)**	(82 000)
Interest cost	**(92 000)**	(72 000)
Actuarial (gains)/losses	**(50 546)**	37 000
	(227 546)	(117 000)
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	**8.49%**	7.89%
Medical cost trend rates	**7.67%**	6.67%
Rate of increase in employer post-medical contribution subsidy payments	**8.49%**	7.89%

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

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

12. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	**487 200**	**–**	**487 200**	487 200	–	487 200
Buildings	**6 350 957**	**(4 521 681)**	**1 829 276**	6 350 957	(4 267 642)	2 083 315
Plant and machinery	**1 714 279**	**(389 135)**	**1 325 144**	2 775 146	(370 740)	2 404 406
Furniture and fixtures	**4 989 168**	**(1 006 393)**	**3 982 775**	6 074 583	(829 468)	5 245 115
Office equipment	**999 891**	**(309 196)**	**690 695**	1 618 794	(254 023)	1 364 771
IT equipment	**3 593 229**	**(1 432 926)**	**2 160 303**	2 904 650	(1 238 257)	1 666 393
Leasehold improvements	**965 290**	**(312 652)**	**652 638**	965 290	(216 124)	749 166
Capitalised leased office equipment	**12 693 794**	**(5 635 083)**	**7 058 711**	9 607 352	(6 593 261)	3 014 091
Total	**31 793 808**	**(13 607 066)**	**18 186 742**	30 783 972	(13 769 515)	17 014 457

Reconciliation of property, plant and equipment – 2015

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

Notes to the Financial Statements continued

12. Property, plant and equipment continued

Reconciliation of property, plant and equipment – 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	487 200	–	–	–	–	487 200
Buildings	2 337 353	–	–	–	(254 038)	2 083 315
Plant and machinery	–	51 836	–	2 668 899	(316 329)	2 404 406
Furniture and fixtures	1 675 003	1 837 494	(232 697)	2 295 845	(330 530)	5 245 115
Office equipment	633 109	432 195	(104 359)	631 707	(227 881)	1 364 771
IT equipment	472 108	258 657	(2 790)	1 333 455	(395 037)	1 666 393
Leasehold improvements	836 869	8 100	–	–	(95 803)	749 166
Capitalised leased office equipment	4 597 688	1 023 138	(9 986)	–	(2 596 749)	3 014 091
	11 039 330	3 611 420	(349 832)	6 929 906	(4 216 367)	17 014 457

The following leased assets are included in property, plant and equipment listed above:

	2015			2014		
	Cost	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Leasehold improvements	**965 290**	**(312 652)**	**652 638**	965 290	(216 124)	749 166
Leased office equipment	**12 693 794**	**(5 635 083)**	**7 058 711**	9 607 352	(6 593 261)	3 014 091
Total	**13 659 084**	**(5 947 735)**	**7 711 349**	10 572 642	(6 809 385)	3 763 257

Details of properties

Figures in Rand	**2015**	2014
Erf 737 and Erf 1304, 18 Bedford Road, Yeoville		
Land		
– Cost	**487 200**	487 200
Erf 737 and Erf 1304, 18 Bedford Road, Yeoville		
Buildings		
– Cost	**6 350 957**	6 350 957
– Accumulated depreciation	**(4 521 681)**	(4 267 642)
	1 829 276	2 083 315

During the year under review the computer equipment with a fair value of R1 183 588 was donated to the entity subsequent to the expiry of a finance lease contract and additional assets were also acquired for a consideration of R6 264 949.

13. Intangible assets

	2015			2014		
	Cost	**Accumulated amortisation and accumulated impairment**	**Carrying value**	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	**12 761 889**	**–**	**12 761 889**	12 761 889	(4 072 319)	8 689 570
Computer software	**296 086**	**(69 819)**	**226 267**	786 811	(311 227)	475 584
Total	**13 057 975**	**(69 819)**	**12 988 156**	13 548 700	(4 383 546)	9 165 154

Reconciliation of intangible assets – 2015

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

Reconciliation of intangible assets – 2014

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software, internally generated	8 689 570	–	–	–	–	8 689 570
Computer software	348 795	271 393	(1 176)	3 260	(146 688)	475 584
	9 038 365	271 393	(1 176)	3 260	(146 688)	9 165 154

Impairment of R4 072 319 previously raised in the 2012/13 financial year has been reversed in the 2014/15 financial year.

Notes to the Financial Statements continued

Figures in Rand	2015	2014
14. Deferred tax		
Deferred tax liability		
Prepaid expenses	**(26 110)**	(193 887)
Property, plant, equipment and intangibles	**(3 546 165)**	(3 765 425)
Finance lease liability	**(566 116)**	(50 984)
Total deferred tax liability	**(4 138 391)**	(4 010 296)
Deferred tax asset		
Provision for post-retirement medical aid	**342 593**	278 880
Provision for leave pay	**2 758 933**	2 927 152
Provision for bonuses	**2 384 061**	–
Trade and other receivables	**–**	14 887
Income received in advance	**1 316 490**	3 098 410
Straightlining of operating leases	**291 410**	234 208
Provision for pension fund	**–**	603 811
Losses	**30 238 422**	5 256 362
Total deferred tax asset	**37 331 909**	12 413 710
Deferred tax liability	**(4 138 391)**	(4 010 296)
Deferred tax asset	**37 331 909**	12 413 710
Total net deferred tax asset	**33 193 518**	8 403 414
Reconciliation of deferred tax asset		
At the beginning of the year	**8 403 414**	8 371 450
Increase/(decrease) in tax loss available for set off against future taxable income	**24 790 104**	31 964
	33 193 518	8 403 414

JPC will receive a subsidy from 2015/16 of R329 million to fund the operations of the entity. It is anticipated that there will be profits in the forseeable future upon which losses incurred in the 2014/15 financial year can be offset against.

Figures in Rand	2015	2014
15. Finance lease obligation		
Minimum lease payments due		
– Not later than one year	**3 607 209**	1 501 782
– Later than one year and not later than 5 years	**1 803 605**	1 654 018
	5 410 814	3 155 800
Less: Future finance charges	**(373 945)**	(285 288)
Present value of minimum lease payments	**5 036 869**	2 870 512
Present value of minimum lease payments due		
– Not later than one year	**3 280 586**	1 416 230
– Later than one year and not later than 5 years	**1 756 283**	1 454 282
	5 036 869	2 870 512
Non-current liabilities	**1 756 283**	1 416 230
Current liabilities	**3 280 586**	1 454 282
	5 036 869	2 870 512

It is Company policy to lease certain equipment under finance leases; These assets are leased over a period of two to five years at a prime rate of 9.5%, and are secured by the assets financed (refer to Note 12).

Figures in Rand		2015	2014
16.	**Payables from exchange transactions**		
	Trade and other payables	**15 432 254**	1
	Accrued leave pay	**9 853 328**	10 425 262
	Accruals	**15 031 430**	25 820 187
		40 317 012	36 245 450
17.	**Deferred income**		
	Movement during the year		
	Balance at the beginning of the year	**11 065 750**	17 429 750
	Income recognition during the year	**(6 364 000)**	(6 364 000)
		4 701 750	11 065 750
	Non-current liabilities	**–**	4 701 750
	Current liabilities	**4 701 750**	6 364 000
		4 701 750	11 065 750

The above deferred income relates to commission received on the conclusion of the five-year lease agreement relating to outdoor advertising. The remaining period is nine months.

18. Provisions

Reconciliation of provisions – 2015

	Opening balance	**Additions**	**Utilised during the year**	**Total**
Provision for pension fund contributions	**2 156 467**	**–**	**(2 156 467)**	**–**
Provision for bonuses	**792 925**	**745 928**	**(792 925)**	**745 928**
	2 949 392	**745 928**	**(2 949 392)**	**745 928**

Reconciliation of provisions – 2014

	Opening balance	Additions	Utilised during the year	Total
Provision for pension fund contributions	–	2 156 467	–	2 156 467
Provision for bonuses	10 719 879	792 925	(10 719 879)	792 925
	10 719 879	2 949 392	(10 719 879)	2 949 392

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

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

Notes to the Financial Statements continued

Figures in Rand	2015	2014
19. Share capital		
Authorised		
1 000 ordinary shares of R1 each	**1 000**	1 000
Reconciliation of number of shares issued:		
Reported as at 1 July 2014	**1 000**	1 000
Issued		
1 000 ordinary shares of R1 each	**1 000**	1 000
Share premium	**5 141 721**	5 141 721
	5 142 721	5 142 721
20. Revenue		
Commission received	**53 705 137**	78 164 480
Internal recoveries	**249 957 627**	258 144 713
Subsidy received – City of Johannesburg Metropolitan Municipality	**–**	25 282 000
Third party development fees	**1 677 135**	16 401 819
	305 339 899	377 993 012
The amount included in revenue arising from exchanges of goods or services is as follows:		
Rendering of services	**53 705 137**	78 164 480
Internal recoveries	**249 957 627**	258 144 713
Subsidy received – City of Johannesburg Metropolitan Municipality	**–**	25 282 000
Third party development fees	**1 677 135**	16 401 819
	305 339 899	377 993 012
21. Other income		
Profit on disposal of assets	**–**	95 837
Donations received	**1 183 588**	–
	1 183 588	95 837
22. Investment revenue		
Interest revenue		
Interest received on deposit	**24 403**	–
Interest income on CoJ sweeping	**–**	81 371
	24 403	81 371
23. Finance costs		
Finance leases	**555 245**	373 618
Bank	**7 005 146**	4 641 217
Disputed supplier accounts	**156 813**	–
	7 717 204	5 014 835

24. General expenses

Figures in Rand	2015	2014
Advertising	**406 371**	1 030 534
Assets expensed	**59 679**	151 877
Auditors remuneration	**2 194 622**	3 131 644
Bank charges	**57 832**	62 918
Board expenses	**454 238**	351 994
Cleaning	**10 858 465**	9 256 238
Commission paid	**191 994**	–
Computer consumables	**2 681**	427 501
Computer expenses	**1 464 002**	1 191 260
Conferences and seminars	**261 259**	220 874
Consulting and professional fees	**7 723 261**	8 031 593
Donations	**–**	50 000
Electricity	**17 398 886**	10 831 284
Fleet	**7 523 072**	8 009 010
Fuel and oil	**57**	5 182
Gas	**42 524**	26 239
Insurance	**3 566 520**	2 140 789
Irregular, fruitless and wasteful expenditure (Note 35)	**–**	587 299
Lease rentals on operating lease	**57 015 445**	57 069 902
Marketing and promotions	**220 436**	331 400
Other expenses	**2 323**	–
Pest control	**–**	156 298
Placement fees	**1 520 981**	513 433
Postage and courier	**17 728**	49 920
Printing and stationery	**1 673 316**	1 918 937
Protective clothing	**437 368**	570 131
Rates and taxes	**4 043 947**	3 656 448
Refuse	**512 035**	427 147
Rental – office accommodation	**13 853 531**	12 619 226
Rental – parking	**7 738 128**	6 752 183
Sanitation and sewerage	**1 975 014**	2 924 558
Security	**11 548 350**	11 146 315
Software expenses	**259 804**	271 945
Employee welfare	**1 301 941**	1 932 852
Storage	**139 211**	175 561
Subscriptions and membership fees	**1 685 357**	1 337 704
Telephone and fax	**2 199 430**	1 869 584
Training	**678 584**	2 023 897
Travel – local	**123 576**	416 045
Travel – overseas	**2 116 826**	1 579 347
Water	**520 721**	355 361
	161 789 515	153 604 430

Notes to the Financial Statements continued

Figures in Rand	Note	2015	2014
25. Employee-related costs			
Employee-related costs: salaries and wages		**116 953 966**	109 849 829
Post-retirement medical aid benefits – Defined benefit plan	11	**227 546**	117 000
SARS, SITE and PAYE		**19 002 899**	18 777 742
Allowances		**2 069 928**	2 151 367
Overtime payments		**5 004 868**	4 350 939
Bonus		**1 183 049**	–
UIF		**895 161**	1 382 567
SDL		**1 651 709**	1 604 263
Payroll levies		**280 735**	254 604
Leave pay provision charge		**1 385 016**	4 494 440
Pension costs		**30 910 109**	21 837 961
13th Cheque		**11 171 878**	8 240 431
		190 736 864	173 061 143
Key Personnel			
Remuneration of General Manager: Property Management			
Annual remuneration		**1 057 779**	991 702
Performance bonuses		**138 673**	–
Contributions to UIF, medical and pension funds		**251 502**	175 501
13th Cheque		**–**	82 544
		1 447 954	1 249 747
Remuneration of General Manager: Property Development			
Annual remuneration		**1 107 646**	1 037 219
Performance bonuses		**110 982**	–
Contributions to pension funds		**261 480**	183 091
Acting allowance		**–**	11 487
13th cheque		**–**	86 435
Subsistence allowance		**–**	1 340
		1 480 108	1 319 572
Remuneration of General Manager: Human Resources			
Annual remuneration		**646 535**	908 140
Performance bonuses		**127 140**	–
Contributions to UIF, medical and pension funds		**159 116**	160 080
13th Cheque		**–**	75 678
Leave pay		**59 671**	–
		992 462	1 143 898

Figures in Rand	2015	2014
25. Employee-related costs continued		
Remuneration of General Manager: Operations		
Annual remuneration	**606 647**	973 842
Performance bonuses	**136 338**	–
Contributions to UIF, medical and pension funds	**153 927**	173 168
13th Cheque	**–**	81 154
Leave pay	**154 971**	33 705
Subsistence allowance	**–**	1 340
	1 051 883	1 263 209
Remuneration of General Manager: Strategic Support		
Annual remuneration	**891 942**	746 749
Travel allowance	**24 000**	–
Contributions to UIF, medical and pension funds	**202 870**	70 712
13th Cheque	**76 329**	51 019
	1 195 141	868 480
Remuneration of General Manager: Stakeholder Management		
Annual remuneration	**–**	484 810
Contributions to UIF, medical and pension funds	**–**	5 740
	–	490 550
Remuneration of General Manager: Compliance and Secretarial		
Annual remuneration	**903 598**	846 145
Performance bonuses	**118 460**	49 393
Contributions to UIF, medical and pension funds	**212 167**	145 180
Acting allowance	**79 298**	26 294
13th Cheque	**–**	70 512
	1 313 523	1 137 524
Remuneration of General Manager: Informal Trading and Public Transport		
Annual remuneration	**534 996**	858 822
Contributions to UIF, medical and pension funds	**124 358**	54 045
13th Cheque	**–**	71 568
Leave pay	**49 377**	–
Settlement pay	**917 136**	–
	1 625 867	984 435
Remuneration of General Manager: Facilities Maintenance		
Annual remuneration	**811 297**	813 920
Car allowance	**92 916**	92 916
Performance bonuses	**111 794**	–
Contributions to UIF, medical and pension funds	**232 325**	226 399
Leave pay	**57 493**	–
	1 305 825	1 133 235

Notes to the Financial Statements continued

Figures in Rand	2015	2014
25. Employee related costs continued		
Remuneration of General Manager: Asset Management		
Annual remuneration	–	744 149
Contributions to UIF, medical and pension funds	–	108 162
13th Cheque	–	82 544
	–	934 855

26. Directors' emoluments

The following emoluments were paid to the Executive and Non-Executive Directors during the year.

Executive	Emoluments	Travel allowance	Company contributions	Performance bonus	Leave pay	Total
2015						
Ms HM Botes – Chief Executive Officer	**1 219 201**	**250 000**	**22 648**	**290 564**	**269 838**	**2 052 251**
Mr IM Bhamjee – Chief Financial Officer	**1 042 639**	**96 000**	**243 232**	**149 098**	**–**	**1 530 967**
	2 261 840	**346 000**	**265 880**	**439 662**	**269 838**	**3 583 218**

Executive	Emoluments	Travel allowance	Company contributions	Performance bonus	13th Cheque	Total
2014						
Ms HM Botes – Chief Executive Officer	1 169 372	250 000	16 086	90 992	–	1 526 450
Mr IM Bhamjee – Chief Financial Officer	968 986	96 000	166 308	–	88 749	1 320 043
	2 138 358	346 000	182 394	90 992	88 749	2 846 493

26. Directors' emoluments continued

Non-Executive	Emoluments	Retainer fees	Total
2015			
Mr A Mabizela – Chairperson	**188 976**	**45 626**	**234 602**
Mr T Hickman	**125 942**	**22 816**	**148 758**
Mr J Mabaso (retired 03/02/2015)	**84 078**	**13 309**	**97 387**
Prof AN Nevhutanda	**90 283**	**22 816**	**113 099**
Mr N Rau (retired 03/02/2015)	**52 582**	**–**	**52 582**
Ms PP Msweli	**86 020**	**22 816**	**108 836**
Mr MJ Rabodila	**137 749**	**22 816**	**160 565**
Mr FD Ntombela	**140 491**	**22 816**	**163 307**
Mr MM Morojele	**80 113**	**22 806**	**102 919**
Mr MC Kai	**36 514**	**9 507**	**46 021**
Dr N Mabuya	**30 810**	**9 507**	**40 317**
	1 053 558	**214 835**	**1 268 393**
2014			
Mr A Mabizela – Chairperson	148 804	39 675	188 479
Dr D Sekhukhune (retired 25/02/2014)	51 594	19 840	71 434
Mr T Hickman	123 010	19 840	142 850
Mr J Mabaso	100 212	19 840	120 052
Ms PP Msweli	40 680	–	40 680
Mr MJ Rabodila	68 458	–	68 458
Mr N Rau	128 974	19 840	148 814
Mr FD Ntombela	34 730	–	34 730
Ms S Childs (retired 25/02/2014)	74 416	19 840	94 256
Prof AN Nevhutanda	70 440	–	70 440
Mr M Moavodi	4 960	–	4 960
Mr MM Morojele	23 810	–	23 810
	870 088	138 875	1 008 963

Notes to the Financial Statements continued

Figures in Rand	2015	2014
27. Taxation		
Major components of the tax expense (income)		
Current		
Local income tax – recognised in current tax for prior period	**–**	3 051 075
Deferred		
Originating and reversing temporary differences	**(24 790 104)**	(25 704)
	(24 790 104)	3 025 371
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense		
Accounting deficit	**(83 723 431)**	(6 663 771)
Tax at the applicable tax rate of 28% (2012: 28%)	**(23 442 561)**	(1 865 856)
Tax effect of adjustments on taxable income		
Non-taxable/non-deductible expenses	**(1 347 543)**	4 891 227
	(24 790 104)	3 025 371
28. Auditors' remuneration		
Fees	**2 194 622**	3 131 644
Reconcilliation of audit fees		
Audit fees – External	**1 243 683**	1 198 765
Audit fees – Internal	**950 939**	1 932 879
	2 194 622	3 131 644
29. Cash generated from operations		
Deficit	**(58 933 327)**	(9 689 142)
Adjustments for:		
Depreciation and amortisation	**3 765 722**	4 363 050
Loss on sale of assets and liabilities	**3 216 884**	341 025
Finance costs – finance leases	**555 245**	373 618
Impairment loss	**(4 072 319)**	–
Debt impairment	**154 425**	20 212 144
Movements in operating lease assets and accruals	**204 293**	420 543
Movements in retirement benefit assets and liabilities	**227 546**	117 000
Movements in provisions	**(2 203 464)**	(7 770 487)
Movement in tax receivable and payable	**–**	(4 380 208)
Annual charge for deferred tax	**(24 790 104)**	(25 704)
Other non-cash items	**–**	10 758 046
Scrapped finance lease asset	**(160 956)**	–
Donations received	**(1 183 588)**	–
Changes in working capital:		
Receivables from exchange transactions	**135 795 127**	(273 188 132)
Consumer debtors	**(154 425)**	(20 212 144)
Other receivables from non-exchange transactions	**(121 266)**	(57 512)
Prepayments	**472 807**	(259 647)
Payables from exchange transactions	**4 071 565**	(38 118 792)
Deferred income	**(6 364 000)**	(6 364 000)
	50 480 165	(323 480 342)

Figures in Rand	2015	2014

30. Commitments

Commitments in respect of capital expenditure:		
Authorised		
• Property, plant and equipment	**4 000 000**	–
This expenditure will be financed from:		
Internal cash	**4 000 000**	–
Operating leases – as lessee (buildings)		
Minimum lease payments due		
– Not later than one year	**17 762 028**	28 435 323
– Later than one year and not later than five years	**31 302 493**	40 834 455
– Later than five years	**10 507 572**	17 299 369
	59 572 093	86 569 147

Operating lease payments represent rentals payable by the entity for the JPC Head Office and office accommodation for eight buildings for various City departments. Leases are negotiated for a term of two to five years for City department occupied buildings, and 9 years and 11 months for the JPC Head Office. All leases are subject to yearly escalations. No contingent rent is payable.

31. Related parties

Relationships

The Company adheres to section 45 of The Municipal Supply Chain Management Regulation:

- Contracts are entered into in terms of Service Delivery Agreements
- As all related parties are current, no provision has been made in respect of bad debts.
- Controlling entity
  - The City of Johannesburg Metropolitan Municipality
- Fellow subsidiaries
  - Johannesburg Social Housing Company SOC Ltd
  - City Power Johannesburg SOC Ltd
  - Johannesburg City Parks (NPC)
  - Johannesburg Development Agency SOC Ltd
  - Johannesburg Roads Agency SOC Ltd
  - Johannesburg Fresh Produce Market SOC Ltd
  - Johannesburg Water SOC Ltd
  - Pikitup SOC Ltd
  - Johannesburg Theatre SOC Ltd

Figures in Rand	2015	2014
Related party balances		
Loan Accounts – Owing from related parties		
City of Johannesburg Metropolitan Municipality	**–**	17 061 282
Loan accounts – Owing to related parties		
City of Johannesburg Metropolitan Municipality	**(236 036 728)**	(298 986 896)
Interest paid to related parties		
City of Johannesburg Metropolitan Municipality	**7 005 146**	4 640 832

Notes to the Financial Statements continued

Figures in Rand	2015	2014
31. Related parties continued		
Services rendered to related parties		
The City of Johannesburg Metropolitan Municipality – commission received	**29 633 468**	34 564 752
The City of Johannesburg Metropolitan Municipality – capital commission received	**12 689 067**	36 793 000
The City of Johannesburg Metropolitan Municipality – management fees	**1 853 149**	669 103
The City of Johannesburg Metropolitan Municipality – internal recoveries	**249 957 627**	258 144 713
	294 133 311	330 171 568
Balance included in trade receivables		
City of Johannesburg Group Governance	**–**	25 650
City of Johannesburg Portfolio	**12 835 375**	–
City Power	**52 368**	–
Department of Citizen Relations and Urban Management	**56 051 253**	–
Department of Community Development	**12 532 839**	–
Department of Development Planning	**9 642 188**	148 237
Department of Economic Development	**–**	321 218
Department of Health	**22 829 606**	–
Department of Housing	**6 662 588**	–
Department of Transport	**496 755**	–
Department of Transport – BRT	**1 754 342**	15 261 042
Emergency and Medical Services	**2 354 055**	–
Environmental and Infrastructure Services	**7 767 864**	–
Group Corporate Shared Services	**8 636 520**	369 740 847
Group Finance and Revenue	**81 063 593**	–
Johannesburg City Parks	**912 000**	6 800
Johannesburg Metropolitan Police Department	**18 548 930**	–
Office of the Speaker	**11 033 689**	–
	253 173 965	385 503 794

32. Risk management

Financial risk management

Liquidity risk

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

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

32. Risk management continued

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	**3 280 586**	**1 756 283**	**–**	**–**
Trade and other payables	**40 317 012**	**–**	**–**	**–**

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	1 416 230	1 454 282	–	–
Trade and other payables	36 245 451	–	–	–

Interest rate risk

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

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

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

Credit risk

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

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

Figures in Rand	2015	2014
Financial instrument		
Financial assets measured at fair value:		
– Trade and other receivables	**253 173 965**	392 250 308
– Cash and cash equivalents	**2 000**	2 000
	253 175 965	392 252 308

33. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The existence of the Company is dependent on the continued support of its sole Shareholder being the City of Johannesburg Metropolitan Municipality by way of management fees paid each year in terms of a service delivery agreement entered into. Development fees received from external parties further support the going concern of the Company. To support the continuous collection of management fees, JPC has a 30-year agreement with the Shareholder, of which 16 years are remaining.

Notes to the Financial Statements continued

34. Unauthorised expenditure

There was no unauthorised expenditure during the 2015 financial year.

35. Fruitless and wasteful expenditure

Figures in Rand	2015	2014
Opening balance	**2 173 413**	1 794 165
SARS penalties and interest	**–**	345 980
Penalties and interest	**156 813**	248 527
Interest recovered	**–**	(215 259)
	2 330 226	2 173 413

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

2014: The penalties reflected relates to the late submission of the August 2013 VAT due to a banking error on the day of submission. There were outstanding payments on the PAYE returns of MTC from the 2009 financial year that accumulated penalties and interest. Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts in the 2013/14 financial year, this cost is to be transferred to the relevant departments and MOEs from which the expense originates.

36. Irregular expenditure

Figures in Rand	2015	2014
Opening balance	**3 513 933**	3 513 933

No irregular expenditure has been incurred in the 2014/15 financial year.

37. Reconciliation between budget and statement of financial performance

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

Figures in Rand	2015	2014
Net deficit per the statement of financial performance	**(58 933 327)**	(11 836 435)
Adjusted for:		
Revenue	**210 861 110**	44 981 780
Operating expenses	**(34 303 679)**	(26 119 974)
Taxation	**(24 790 104)**	(3 025 371)
Net surplus per approved budget	**92 834 000**	4 000 000

38. Prior period errors

Figures in Rand	2015	2014
Statement of financial position		
Trade and other payables – Accruals (Note 1)	–	753 245
Provision for bonuses (Note 1)	–	(792 925)
Deposits – non-current (Note 2)	–	480 628
Trade and other receivables (Note 2)	–	(801 843)
Property, plant and equipment (Note 3)	–	4 167 149
Accumulated surplus (GRAP 105 Transfer)(Note 3)	–	(4 676 033)
Deferred taxation (Note 4)	–	(1 901 035)
Loan account – GCSS (Note 5)	–	4 918 342
	–	2 147 528

1. Trade and other payables – Accruals – Directors retainers for Dr D Sekhukune and Ms S Childs were incorrectly calculated for the 2013/14 financial year. The expense and accrual of R39 680 have been raised to account for this transaction. An amount of R792 925 has been reclassified from accruals to provisions for the EXCO bonuses.

2. Trade and other receivables – An expense of R321 218 for travel was incorrectly classified as a trade debtor. The expense has been reclassified correctly in the 2014/15 financial year. Municipal deposits of R480 628 were reclassified from current to non-current assets.

3. Property, plant and equipment – During the fixed asset verification for the 2014/15 financial year it was discovered that assets, amounting to R4 676 033, that should have been included in the GRAP 105 transfer from the CoJ were not accounted for in the transfer of assets. This increased the total value of the assets transferred under GRAP 105 to R6 933 165 (Note 40). Depreciation amounting to R508 884 has been accounted for in the prior period for assets brought through the GRAP 105 transfer.

4. Deferred taxation – The deferred taxation on accumulated losses, provisions and fixed assets has been raised to account for the above transactions that has affected the prior period loss.

5. Loan account – GCSS – Gratuities of R4 918 342 for FMM Employees are accounted for and paid by the CoJ. The gratuity costs were incorrectly transferred to JPC in the previous two financial years.

Figures in Rand	2015	2014
Statement of financial performance		
Operating expenses	–	(4 048 563)
Taxation	–	1 901 035
	–	(2 147 528)

Notes to the Financial Statements continued

39. Deviation from supply chain management regulations

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

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

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

The deviations for the 2014/15 financial year are as follows:

Figures in Rand	**2015**	2014
Extensions – Contracted Cleaning		
Khulani Makhosikazi Khulani – Contract extended to allow for finalisation of the tender process	**930 300**	–
Green Sweep – Contract extended to allow for finalisation of the tender	**385 962**	263 979
Green Interior – Contract extended to allow for finalisation of the tender process	**15 000**	–
Oyinola Construction – Contract extended to allow for finalisation of the tender process	**486 388**	–
Khulu Cleaning – Contract extended to allow for finalisation of the tender process	**–**	4 527 918
Masana Hygiene – Contract extended to allow for finalisation of the tender process	**–**	486 420
Vexma Trading – Contract extended to allow for finalisation of the tender process	**–**	216 507
Tiney Cleaning – Contract extended to allow for finalisation of the tender process	**–**	589 332
Tshipota Cleaning – Contract extended to allow for finalisation of the tender process	**–**	102 392
Thembane Cleaning – Contract extended to allow for finalisation of the tender process	**–**	432 001
SJR Cleaning – Contract extended to allow for finalisation of the tender process	**–**	2 274 943
Afrizm Cleaning – Contract extended to allow for finalisation of the tender process	**–**	299 969
Pulamohlo Cleaning – Contract extended to allow for finalisation of the tender process	**–**	288 000
Menenzhe Hygiene – Contract extended to allow for finalisation of the tender processes	**–**	167 813
	1 817 650	9 649 274

39. Deviation from supply chain management regulations continued

Figures in Rand	2015	2014
Extensions – Operating Lease Rentals		
Sanlam/JHI – Lease extended to finalise the Office Space Optimisation programme between CoJ and JPC	**7 150 775**	–
Redefine Properties – Lease extended to finalise the Office Space Optimisation programme between CoJ and JPC	**23 905 010**	–
Investec Ltd – Lease extended to finalise the Office Space Optimisation programme between CoJ and JPC	**7 538 532**	–
Germiston Bronze – Lease extended to finalise the Office Space Optimisation programme between CoJ and JPC	**5 180 976**	4 290 000
CEZ Investments – Lease extended to finalise the Office Space Optimisation programme between CoJ and JPC	**2 601 576**	–
66 Plein Street CC – Lease extended to finalise the Office Space Optimisation programme between CoJ and JPC	**8 308 473**	4 173 248
Liberty Group Property Management – Lease extended to finalise the Office Space Optimisation programme between CoJ and JPC	**13 864 419**	11 792 759
Zenprop – Lease extended to finalise the Office Space Optimisation programme between CoJ and JPC	**16 999 280**	15 534 123
Orion Property – Lease extended to finalise the Office Space Optimisation programme between CoJ and JPC	**3 081 226**	3 288 782
Hermans and Romans – Lease extended to finalise the Office Space Optimisation programme between CoJ and JPC	**8 702 789**	–
	97 333 056	39 078 912
Extensions – Other Expenditure		
Document Warehouse	**162 195**	–
Nicor Propsys – Sole service provider	**569 612**	–
Softline VIP – Contract extended to allow for finalisation of migration to SAP	**355 464**	–
Telkom – Parastatal and the only service provider	**1 290 659**	–
Infra-Sol – Contract extended to allow for finalisation of the IT service providers panel	**4 316 561**	3 098 499
Schindler Lifts – Sole service provider to install and maintain their lifts	**1 853 512**	1 758 137
Vodacom – Contract extended to allow for finalisation of new service provider	**347 923**	–
Superb Remedial Contractors – One quotation solicited	**–**	2 343
Innate Investment Solutions – One quotation solicited	**–**	50 160
Dorma SA – Contract extended to allow for finalisation of the tender processes	**–**	1 409 416
Sandpalm Doors – Contract extended to allow for finalisation of the tender processes	**–**	1 409 416
Paperbush Productions – Contract extended to allow for finalisation of the tender processes	**–**	30 096
Hearts & Flowers – Contract extended to allow for finalisation of the tender processes	**–**	120 000
	8 895 926	7 878 067

Notes to the Financial Statements continued

40. Transfer of functions of entities under common control (GRAP 105)

The functions of MTC and FMM were transferred on 1 July 2012 and 1 January 2013, respectively, as per their transfer agreements.

On 1 July 2013 the fixed assets of FMM were transferred to JPC for no consideration. As per the transfer agreement this is the only balance sheet transfer as only the operations of FMM were transferred on 1 January 2013.

The net asset value of assets from the transfer of functions from GCSS to FMM are as follows:

Figures in Rand	**2015**	2014
FMM	–	6 933 165

41. Sponsored skills development

In March 2013, Netcare pledged an amount of R1 140 000 for the skills development of JPC Management. The pledge is held in trust by Cliff Dekker Hofmeyer Attorneys on Netcare's behalf.

As at 30 June 2015 R658 127 of this fund had been utilised to identify the best international practices and standards for Property and Facilities Management. The closing balance of the available funds is R481 873.

Detailed Income Statement

Figures in Rand	Note	2015	2014 Restated*
Revenue			
Commission received		**53 705 137**	78 164 480
Internal recoveries		**249 957 627**	258 144 713
Subsidy received – City of Johannesburg Metropolitan Municipality		**–**	25 282 000
Third party development fees		**1 677 135**	16 401 819
Other income	21	**1 183 588**	95 837
Interest received		**24 403**	81 371
Total revenue		**306 547 890**	378 170 220
Expenditure			
Personnel	25	**(190 736 864)**	(173 061 143)
Depreciation and amortisation		**(3 765 722)**	(4 363 050)
Impairment loss		**4 072 319**	–
Finance costs	23	**(7 717 204)**	(5 014 835)
Bad debts		**(154 425)**	(20 212 144)
Repairs and maintenance		**(26 963 026)**	(28 237 364)
General expenses	24	**(161 789 515)**	(153 604 430)
Total expenditure		**(387 054 437)**	(384 492 966)
Operating deficit		**(80 506 547)**	(6 322 746)
Loss on disposal of assets and liabilities		**(3 216 884)**	(341 025)
Deficit before taxation		**(83 723 431)**	(6 663 771)
Taxation	27	**(24 790 104)**	3 025 371
Deficit for the year		**(58 933 327)**	(9 689 142)

** See Note 38.*

[Appendix E(1)]

The supplementary information presented does not form part of the Financial Statements, and is unaudited.

Statement of Financial Performance

for the year ended 30 June 2015

	Actual balance (000's)	Original budget (000's)	Variance (000's)	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Rental facilities and equipment	249 957 627	380 674 198	(130 716 571)	(34.3)	Budgeted objectives could not be achieved as the funding model of JPC has been changed by the Shareholder.
Commission received	53 705 138	126 733 462	(73 028 324)	(57.6)	Commission is below the allocated budget due to numerous leases pending approval. Completion commission on Capex could not be achieved due to cash constraints of the CoJ.
Third party development fees	1 677 135	10 001 340	(8 324 205)	(83.2)	Facilitation transactions could not be finalised by the close of the financial year.
	305 339 900	517 409 000	(212 069 100)	(41.0)	
Other income					
Donations received	1 183 588	–	1 183 588	–	Overprovision on accruals.
Interest received	24 402	–	24 402	–	No interest income has been earned in the 2014/15 financial year.
	1 207 990	–	1 207 990	–	
Cost of sales	–	–	–	–	
Gross profit	306 547 890	517 409 000	(210 861 110)	(40.8)	
Expenses					
Employee-related costs	(190 736 864)	(209 018 000)	18 281 136	(8.7)	Savings on the Employee costs is due to the presence of critical vacancies at 30 June 2015.
Depreciation	(3 765 722)	(5 030 388)	1 264 616	(25.1)	Depreciation is calculated on a straight-line basis and accounted for in line with the fixed asset register.
Repairs and maintenance	(26 963 026)	(27 128 000)	164 974	(0.6)	
Finance costs – overdraft	(7 005 146)	–	(7 005 146)	–	No budget is allocated to these finance costs.
Finance costs – finance leases	(555 245)	(815 000)	259 755	(31.9)	Despite entering into new finance leases, JPC did not exceed the budget allocated.
Finance costs – supplier disputes	(156 813)	–	(156 813)	–	Interest incurred in the dispute of accounts with suppliers and service providers.
Bad debts	(154 425)	–	(154 425)	–	Municipal deposits of MTC that could not be traced and recovered.
Impairment reversal	4 072 319	–	4 072 319	–	The reversal of the impairment of PIMS from the 2012/13 financial year.
General expenses	(161 789 515)	(182 583 662)	20 794 147	(11.4)	Savings in the budget are due to stringent expenditure management.
Loss on disposal of property, plant and equipment	(3 216 884)	–	(3 216 884)	–	No budget is allocated for the disposal of property, plant and equipment.
	(390 271 321)	(424 575 000)	34 303 679	(8.1)	
Operating profit	(83 723 431)	92 834 000	(176 557 431)	(190.2)	
Other revenue and costs	–	–	–	–	
Net surplus/(deficit) for the year	(83 723 431)	92 834 000	(176 557 431)	(190.2)	
Taxation					
Deferred tax	24 790 104	–	24 790 104	–	
Profit/(loss) for the year	24 790 104	–	24 790 104	–	
	(58 933 327)	92 834 000	(151 767 327)	(163.5)	