City of Joburg
Property Company SOC Ltd

Integrated Annual Report

2018/2019

Joburg

a world class African city

JOBURG PROPERTY COMPANY

APPROVAL

Mr Imraan Bhamjee ------------------------------------ -------------------------------------- Name & Surname Signature Chief Financial Officer	------------------------------------- Date of approval
Ms Helen Botes ------------------------------------ -------------------------------------- Name & Surname Signature Chief Executive Officer	------------------------------------- Date of approval
Mr Moeketsi Rabodila ------------------------------------ -------------------------------------- Name & Surname Signature Chairperson of Board	------------------------------------- Date of approval
Cllr: Lloyd Phillips ---------------------------------- --------------------------------------- Name & Surname Signature Member of the Mayoral Committee	------------------------------------- Date of approval

ACRONYMS

ACRONYMS AND ABBREVIATIONS			
Acronym/ abbreviation	**Name/phrase**	**Acronym/ abbreviation**	**Name/phrase**
AFS	Annual Financial Statements	**IOC**	Integrated Operations Centre
AG	Auditor-General	**IPM**	Institute of People Management
AGM	Annual General Meeting	**ISPPIA**	International Standards for the Professional Practice of Internal Auditing
AGSA	Auditor-General of South Africa	**IT**	Information Technology
IAC	Independent Audit Committee	**ITIL**	Information Technology Infrastructure Library
AIDS	Acquired Immune Deficiency Syndrome	**JCCI**	Johannesburg Chamber of Commerce and Industry
ARC	Audit and Risk Committee	**JPC**	City of Joburg Property Company SOC Ltd
B-BBEE	Broad-Based Black Economic Empowerment	**KPI**	Key Performance Indicator
BEE	Black Economic Empowerment	**LIS**	Land Information System
BMI	Body Mass Index	**LLF**	Local Labour Forum
BSA	Business Software Alliance	**MDG**	Millennium Development Goal
CAPEX	Capital Expenditure	**ME**	Municipal Entity
CBO	Community-Based Organisation	**MFMA**	Municipal Finance Management Act, 2003
CCMA	Commission for Conciliation, Mediation and Arbitration	**MMC**	Member of the Mayoral Committee
COBIT	Control Objectives for Information and Related Technology	**MOE**	Municipal Owned Entity
CoJ	City of Johannesburg Metropolitan Municipality	**MOU**	Memorandum Of Understanding
CSI	Corporate Social Investment	**MSA**	Municipal Systems Act, 2003
CSU	Client Servicing Unit	**MTC**	Metropolitan Trading Company
DED	Department of Economic Development	**NED**	Non-Executive Director
EAC	Executive Adjudication Committee	**NGO**	Non-Governmental Organisation
EAP	Employee Assistance Programme	**OHASA**	Occupational Health and Safety Act, 1993
EE	Employment Equity	**OPEX**	Operational Expenditure
EPWP	Expanded Public Works Programme	**PIMS**	Property Information Management system

ACRONYMS AND ABBREVIATIONS			
Name/phrase	**Name/phrase**	**Acronym/ abbreviation**	**Name/phrase**
FMM	Facilities Management and Maintenance	**POC**	Proof of Concept
FRACC	Fraud and Corruption Committee	**RDP**	Reconstruction and Development Programme
GBCSA	Green Building Council of South Africa	**REMCO**	Remuneration and Human Resources Committee
GCSS	CoJ: Group Corporate Shared Services	**RFP**	Request For Proposal
GDS 2040	Growth and Development Strategy 2040	**SAPOA**	South African Property Owners Association
GIS	Geographic Information System,	**SCM**	Supply Chain Management
GIAS	Group Internal Audit Services	**SDA**	Service Delivery Agreement
GRAP	Generally Recognised Accounting Practice	**SDBIP**	Service Delivery Budget Implementation Plan
GRI	Global Reporting Initiative	**SDJOC**	Service Delivery Joint Operations Committee
HIV	Human Immunodeficiency Virus	**SDM**	Service Delivery Model
IAS	International Accounting Standards	**SHE**	Safety, Health and Environment
ICT	Information and Communication Technology	**SMMEs**	Small, Medium and Micro-Enterprises
IDP	Integrated Development Plan	**SOC**	State-Owned Company
IFRS	International Financial Reporting Standards	**UNGC**	United Nations Global Compact
IIRC	International Integrated Reporting Council	**WMC**	Work Management Centre
ILP	Individual Learning Plan	**WSP**	Workplace Skills Plan
IMPSA	Institute of Municipal People Practitioners of Southern Africa	**YTD**	Year-To-Date

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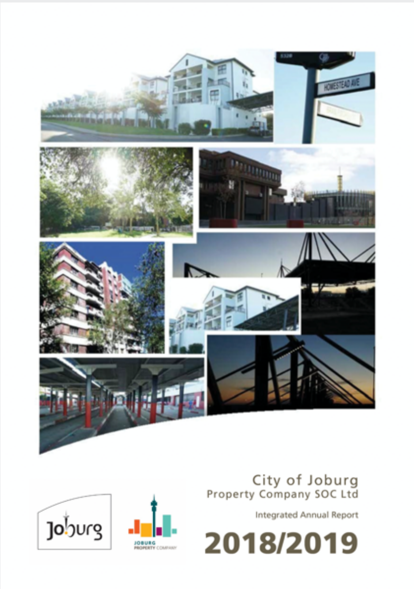
About this Report

The Municipal Finance Management Act (MFMA), 2003, the Municipal Systems Act (MSA) (Section 46) and National Treasury's MFMA Annual Report Circular 63 require the City of Joburg Property Company SOC Ltd (also referred to as JPC) as a Municipal Entity to prepare an annual report for each financial year, covering both financial and non-financial performance. The report is informed by guidelines provided by the International Integrated Reporting Council (IIRC) and considers the principles outlined in the accompanying King Code on Corporate Governance for South Africa.

The guidelines applied include:

- Reporting requirements as per the MFMA
- The South African Statements of General Recognised Accounting Practice (GRAP)
- Section 46 (1) of the MSA, 32 of 2000
- International Integrated Reporting Council's Integrated Report Framework (IIRC IRF)
- King IV Report on Corporate Governance for South Africa
- National Treasury Guidelines and Regulations

This report is structured as follows:



- Chapter 1: Leadership and Corporate Profile
- Chapter 2: Governance
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- Chapter 4: Human Resources and Organisational Management
- Chapter 5: Financial Performance
- Chapter 6: Internal and External Findings

Referencing content online

The JPC 2018/19 Integrated Annual Report is uploaded on the Company website at www.jhbproperty.co.za.

Scope and boundary of the Integrated Report

The boundary of this report is limited to performance reporting as it relates to JPC during the 2018/19 financial year. Where applicable, the boundary extends to reporting on performance by JPC that facilitates service delivery on behalf of the City, and as mandated by the City. The Board approved the JPC Integrated Report for the period 1 July 2018 to 30 June 2019.

Reporting philosophy and alignment to lead practice frameworks

JPC subscribes to Integrated Annual Reporting. As such, the report aims to reflect the Company's commitment to a measured and integrated approach to its strategy and operational practices, as well as to report on its economic, social and environmental impacts. Through the use of an integrated reporting format and the application of globally recognised governance and sustainability reporting frameworks, this report aims to offer stakeholders a clear view of how JPC's strategy, governance, performance and prospects in the context of its external environment lead to the creation of value over the short, medium and long term.

Materiality

JPC has applied the principle of materiality in determining relevant content and disclosure. A matter is material if it is of such relevance and importance that it could substantially influence an assessment of the report and JPC's ability to create value in the short, medium and long term. The following external and internal criteria were used to identify material issues:

External criteria
• The provisions of various frameworks, including the MFMA, section 46(1) of the MSA, the King Code on Corporate Governance, discussion papers issued by the South African Integrated Reporting Committee and the IIRC, International Financial Reporting Standards (IFRS), the Global Reporting Initiative (GRI) Framework, the United Nations Global Compact (UNGC), the Millennium Development Goals (MDGs), the Carbon Disclosure Project and the Broad-based Black Economic Empowerment (B-BBEE) Code • The factors that may affect JPC's reputation and influence (its ability to promote sustainable growth) • Changes in the socio-economic development agenda and priorities of national and provincial government • Emerging opportunities and challenges facing the JPC • Joburg 2040 GDS criteria and objectives • An Enterprise Risk Management Process, including key risks affecting JPC's strategic and operational objectives and the associated mitigating activities. • Stakeholder expectations and feedback – e.g. from residents, ratepayers, the business community, Non-Governmental Organisations (NGOs), National and Provincial Government, neighbouring municipalities, designated targeted groups, academics, investors and the media. • JPC's governance framework and policy environment. • Characteristics of an enabling environment: o Financial Accountability o Performance Monitoring o Corporate Citizenship o Ethical Leadership and Ethical Organisational Culture o Sustainability

Feedback

JPC aims to establish and maintain constructive and informed relationships with its stakeholders. Accordingly, please direct any feedback on this report to clientservicing@jhbproperty.co.za.

Assurance

The Board of Directors and Management recognise the importance of a strong control environment in managing risks, improving performance, enhancing governance, instilling stakeholder confidence and strengthening the company's reputation. JPC has applied where appropriate integrated assurance measures to the reporting process to enhance value creation narrative. The integrated assurance measures encompass the assurance provided by Management, internal specialists, internal audit and Auditor-General South Africa (AGSA).

The JPC Board oversees the integrity of the Integrated Annual Report, through the support of the Board Committees, namely;

- The Audit and Risk Committee (ARC),
- Transaction and Service Delivery,
- Social & Ethics, Remuneration & Human Resources & Transformation Committee (REMCO & SEC)

Board Responsibility and Approval of the Integrated Report

The Board of Directors applied themselves to ensure the integrity of the 2018/19 Integrated Annual Report and any supplementary information referenced in the report.

The Board of Directors has considered the completeness of the material aspects addressed in the report and the reliability of the reported performance information presented based on the combined assurance process followed.

The Board also estimated the effect that the presence or absence of an item of information might have on the accuracy or validity of a statement in the Integrated Report, or a decision by a stakeholder (see our approach to materiality in the introduction to this report). Our overall objective with this Integrated Report is to provide information that could materially impact JPC's ability to create value over the short, medium and long term.

The Board is of the view that, to the best of its knowledge and belief our integrated reporting addresses matters material to our stakeholders' decision-making by explaining how JPC creates value over time and takes into consideration the JPC's impact on its stakeholders and the environment in which it operates.

The Integrated Annual Report 2018/19 was approved by Board of Directors and signed on its behalf by:

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Moeketsi Rabodila
Chairperson of the Board

01: Leadership and Corporate Profile

SECTION 1:
Foreword by the Member of Mayoral Committee (MMC)

The entity, together with development planning department, plays a pivotal role in achieving the Mayor's Inner-City turnaround objectives

Cllr Leah Knott

This is my third JPC annual report as MMC for Economic Development. The entity, together with the development planning department, plays a pivotal role in achieving the Mayor's Inner-City turnaround objectives. Within this plan, JPC, in particular, is under pressure to hit a number of tight delivery timelines.

JPC is also required to play its part in the GDS 2040 vision. In this regard, JPC needs to focus on creating 'liveable communities' as well as assisting development planning to best develop targeted economic nodes by intelligently using Joburg city assets. Added to this, JPC's key role in the rejuvenation of the Inner City will continue to assist in combating urban sprawl and addressing apartheid era planning, both key issues in our IDP and GDS 2040 objectives.

Having touched on the interconnected roles of Economic Development and JPC, I feel that I must emphasise this as an area where improvement is necessary. Both departments need to work hand in glove if the level of required co-ordination is to be achieved.

The 2018/2019 financial year saw JPC release its second batch of properties in the Inner-City Project. The interest from the private sector was promising and I believe we have seen the end of the 'wait and see' approach, which is often the case when a new and bold initiative is taken. We have turned the corner, so to speak, and the developers are starting to see the full potential of the Inner-City Project.

In future the batches of property that will be released, JPC will be taking a precinct approach which I think will ultimately be better from an overall planning perspective. Rejuvenating blocks or precincts focuses development but also makes it easier for the city as a whole to focus its combined service delivery efforts in support of the new developments.

In terms of public reputation and participation, JPC's road shows are a positive step towards better interaction with Joburg's residents. Ultimately, it is our residents who are the true judges of our performance. Without wanting to water down this gain, it must also be put on record that timeous handling of councillor queries can be improved a good deal.

In terms of its scorecard and percentage targets achieved, JPC achieved 11 targets, exceeded 8 and fell short in 3. This is a final tally of 86% targets achieved. On aggregate, this is a solid performance.

I will be urging JPC Management, as part of my corrective action to conduct sessions with the City Manager in order to address stoppages and delays in the lease renewal process. Particularly community and social leases, as this once again impacts on our 2040 goal to create liveable communities that offer the full array of community facilities and activities.

Finally, I look forward to a fresh approach to managing outdoor advertising in our city. We need to reduce clutter while at the same time transforming the sector, as small business has not had many opportunities in the outdoor advertising industry.

To the members of the Board, I thank you for your service and valuable contribution to good governance in JPC.

Cllr Leah Knott
MMC for Economic Development

SECTION 2:

Foreword by the Chairperson

One of the notable milestones achieved in the 2018/2019 financial year relates to JPC's vital role in the City's vision for the Inner-City Rejuvenation Programme which aims to eradicate the illegal occupation of Council properties while promoting economic growth by attracting investment on CoJ's land or properties.

Moeketsi Rabodila

The submission of the JPC Annual Report is delivered by me, as Chairperson of the current Board, appointed on 17 April 2019 at the shareholders' (CoJ's) Annual General Meeting (AGM) of its entities. The Integrated Annual Report covers the period from 01 July 2018 to 30 June 2019.

Firstly, I would like to take this opportunity to express gratitude to the past two Chairpersons of this Board during this financial year 2018/2019, namely, Mr. Patrick Corbin and Mr. Nyambeleni Tshindane.

In the year under review, the Board of Directors underwent significant changes, resulting in positive traction for JPC. Under the guidance of the Group Governance Department, all sub-Board Committees were reconstituted and the Board's key focus was to drive the following:

The implementation of a financial strategy as part of improving JPC's financial position
Driving and monitoring of the transformation agenda within the property sector in order to be

- reflective of all South African demographics and an enhancement of SMME development with
- focus on creating opportunities for women and youth
- Transforming the outdoor advertising landscape while tapping into its revenue streams.
- Addressing expired leases with the intention of deriving socioeconomic financial benefits for
- both the citizens and CoJ.

The second half of the year under review was characterised by the awarding of twenty-seven (27) Inner-City property Redevelopment projects to developers.

This project aims to eradicate the illegal occupation of Council properties while promoting economic growth by attracting investment on CoJ land or properties.

The Board joined Executive Mayor Cllr Herman Mashaba at an Awards Ceremony held on Monday 29 April 2019 to launch the Inner-City Rejuvenation Programme. Over the medium term, the Inner City will turn into a construction site, however, this will lead to an investment attraction of R20 billion on CoJ properties over the lease period.

On 1 April 2019, the Inclusive Developments Investor Prospectus was launched featuring strategic land parcels, to be released to stimulate the economy and ensure Inner-City Redevelopment.

The JPC benefits from ongoing support from the Shareholder, but this year was not without its challenges.

The reduction of the JPC budget by the Shareholder affected our ability to fill critical vacancies to drive delivery of our strategic objectives. The JPC also remains a creditor to other City Departments for repair and maintenance work undertaken. The Board trusts that Management together with the Shareholder will put in place sound regulatory and other appropriate measures to cushion JPC against any consequences of inter-company debt and the budget reduction.

The Board and Management remain steadfast in their commitment to improving operational efficiencies in order to achieve the strategic performance targets of the Company. From a governance and compliance perspective, the Board continues to keep JPC's policies, procedures and systems updated to ensure that this complex organisation continues to operate and deliver services to the highest standards.

I look forward to a challenging and rewarding year ahead as construction commences in respect of the properties released for Inner-City Redevelopment. On behalf of the Board, I wish to express my gratitude to Management for proven leadership, work ethic, dedication and commitment. The Board continues to have great admiration for the dedication and hard work of the JPC staff.

Accordingly, I submit JPC's Integrated Annual Report for the financial year 2018/19 on behalf of the JPC Board of Directors.

Moeketsi Rabodila
Chairperson of the Board

SECTION 3:
Chief Executive Officer's Review

JPC has been leading and driving the mayoral priority that have identified revitalisation of the Inner City as an essential component for spatial vision for the City and resulting in investment attraction worth R20 billion over the long-term lease period.

Helen Botes

It is with great honour that I present the Integrated Annual Report for the period 01 July 2018 to 30 June 2019. The JPC Annual Report is characterised by pioneering achievements. Of significance amongst these achievements is the approval of property transactions with an estimated value of R43 billion.

These include:

- Inner-City Projects: In partnership with the private sector, the Inner-City Redevelopment Programme investment attraction will be worth R20 billion over the period of leases.
- Randburg Civic Precinct: The mixed-use development, which will create 3 000 jobs, will include retail space, public library, clinic facilities and a public transport interchange facility. Anticipated development costs over a 5-10-year period is R1 813 billion.
- Watt Street Interchange Precinct: The development will result in the creation of an estimated 1 800 jobs and will include mixed-use developments such as retail, residential, offices and a public square for events at an anticipated development cost of the project is set at R1.2 billion.
- Filling Stations: This relates to the various filling stations with ancillary uses located City-wide for an anticipated development cost of R300 million.
- In addition, we continued to improve JPC's financial position through these key focus areas:
- Growing JPC's revenue stream while transforming the outdoor advertising landscape
    - Renewing the expired leases with the intention of deriving social, economic and financial benefits to both the citizens and CoJ
    - Increase the commercial property leases while striving for financial sustainability
    - The Inner-City Revitalisation Programme, which aims to address bad buildings while providing investment opportunities
    - Generating income from facilitation fees on new strategic property developments
    - Strong consulting services capabilities (Grow Facilities Management Revenue)

This has resulted in the financial position and performance of the entity improving over the last two quarters to ultimately conclude the financial year with a net profit of R107 million after taxation, complemented by an improved net positive cash position of R129.4 million when compared to the previous financial year.

For the period under review, JPC managed to achieve 86% of its targets set out in the Business Plan. This achievement entails a R744 million investment spent on projects, acquisition of properties and 100% Capex expenditure.

We will continue to improve on JPC's profitability, liquidity and solvency position through a continued focus on outdoor advertising, commercial leases, property development projects and the implementation of the financial turnaround plan.

For the period under review, JPC managed to achieve 86% of its targets set out in the Business Plan. This achievement entails a R744 million investment spend on projects, acquisition of properties and 100% Capex expenditure.

The period under review was not without its challenges, however, JPC continues to strive towards realising the Company's mandate with a spirit of determination. This has resulted in improved service provision and a stronger financial position as demonstrated by our performance against the Corporate Scorecard, as well as delivery on key flagship projects such as the Inner-City Rejuvenation Programme.

The JPC has been a catalyst and driver of the mayoral priorities with regards to the revitalisation of the Inner City. This is an essential component for the spatial vision of the City. Influenced by the compact city model, we envision a more equitable and efficient urban form.

By the end of the 2018/19 financial year, ninety-one (91) properties were released on long-term lease to twenty–seven (27) developers as part of Inner-City Rejuvenation projects, resulting in private sector partnerships leading to an investment attraction worth R20 billion over the lease period.

Council approval of the Outdoor Advertising Transitional Plan is a significant milestone for JPC and has led to revenue collection amounting to R87 million, exceeding budgeted revenue of R80 million. One of the key aspects of the council approval is the authority for the Department of Development Planning and JPC to consider long-term contracts in cases where appreciable capital investments are required, such as digital advertising platforms, street furniture, public conveniences, etc.

In addition, JPC is now able to implement certain strategic new business initiatives as per the Masterplan in order to optimise revenue to the City. It also provides for a cost-effective way to resolve various challenges facing the sector, including choosing arbitration over litigation.

In order to ensure a common understanding of various factors such as JPC's purpose, mandate, processes, key projects, activities as well as processes influencing service excellence, JPC embarked on Regional Councillor Road Shows which allowed for robust engagements between officials and councillors and provided the opportunity to address matters affecting service delivery.

Effective end of March 2019 Boikano Accountants Inc. (BAI) was appointed as JPC's outsourced internal audit service provider.

The three-year rolling internal audit plan was reviewed and approved by the Audit and Risk Committee (ARC) after considering the strategic and operational risks of the entity. The state of internal controls remains sound and there are no significant internal control deficiencies that have been cited by Internal Audits based on audits performed thus far. These achievements come from the ongoing collaborative efforts of the Board, Management team and JPC employees.

In conclusion, I am confident with the progress we have made thus far, and believe the JPC will realise its strategic mandate.

Helen Botes
Chief Executive Officer

SECTION 4:
Review of the Chief Financial Officer

JPC has achieved 100% spend on the CAPEX budget for the 2018/19 financial year.

Imraan Bhamjee

The fourth quarter of the 2018/19 financial year was dedicated to improving the financial position and sustainability of JPC. This was performed with the intention of improving the liquidity and solvency of JPC in the financial years going forward. Emphasis was placed on recovering historic related party debt between JPC and the CoJ as well as keeping abreast with current-year collections.

The statement of cash flows illustrates that JPC has seen a drastic improvement in its cash flows from rendering services to the CoJ, with cash inflows of R761 million being achieved for the 2018/19 financial year; cash collections exceeded total revenue projected for the year. As a result, the net cash flows from operating activities is a positive R153.2 million after two consecutive years of negative outflows from operating activities caused by high related party debt. Further to this, year-on-year, the overdraft has declined significantly, reducing JPC's interest costs and improving solvency.

JPC is currently owed R403.5 million from related party debtors which hampers the cash position of the entity. JPC has a current ratio of 0.84:1 as compared to the norm of 1:1. The sweeping account or cash position currently reflects as negative R273.2 million. The comparative figures for quarter four in 2018 reflect the improvements to related party debt collection and the cash position in 2019. Trade receivables have declined by R125 million with a corresponding improvement in the cash position of R129.4 million when compared to 2018. This confirms that historic and current debt is being addressed and settled.

The solvency ratio of JPC is 0.98:1 and illustrates that the company has turned a corner on the going concern challenges it previously faced. As profitability and cash position of the entity improves through the collection of intercompany debt, so too will the technical solvent issue.

Management is currently reviewing different revenue streams for the 2019/2020 financial year to enhance profitability beyond the budget. The emphasis of this is to improve the equity of JPC and address the insolvency position the entity found itself in. The two most prominent revenue streams being pursued are facilitation fees due from the Inner-City Rejuvenation projects and outdoor advertising.

The financial position and performance of the entity has improved over the last two quarters due to increases in related party debt collection, an increase in the subsidy and raising of facilitation fees for the awarding of the Inner-City Rejuvenation. The three items combined improved the cash position of JPC and generated profits. Overall revenue has exceeded budgeted objectives and there have been savings on almost all budget line items, the result of which is a profit before tax of R81 346 518.

Overall revenue has exceeded budgeted objectives, and there have been savings on almost all budget line items, the result of which is a profit before tax of R75 345 828.

The rise in profitability has reduced the net liability position the company finds itself in and allays the risks around the going concern of the entity. Given the drive for profitability in future financial years, the deferred tax on losses has been recognised. The result of this is a deferred tax gain of R25.8 million and a net profit after taxation of R107.2 million.

The overall total operating expenditure, before taxation, for the year to date is R551 348 985. Fixed expenditure is currently 84.32% of total expenditure for quarter four with R&M being the main driver of variable expenditure. JPC's expenditure, across all categories, is within the confines of the budget allocated to them.

During the financial year the South African Revenue Services (SARS) concluded a payroll audit for the 2014 and 2015 financial years. SARS reconciled and recalculated PAYE and other payroll items across these financial years against the annual financial statements (AFS) for those respective years and raised penalties and interest based on their reassessment amounting to R1 141 770.

An objection has been lodged with SARS on this matter and is currently going through the review process. A detailed report has been provided to the Board of JPC for further review and action.

JPC leased Forum 1 in Braampark Office Park as additional office space was required by JPC and the CoJ. The building is required to allow JPC to reallocate CoJ departments from the Metro Centre in order to address occupational health and safety challenges at the Metro Centre. Forum 1 is ideal as it is within a close proximity to the Metro Centre and poses minimal disruption to the operations of the CoJ.

An amount of R3 248 537 has been recognised as fruitless and wasteful expenditure for the rental of additional office accommodation capacity.

JPC incurred irregular expenditure on fleet services procured by the CoJ on behalf of the entire group, including JPC. The matter was raised by the Auditor-General during the 2017/18 financial year audit that resulted in all fleet expenditure being deemed irregular and disclosed as such in the 2018 annual financial statements. As fleet services are essential to the operations of JPC and the appointment is controlled by the CoJ, JPC must continue to utilise the services until advised otherwise by the CoJ. For the year to date June 2019, fleet services totalled R7 114 868.

JPC incorporated a panel of professionals consisting of 46 categories and utilised the service providers on an ad hoc basis. The panel is not in compliance with SCM regulations. The utilisation of the panel for 2019 totalled to R792 854.

A deviation has been incurred in 2018/19 for the supply and rental of printers. JPC, through Regulation 32, has appointed a service provider on the panel of the CoJ. The deviation is due to delays in the service provider obtaining finance to procure the machines required per the specifications of JPC.

Portfolio spent 100% of the capital budget allocated in 2018/19. The BEE spend is an indication of JPC's commitment to transformation and currently resides at 99% of all goods and services acquired by both JPC and Portfolio.

Preparation for the 2018/19 financial year-end audit began at the conclusion of quarter two. Management intends on utilising and leveraging existing strengths in financial reporting and compliance to achieve another positive audit outcome. Metrics that have, successfully, been employed in previous financial years to gauge the level of audit readiness are being employed to determine and mitigate risk areas for the audit.

Imraan Bhamjee
Chief Financial Officer

SECTION 5:

Corporate Profile and Overview of the Entity

The City of Joburg Property Company SOC Ltd (JPC) was established as a private company in 2000 and is wholly owned by the City of Johannesburg (CoJ). The Company was converted into a State-Owned Company after the implementation of the Companies Act of South Africa, 2008 (Act No. 71 of 2008). Consequently, JPC must comply with the legislative framework and reporting requirements applicable to Companies in South Africa. This includes, but is not limited to, the Companies Act. As an independent Municipal Entity, the Company is also subject to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

The entity has 500 employees, consisting of 487 permanent and 13 temporary staff based at the head office and various depots, who execute the strategy of the organisation.

JPC is a dynamic and visionary Company mandated to manage and develop CoJ's property portfolio of 29 454 properties with a total value of R9 237 billion. The drive for social transformation is at the core of JPC's strategy and all of its operations. Utilising council-owned land assets, JPC leverages private-sector investment in public infrastructure, promoting innovative solutions as part of economic growth.

JPC flagship programmes

1. Student Accommodation
2. Inner-City Redevelopment
3. Soweto Empowerment Zone
4. Watt Street Precinct
5. Randburg Civic Precinct
6. Patrol Stations
7. Paterson Park
8. Southern Farms Developments

Project Completed in 2018/2019

1. Revamping of the informal trading stalls in the inner city (Region F)
2. Computer Equipment Upgrade
3. Dobsonville Informal Trading Market Upgrade
4. Public Convenience Region F

Projects in progress at year end

- Jabulani Civic Development
- Inner-City Redevelopment
- Rosebank Linear Park
- Midrand Civic Development
- Bertram Priority Block
- Bryanston Wedge

JPC's corporate strategy details how it responds to the GDS 2040 and IDP, based on the mandate given to the organisation. JPC's strategy to deliver on the mandate indicated in the corporate strategy has the following long-term strategic objectives:

1. Supporting economic development
2. Supporting community development and social initiatives
3. Utilising the property portfolio to address social imperatives and priorities
4. Utilising the portfolio as a vehicle for transformation
5. Ensuring efficient, economical and effective service delivery to clients, customers and
6. stakeholders
7. Ensuring a professionally managed and sustainable Company

JPC derives its mandate from a signed service delivery agreement with its sole Shareholder, the CoJ, and it provides these core functions:

Competitive landscape

JPC is unique, as no other municipality comprehensively manages its property portfolio through a municipal entity. JPC manages a diverse portfolio consisting of various classes of assets, i.e. residential, office, commercial, social (sports facilities and stadiums), and service delivery (clinics, fire stations, community centres) assets.

Furthermore, no company in the private sector provides the range of services that JPC does. While there are companies offering property and facilities management and others dealing with property development, the social and service delivery assets are unique to municipalities. Unlike private sector property companies, JPC is not only focused on the financial returns (profits), but also has to fulfil the social, economic and empowerment mandates of the municipality.

SECTION 5:

Strategic Objectives

JPC's corporate strategy is aligned with the vision and mission of the Integrated Development Plan (IDP), the Growth and Development Strategy (GDS) 2040 and the Mayoral Priorities. JPC's mandate as Property Company is to achieve positive developmental outcomes. JPC creates an enabling environment that promotes economic growth and transformation while contributing to the long-term CoJ's service delivery objectives.

The Business Plan outlines the performance objectives and targets that JPC must achieve as per IDP, Budget and SDIP.

Strategic Goals

JPC's primary purpose is to maximise the return on City-owned land.

Short-term Goals	Medium-term Goals	Long-term Goals
Release and renew property management leases	Concentrating on commercial leases and growing the portfolio by 50% each for the next three years	CoJ properties utilised for commercial, social and service delivery purposes to attract investment, enhance the value of assets while generating revenue
Reduction of variable cost on rentals for office accommodation, i.e. City to utilise own office space	Sweating of existing CoJ assets to attain exponential growth in rental income, i.e. Office Space Optimisation (OSO)	Grow facilities management revenue by providing strong consulting services
Understanding our customer and stakeholder needs	Establish our customer and stakeholder satisfaction needs	Improve customer and stakeholder satisfaction
Establish the customer base	Convert all consumers to customers	Enhance sound financial management, sustainability and clean governance
Gaining efficiencies and service quality through IT standardisation	Managing IT like a business: customer-focused, proven, competitive and trusted service provider	Use of technology for effective and efficient operations
Motivated employees	High performance culture inculcated	Invest in our staff to sustain optimal performance and a service-focused culture with committed people
Reduce outdoor advertising illegal signs/clutter and renew expired leases (transitional plan)	Increase the outdoor advertising income to R300 million	Transform outdoor advertising sector so that there are role-players that are more diverse and representative of the South African demographics.
Redevelopment of existing facilities into public-private partnerships, i.e. Inner-City Revitalisation Programme	Increase in facilitation fee by introducing new property developments, i.e. property pipeline	Create high yielding property development, grow revenue while transforming the property industry
Implement sound asset management practices through the land strategy	Land acquisitions increased to R30 million over three years	Provision of land for socio-economic purposes as part of contributing towards a healthy, growing economy

The short-term performance achievements and target outcomes are measured through the Balanced Scorecard. The medium-term achievements and target outcomes are measured through the mid-term scorecard and the long-term achievements and target outcomes will be measured in 2020/21 at the end of the 2016/21 IDP period.

THE GDS 2040 HAS THE FOLLOWING OUTCOMES:

Outcome 1	A growing, diverse and competitive economy that creates jobs
Outcome 2	Enhanced, quality services and sustainable environment
Outcome 3	An inclusive society with an enhanced quality of life that provides meaningful redress through the pro-poor development
Outcome 4	Caring, safe and secure communities.
Outcome 5	An honest, transparent and responsive local government that prides itself on service excellence

The City's IDP identified the following nine mayoral priorities to be implemented to achieve the above five outcomes:

Priority 1	Promote economic development and attract investments towards achieving 5% economic growth that reduces unemployment by 2021
Priority 2	Ensure pro poor-development that addresses inequality, poverty and provides meaningful redress
Priority 3	Create a culture of enhanced service delivery with pride
Priority 4	Create a sense of security through improved public safety
Priority 5	Create an honest and transparent City that fights corruption
Priority 6	Create a City that responds to the needs of citizens, customers, stakeholders and businesses
Priority 7	Enhance our financial sustainability
Priority 8	Encourage innovation and efficiency through the Smart City Programme
Priority 9	Preserve our resources for future generations

To better coordinate priority programme implementation and manage interdependencies, the City implements a cluster system with four clusters, namely Human and Social Development, Economic Growth, Sustainable Services, and Governance. JPC is part of the Economic Growth Cluster and contributes to the following priorities:

Priority 1	Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021
Priority 2	Ensure pro poor-development that addresses inequality and poverty and provides meaningful redress
Priority 3	Create a culture of enhanced service delivery with pride
Priority 7	Enhance our financial sustainability

In order to deliver on the strategic objectives, the business plan of JPC has the following annual targets that also contribute to the mayoral priorities falling within the economic cluster for the year under review.

MAYORAL PRIORITIES	JPC'S CONTRIBUTION TO THE PRIORITIES INCLUDED IN THE SCORECARD
Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	• 2 000 Jobs created through property transactions • 1 200 SMME's supported through property transactions • R1.4 billion investment / Rand value attraction of investment on CoJ property • R600 million investment spend on CoJ property/construction value on the ground
Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress	• 250 asset management plans formulated; acquisition of 10 properties along the Transit Oriented Development Zone • 25 Inner-City property development projects awarded • 1 900 leases of shops and stalls concluded • Development and management of fifty public conveniences • Release of 100 properties on social and economic leases including servitudes and sales
Create a culture of enhanced service delivery with pride	• Train 80 employees • 100% completion of skill audit for level 1-6 employees • 90% of funded strategic vacancies filled within 90 days • Disciplinary cases to be concluded within 90 working days • Ninety percent success rate in all concluded disciplinary cases • Improving the safety if employees by ensuring zero fatalities
Enhance our financial sustainability	• 20% implementation of the Outdoor Advertising Masterplan • 100% spend of the allocated capital expenditure budget • R110 million rental income raised from leases and servitudes sales • Audit opinion / unqualified audit opinion (clean audit) • 100% resolution of AG and internal audit findings

Value Creation

JPC has set out its business model with inputs, business processes, and outputs in line with principles four (4) and five (5) of the King IV report. The business model below demonstrates the value creation process in support of the City of Johannesburg's strategy. It further describes how we create value for our stakeholders through our core processes and deliver on our mandate.

As part of business ethos, the Entity recognises the interdependencies between the business and a range of inputs that include human, social and natural capital. In turn, the business delivers meaningful impact on society and its various communities that goes beyond mere financial performance. The value creation process linked Entity 39's Service Delivery Budget Implementation Plan (SDBIP) and GDS performance.

JPC BUSINESS MODEL

Business Impact:
Maximise Social, Economic and Financial benefit to CoJ as well as support the delivery objectives on a cost competitive basis.

BUSINESS ACTIVITIES	OUTPUTS PARTNERSHIPS	VALUE PROPOSITION	OUTCOMES	REVENUE STREAMS
Risk Management	Economic and Social Interventions	Affordability	Investment Attraction	Outdoor Advertising
Governance & Strategy Implementation	Job Creation & SMME Development	Access to Land Property	Financial Social Sustainability	Property Development
Stakeholder Management	Property Infrastructural Interventions	Growth in the Informal Business Sector	Community Development and Social Initiatives	Facilitation
Property Development Facilitation	Promote Innovation & Knowledge Sharing	Optimal Use of the City's Assets	Transformation of Property Industry	Fee
Project Management	Ensure Financial Sustainability		Economic Sustainability	Lease Income
Innovation & Good Practice				Acquisition and Sales
Outdoor Advertising				Facilities Management
Facilities Management				Informal Trading

INPUTS

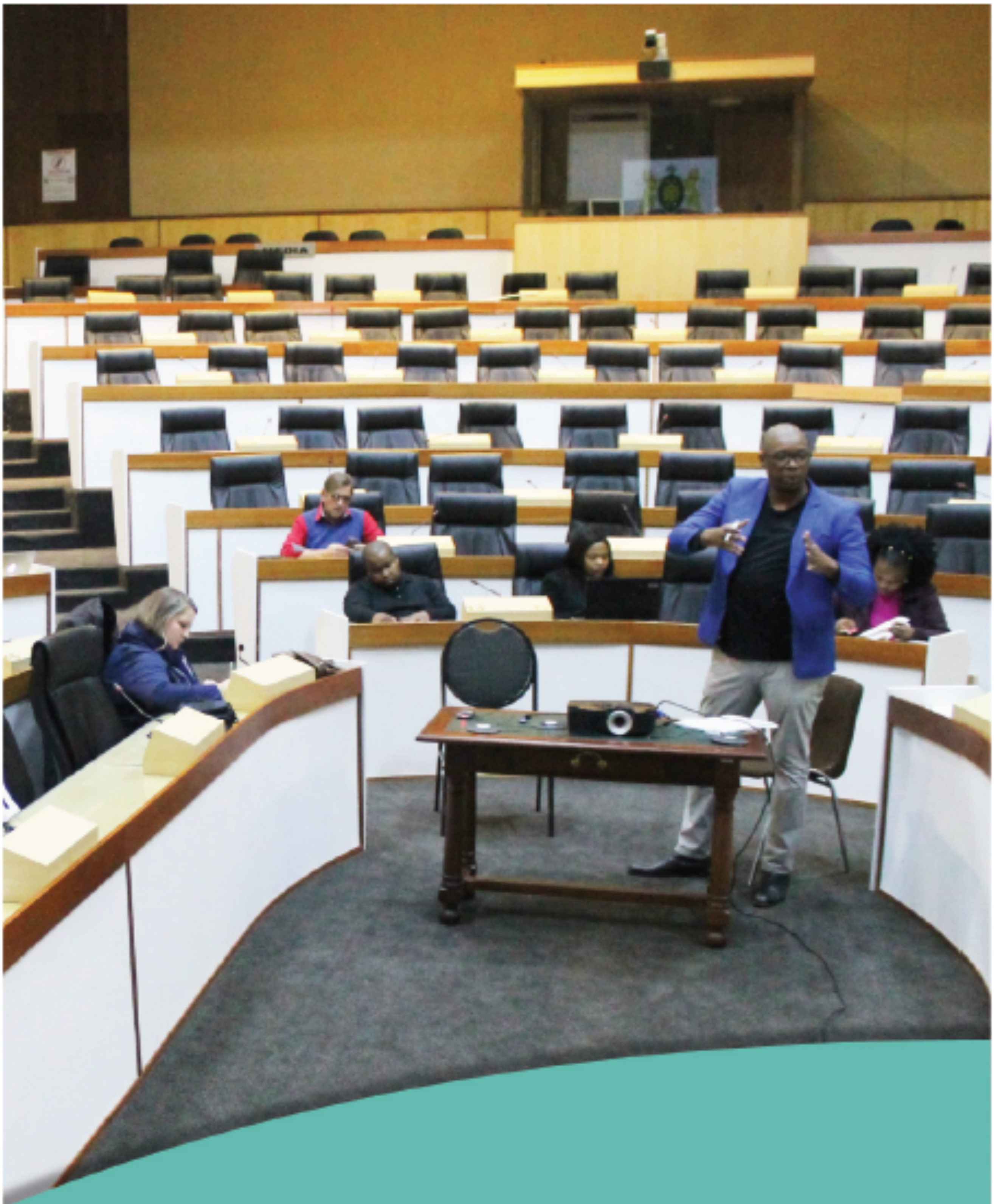
Human Capital
Employees

Natural Capital
Land

Intellectual Capital
Land Strategy
Joburg 2040 GOS
JPC Strategy

Financial Capital
Assets
Subsidy
Revenue

Social & Relationship Capital
Assets
Subsidy
Revenue



02: Governance

SECTION 1:

Corporate Governance Statement

Batho Pele Principles

Batho Pele (Sotho for “people first”) principles require public servants to be polite, open, transparent and to deliver good services to the public. The Batho Pele initiative aims to enhance the quality and accessibility of government services by improving efficiency and accountability to the recipients of public goods and services. Batho Pele requires that eight service delivery principles be implemented:

Batho Pele’s eight principles

The Batho Pele principles are the founding principles of corporate governance. These principles are aligned with the Constitution, the MFMA, the King Code on Corporate Governance, and the Companies Act. JPC subscribes to these principles of corporate governance and manages their operations in line with them.

Application of King IV

JPC confirms and acknowledges its commitment to the highest standards of corporate governance. The Board Charter is in line with the principles contained in the King IV Report and continues to entrench further and strengthen recommended practices in its governance structures, systems, processes and procedures.

The Board of Directors and Management recognise and are committed to the principles of openness, integrity and accountability advocated by King IV. Through this process, shareholders and other stakeholders may derive the assurance that the entity’s ethical management is in accordance with prudently determined risk management parameters in compliance with generally accepted corporate practices.

The entity’s practices are, in most material instances, in line with the principles set out in the King IV Report. The Board will ensure compliance with these principles and will review quarterly reports on such compliance. The Board will also review compliance with the provisions of the MFMA, which are compatible with the King IV principles, on a quarterly basis.

Governance Framework

JPC's governance structures are informed by the Group Governance Framework and supports the company's ability to create value in the short, medium and long term by creating an enabling environment within which to achieve strategic objectives.

JPC views good governance as a vital component in operating a successful and sustainable business as well as providing assurance to its Shareholders that the Company is well managed. JPC's governance structures are informed by the Group Governance Framework and supports the company's ability to create value in the short, medium and long term by creating an enabling environment within which to achieve strategic objectives.

JPC's formal governance structures oversee the Company's ethical performance through codes, policies and processes, and ensure that structural accountability and principled behaviour are promoted throughout the organisation. The City's Governance Framework clarifies governance roles and responsibilities and enhances oversight, monitoring and evaluation within the Group Governance Functions. This reinforces the concept of the City as a 'Shareholder' and ensures alignment and consistency.

The Board of Directors has incorporated the City of Johannesburg's Corporate Governance Protocol in its Board Charter, Shareholder Compact and Service Delivery Agreement (SDA) which, inter alia, regulates its relationship with CoJ as its sole Shareholder in the interest of good corporate governance and good ethics.

Conflict of interest

The JPC Board Charter is one of the cornerstones of the Board's roles and responsibilities, and members are required to declare any interest they might have in the business of JPC. The Board members are required to sign a 'declaration of interest' form on an annual basis. Board members also sign a register at every sitting of the Board or any of its Committees to indicate any interests on any of the matters on the agenda at that sitting.

This provision is in line with section 75 of the Companies Act, which refers to directors' personal financial interests. Management, Independent Audit and Risk Committee members and employees, are also required to complete 'declaration of interest' forms. The Company subscribes to the principles contained in King IV, which stipulates that each director and other people representing the Company (i.e. Management, employees and independent committee members) must act in the best interest of the Company. In the current financial year, no conflicts of interest were declared.

Compliance with laws, rules codes and standards

The Board is responsible for ensuring that JPC complies with applicable laws and adheres to non-binding rules, codes and standards. JPC is committed to execute its mandate within the ambit of law. JPC, as part of its risk assessment process, identified non-compliance with laws and regulation as one of its major risks and is committed to seeing that it receives the attention required.

The Audit & Risk Committee monitors compliance with all applicable laws and regulation on a quarterly basis. The compliance function of JPC comprises statutory, regulatory and supervisory requirements, which include the implementation and monitoring of procedures, processes and policies. This ensures that JPC cultivates and deepens a culture of integrity, ethical and professional behaviour.

The Audit & Risk Committee's Key focus points in 2018/2019

- Approval of the Compliance Risk Framework
- Approval of Fraud and Corruption policy
- To manage compliance with all relevant statutory, regulatory and policy requirements by JPC, staff members have bee train as Act owners and workshopped on the acts assigned to them and are in the process of uploading the relevant statutory, regulatory and policy requirements as well as compliance in the system.
- Completing the compliance risk process as prescribed by the Compliance Institute of South Africa (CISA). the compliance process has four steps and JPC is currently on stage three which is compliance risk Management.

During the financial year, the South African Revenue Services (SARS) concluded a payroll audit for the 2014 and 2015 financial years. SARS reconciled and recalculated PAYE and other payroll items across these financial years against the annual financial statements (AFS) for those respective years and raised penalties and interest based on their reassessment amounting to R680 206. An objection has been lodged with SARS on this matter and is currently going through the review process. A detailed report has been provided to the Board of JPC for further review and action.

SECTION 2:

Board of Directors

The financial year 2018/2019 was marked by several Board composition changes, which were the result of resignations and the Annual General Meeting where Board membership appointments are made by the Shareholder. For the year under review the Board of Directors consists of ten (10) Non-Executive Directors. Namely:

Board of Directors (01 July 2018-13 November 2018)
Mr. Patrick Corbin (Former Chairperson until 13th November)
Prof. Aly Karam
Ms. Modi Hlobo (Resigned in September 2018)
Ms. Maggie Mojapelo
Mr. Newton Baloyi (replaced in November 2018)
Mr. Oscar Maseko

Board of Directors (13 November 2018-16 April 2019)
Mr. Nyambeleni Tshindane (Replaced Mr Corbin as Chairperson until 16th April 2019)
Ms. Nompumelelo Hlatshwayo (Retired on16 April 2019)
Mr.Thabo Motloung (Retired on16 April 2019)
Ms. Maggie Mojapelo
Mr. Mongezi Ntanga (Retired on16 April 2019)
Prof. Kevin Wall (Retired on16 April 2019)
Prof. Aly Karam (Retired on16 April 2019)
Mr. Oscar Maseko (Retired on16 April 2019)

Board of Directors (17th April 2019-Present)
Mr. Moeketsi Rabodila (Chairperson)
Ms. Maggie Mojapelo (Social & Ethics, Remuneration and Human Resources and Transformation Committee Chairperson)
Ms. Yongama Pamla (Audit & Risk Committee Chairperson)
Ms. Kululwa Muthwa (Transactions & Service Delivery Committee Chairperson)
Prof. Hamanth Kasan
Mr. Lonwabo Qina
Mr. Motshupi Letsapa
Mr. Obakeng Mongale

The Independent members
Mr. Lindani Mabuza (Retired in April 2019)
Mr. Vusi Mokwena (Resigned in February 2019)
Mr. Robert Hill (Appointed in February 2019 and retired in April 2019)
Ms. Sizo Mzizi (Appointed in April 2019)
Mr. Grant Dunnington (Appointed in April 2019)
Mr. Zukisani Samsam (Appointed in April 2019)

There were also two (2) Executive Directors, namely Ms. Helen Botes (Chief Executive Officer) and Mr. Imraan Bhamjee (Chief Financial Officer). The Chairperson and the Chief Executive Officer have separate roles, and their responsibilities are clearly defined. This ensures that their roles are non-conflicting and that they are visible in their respective roles. The Chairperson has no executive functions.

Board members have a wide range of skills, which include property development, transport and logistics, financial management, accounting and auditing, architecture, town, urban and regional planning, low-cost housing development, quantity surveying, strategic planning, and community development.

All the Directors bring to the Board a wide range of expertise, as well as significant financial, commercial and technical experience and, in the case of the Non-Executive Directors, independent perspectives and judgement. The tenure of the Board members is a year and appointments happen during the AGM. The independence of Non-Executive Directors is assessed annually by the CoJ Group Governance Department prior to appointment or reappointment during the AGM.

The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

There were no external advisers or invitees who regularly attend Committee meetings.

The Board retained full control over the Company and remains accountable to the CoJ, the sole Shareholder, and its stakeholders, the citizens of Johannesburg. A Service Delivery Agreement (SDA) concluded in accordance with the provisions of the MSA governs the entity's relationship with the CoJ.

The Board provides quarterly, biannual and annual reports on its performance and service delivery to the CoJ, as stipulated by the SDA, the MFMA and the MSA.

The Board sets the strategic direction of the JPC through the establishment of strategic objectives and key policies. It monitored the implementation of strategies and policies through a structured approach to reporting, based on agreed performance criteria.

Members of the Board have unlimited access to the Company Secretary, who acts as an advisor to the Board and its Committees on matters including compliance with Company rules and procedures, statutory regulations and best corporate practices. Directors are also entitled to seek independent professional advice concerning the affairs of JPC at the Company's expense, should they believe that such a course of action would be in the best interest of JPC.

For the year under review, the Board did not make use of professional corporate governance services. The Board of Directors have adopted the Board Charter, which encapsulates the CoJ Group Policy on Shareholder Governance Protocol.

The Board is responsible for monitoring the activities of Executive Management in JPC and for ensuring that decisions on material matters are considered. The Board approves all the terms of reference for its different subcommittees, including Special Committees tasked to deal with specific issues.

While the Executive Directors are involved with the day-to-day management of JPC, the Non-Executive Directors are not, and nor are they employees of the JPC. The Executive Directors have a responsibility to become acquainted with all of their duties, as well as with the issues about the operations and business of the JPC.

The Board operates in a field that is technically complex, and the Directors are continually exposed to information which enables them to fulfil their duties.

The Board of Directors has incorporated CoJ's corporate governance protocol into its charter, which regulates its relationship with the CoJ as its sole member and parent municipality in the interest of good corporate governance and good ethics. The protocol is premised on the principles of the King Code. The charter sets out the composition and powers of the Board.

BOARD MEMBERS QUALIFICATIONS & EXPERIENCE

HELEN BOTES
(Chief Executive Officer)
Executive Director

Expertise and experience
Treasury and banking, money market trading, trading of financial instruments, foreign exchange, retail bonds for CoJ, economic development, property development and Management.

Qualifications
- MBA (Milpark Business School)
- Executive Leadership Development Programme
- Diploma in Treasury Management

IMRAAN BHAMJEE
(Chief Executive Officer)
Executive Director

Expertise and experience
Financial Management, auditing, risk, process and control mapping, Management consulting, product Management, relationship Management.

Qualifications
- BCompt Honours
- Accreditation as Registered Government Auditor (RGA)
- Advanced certificates in Auditing, Leadership Management, and CTA

MOEKETSI RABODILA
(Chairperson)
Non-Executive Director

Expertise and experience
Financial Management, Strategic Planning, Operations Management, Programme and Project Management, Marketing, Human Resource. Corporate Governance. Performance Management. Stakeholder Relationship Building and Networking. Analytical skills. Training and Leadership Development

Qualifications
- Bachelor of Arts – WITS University
- Masters of Business Administration – University of Pretoria

MAGGIE MOJAPELO
Non-Executive Director

Expertise and experience
Business Strategy, Transport, Property, Banking, Fund Management, Mining, Retail, Pharmaceuticals, Fmcg, Motors, Public Sector, Gaming, Hospitality, Ict, etc.

Qualifications
- MBA (Henley), MAP (Wits), BA (Hons) (University of Limpopo), BA (Education) (University of Limpopo),
- HR Diploma (UNISA)

KULULWA MUTHWA
Non-Executive Director

Expertise and experience
Member with qualifications/ skills/experience in Construction Law and Property Development

Qualifications
- Master of law (LLM)
- Property Development Programme
- Specialisation in Construction Law
- Fellowship Admission (Arbitrator – Construction Contracts)
- Baccalaureus Procurationis (B-Proc)

YOGAMA PAMLA
Non-Executive Director

Expertise and experience
Member with 16 year experience in Business, Finance, Operations

Qualifications
- Bachelor of Commerce (Accounting)
- Postgraduate Diploma in Management (Financial Accounting)
- Post Graduate Diploma in Accounting (CTA)
- Chartered Accountant (CA)

JAKE LETSAPA
Non-Executive Director

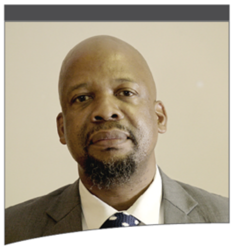
Expertise and experience
Extensive knowledge and experience with social housing, development and built environment

Qualifications
- Certified Associate of the Institute of Bankers (CAIB) SA
- Master of Business Administration (MBA)

LONWABO QINA
Non-Executive Director

Expertise and experience
Member with qualifications/ skills/experience in Construction and Facilities Management

Qualifications
- BSc Construction Management (BSc CM)
- Facilities Management Programme (FMP)
- Prince 2 Foundation Certificate
- Post Graduate Certificate in Executive Leadership
- Energy Management Auditor



OBAKENG MONGALE
Non-Executive Director

Expertise and experience
Member with qualifications/ skills/experience in Industrial Psychology and Human Resources

Qualifications
- Bachelor Administration
- Industrial Psychology (Hons)
- Masters in Industrial Psychology
- Post Graduate Diploma in management (Finance Specialisation)
- Studying towards a Masters of Arts (in conflict Transformation)

PROFESSOR HAMANTH KASAN
Non-Executive Director

Expertise and experience
Strategic Asset Management, Corporate Governance and Scientific Services

Qualifications
- BSc
- BSc (Hons) Microbiology
- MSc Applied Microbiology
- GDE (Graduate Diploma in Engineering)
- PhD Applied Microbiology
- Management Development Programme
- Executive Development Programme
- Graduate Diploma in Company Direction
- Associated Certified Meta-Coach
- Leading Change and organisational renewal

Non-Executive Director
Executive Director

The Board has delegated certain functions to the following well-structured Committees:

- Audit and Risk Committee (ARC)
- Transaction and Service Delivery;
- Social & Ethics, Remuneration and Human Resources and Transformation Committee (REMCO & SEC)

During the period under review, the following meetings were held:

BOARD	ARC	TRANSACTIONS COMMITTEE	REMCO TRANSFORMATION, SOCIAL and ETHICS COMMITTEE
26 July 2018	19 July 2018	23 July 2018	24 July 2018
29 August 2018	10 August 2018	17 October 2018	10 December 2018
05 October 2018	29 October 2018	25 January 2019	31 January 2019
20 November 2018 (Board Induction)	26 November 2018	12 April 2019	15 April 2019
25 November 2018	7 February 2019	27 June 2019	28 June 2019
11 December 2018	18 March 2019		
18 February 2019	11 April 2019		
15 April 2019			
10 May 2019			
20 May 2019 (Board Induction)			
13 June 2019			
28 June 2019			

Attendance registers and the disclosure and declaration of interests of Directors and Senior Management are kept and updated.

SECTION 3:

Board Committees

JPC Board:

Executive Directors

Ms. Helen Botes
Mr. Imraan Bhamjee

Non –Executive Directors
01 July 2018- 13th November 2018

Mr. Patrick Corbin
(Former Chairperson until 13th November)
Prof. Aly Karam
Ms. Modi Hlobo
(Resigned in September 2018)
Ms. Maggie Mojapelo
Mr. Newton Baloyi
(Replaced in November 2018)
Mr. Oscar Maseko

13th November 2018-16th April 2019

Mr. Nyambeleni Tshindane
(Chairperson till 16th April 2019)
Ms. Nompumelelo Hlatshwayo
Mr. Thabo Motloung
Ms. Maggie Mojapelo
Mr. Mongezi Ntanga
Mr. Oscar Maseko
Mr. Patrick Corbin
Prof. Kevin Wall

17 April 2019 – Current

Mr. Moeketsi Rabodila
(Chairperson from 17th April)
Ms. Maggie Mojapelo
Ms. Yongama Pamla
Ms. Kululwa Muthwa
Prof. Hamanth Kasan,
Mr. Lonwabo Qina
Mr. Motshupi Letsapa
Mr. Obakeng Mongale

Audit and Risk Committee

01 July 2018- 13th November 2018

Ms. Modi Hlobo
(Resigned in September 2018**)**
Ms. Maggie Mojapelo
Prof. Aly Karam
(Retired 17th April 2019)
Prof. Hamanth Kasan
Mr .Thabo Motloung
(Chairperson: 20 November 2018-1h April 2019)
Ms. Yogama Pamla
(Current Chairperson)
Ms. Kululwa Muthwa
Mr. Motshupi Letsapa

Independent Audit Committee Members

Mr. Lindani Mabuza
(Retired)
Mr. Robert Hill
(Retired)
Ms. Sizo Mzizi
(Appointed in April 2019)
Mr. Grant Dunnington
(Appointed in April 2019)
Mr. Zukisani Samsam
(Appointed in April 2019)

Transactions and Service Delivery	REMCO,SEC & Transformation
Prof Hamanth Kasan, **Mr. Lonwabo Qina** **Ms. Yongama Pamla** **Ms. Kululwa Muthwa** (Chairperson) **Ms. Maggie Mojapelo** **Mr Newton Baloyi** (Resigned) **Mr. Mongezi Ntanga** (Retired) **Prof. Aly Karam** (Retired)	**Ms. Maggie Mojapelo** (Chairperson) **Mpume Hlatshwayo** (Retired) **Prof. Hamanth Kasan** **Ms. Modi Hlobo** (Resigned in September 2018) **Mr. Oscar Maseko** (Retired) **Prof. Aly Karam** (Retired) **Mr. Obakeng Mongale** **Ms. Yongama Pamla**

Audit and Risk Committee

The Committee consists of Non-Executive Directors (NED) and Independent Audit Committee (IAC) – members are listed on page 39. The role of the Audit and Risk Committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. The Committee exercises its functions through close liaison and communication with Management and the internal and external auditors.

The Committee has been delegated the task of, inter alia, overseeing the quality, integrity and reliability of the Company's financial and risk management function. In terms of its mandate, it reviews and assesses the integrity and the quality of risk control systems and ensures that risk policies and strategies are effectively managed.

The Audit and Risk Committee operates in accordance with written terms of reference approved by the Board, as well as the legislative framework of the MFMA, the Companies Act and various other applicable acts and regulations.

The Audit and Risk Committee executed its responsibilities according to the terms of reference during the seven meetings held during the year. The Committee completed the following tasks:

The Committee completed the following tasks:

- Oversaw the appointment of an external audit firm and external audit process, including the approval of the Auditor-General of South Africa (AGSA) audit fee. Held a Committee meeting with AGSA without Management
- Reviewed JPC's processing to ensure compliance with applicable legal and regulatory provisions
- Reviewed the annual financial statements and Integrated Annual Report prior to approval by the Board
- Oversaw the drafting of the Integrated Annual Report and reviewing the document to avoid material misstatement and improve its integrity
- Reviewed the disclosure of sustainability issues in the Integrated Report to ensure that it is reliable and does not conflict with the financial information
- Considered the appropriateness of the expertise and adequacy of resources of the finance team. The Committee is satisfied with this team's expertise and resources
- Considered the expertise and experience of the Senior Management members responsible for the Finance function. The Committee is satisfied with the expertise and experience of Senior Management in terms of the finance function
- The Committee is satisfied with the content and quality of the quarterly reports submitted according to the MFMA
- Discussions on matters relating to financial accounting, accounting policies, reporting and disclosures
- Considered the JPC Financial Turnaround Strategy
- Risk management

Remuneration and Human Resource Committee (REMCO) Transformation, Social and Ethics Committee (SEC)

The Remuneration and Human Resource Committee consists of Non-Executive Directors. Its terms of reference were extended to include social, ethics and transformation aspects. This Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for Senior Management. Its specific terms of reference include recommendations to the Board on matters relating to, inter alia, human resource policies, executive remuneration and other human resource and remuneration affairs. It also monitors the Company's activities that relate to any relevant legislation, other legal requirements or prevailing codes of best practice.

It studies the social and economic development, including the Company's standing in terms of its goals and purposes, good corporate citizenship, the environment, health and public safety, and consumer relationships, including the Company's advertising, public relations and compliance with consumer protection laws and labour and employment.

JPC aims to align transformation with the corporate strategy, to define how JPC will transform the property industry, to develop the transformation policy, strategy and implementation plan, and to support the strategic transformation framework through monitoring the development of detailed plans that ensure that every department in the Company delivers on transformation.

REMCO key focus points

- Increasing the quality of the quarterly report, especially the chapter that deals with HR matters
- Approval of the quarterly report.
- Approval of the performance bonuses of executives including Chief Executive Officer for the previous financial year.
- Approval of HR policies, HR strategy and high-level structure.

Ethics management.

- Fostering ethical standards.
- Raising awareness through training, reporting and providing advice.
- Encouraging whistle blowing through mechanisms such as fraud and corruption hotline.
- Conducting forensics investigations when necessary.

The Committee is satisfied that they were independent and objective. No external remuneration consultants were used as the Committee has the necessary skills and competency in the remuneration space.

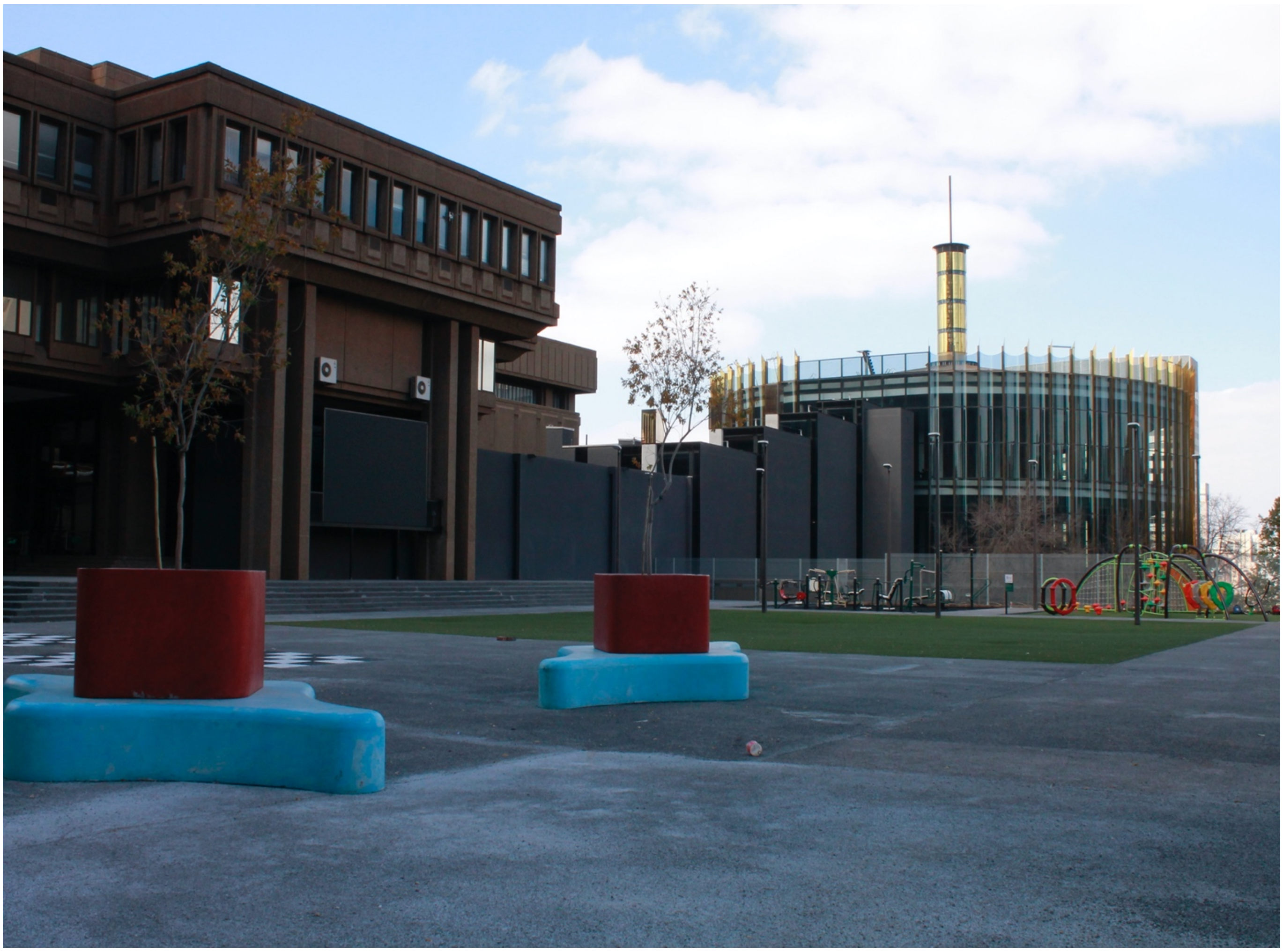
The Company has approved the code of conduct on the management of ethics in line with the MSA, and declarations of interest for the purposes of transparency and compliance with King III.

The JPC Board ensures effective, ethical leadership and corporate citizenship. This is entrenched in work conducted by the Transformation, Social and Ethics Committee, the mandate of which is to ensure that the entity behaves in a manner consistent with a good corporate citizen.

The implementation of the Company's ethics management process is effective and thorough and includes the prevention of fraud and corruption.

Transactions and Service Delivery Committee

The Transactions and Service Delivery Committee consists of Non-Executive Directors. This Committee, which makes recommendations to the Board or the Shareholder, considers all property transactions. The Committee has delegated powers from the Board to deal effectively with certain operational issues relating to the property portfolio of the Shareholder and operates within the terms and reference as approved by the Board.



SECTION 4:
Directors' and Prescribed Officers' Remuneration

The Directors of the Board are remunerated for their valuable contribution to the Company. In line with King IV, the Remuneration Committee governs the remuneration and recommends amounts paid to the Directors. As required by the Companies Act and other applicable municipal laws, the shareholder's remunerations policy regulates the Director's remuneration, while Non-Executive Directors' fees comprise a retainer and an attendance fee component.

CoJ, as the Shareholder, appoints the Board of Directors. The payment of Directors' fees is in terms of the CoJ Group Policy on the Shareholder Governance of Boards of Municipal Entities. The basis for the setting of fees for Non-Executive Directors is detailed in the policy and affected by the categorisation of the municipal entity. CoJ is categorised as a level 10 Municipality i.e. Metropolitan Municipality.

The Shareholder has upper limits salary levels, which determines how the entity's Executive and Senior Management and the upper limits are ratified by the Board. The Shareholder undertakes the benchmarking of benefits before revising the upper limits of the benefits.

Non-Executive Directors

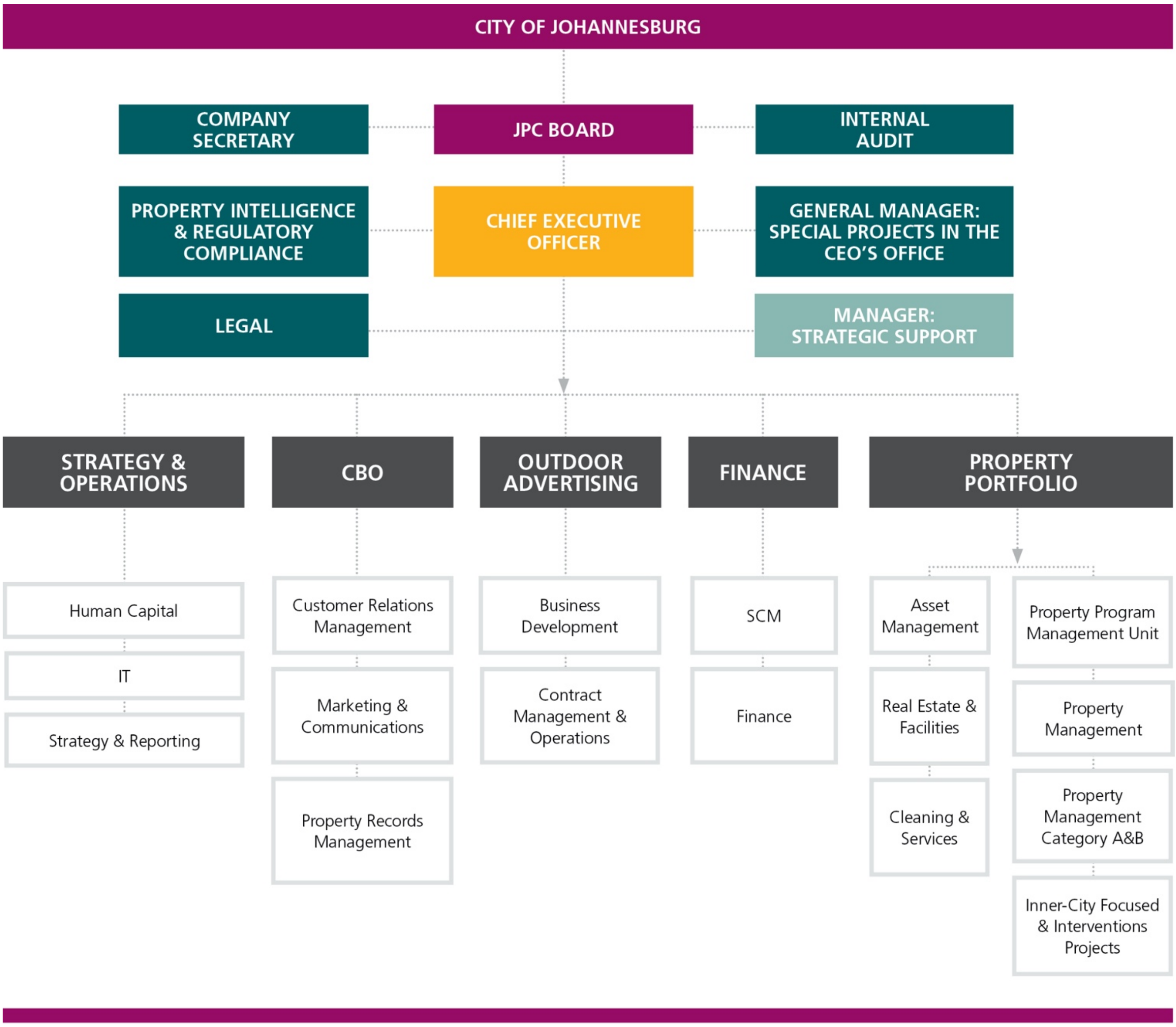
Name of Director	Meetings Attended YTD	YTD Total
Mr P. Corbin	14	R119 941.00
Prof. A. Karam*	16	R136 413.34
Ms. M. Mojapelo	20	R186 272.78
Mr. O. Maseko*	14	R124 111.95
Mr. N. Baloyi*	9	R77 855.00
Ms M. Hlobo*	5	R62 084.00
Mr M Ntanga*	7	R67 035.08
Mr N Tshindane*	5	R65 910.08
Prof K Wall*	6	R30 084.00
Ms M Hlatshwayo*	7	R69 203.56
Mr TD Motloung*	8	R84 866.60
Mr M Rabodila	5	R69 565.20
Ms Y Pamla	6	R36 521.73
Mr K Wall*	3	R22 815.00
Mr. L Qina	2	R20 869.56
Prof H Kasan	5	R52 173.90
Mr. O Mongale	5	R46 956.41
Ms K Muthwa	6	R59 130.42
Mr. M Letsapa	5	R46 956.51
Total	**148**	**R1 378 766.12**

* Resigned or retired during the year

Name of Independent Audit Committee Member	Meetings Attended YTD	Total
Mr V. Mokwena	4	R38 025.00
Mr L. Mabuza	7	R56 064.78
Ms. S Mzizi	1	R5 217.39
Mr. G Dunnington	1	R5 217.39
Mr. Z Samsam	0	0
Total	**13**	**R104 524.56**

SECTION 5:

High Level Organisational Structure



Executive Management Team

HELEN BOTES
(Chief Executive Officer)
Executive Director

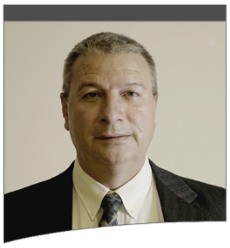
Expertise and experience
Treasury and banking, money market trading, trading of financial instruments, foreign exchange, retail bonds for CoJ, economic development, property development and Management

Qualifications
- MBA (Milpark Business School)
- Executive Leadership Development Programme
- Diploma in Treasury Management

STHEMBISO MNTUNGWA
Executive Manager:
Property Management

Expertise and experience
New business opportunities, innovative finance structuring skills, knowledge of property portfolios of various municipalities, and stakeholder liaison.

Qualifications
- Postgraduate Diploma in Business Management,
- Bachelor of Commerce,
- Property Development Programme (PDP)
- Management



FANIS SARDIANOS
Executive Manager:
Client Business Operationst

Expertise and experience
Member of the task team that established JPC, implemented JPC's client service and applications system. Strategic and operational property Management planning and support, monitoring and reporting of performance Management, coordination and monitoring of strategic projects and implementation of operational plans, development, monitoring and reporting on budget.

Qualifications
- IAC (Institute of Administration and Commerce- Local Government), IMFO (Institute of Municipal Finance Officers), BMA (Board for Municipal Accountants)

MUSAH MAKHUNGA
Head of Department:
Strategic Support

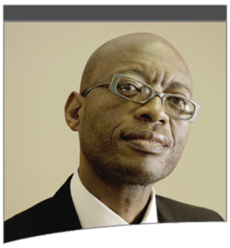
Expertise and experience
Business plan development, implementing corporate strategy, strategic and operational risk assessment, reporting and disclosure, Management of transformation initiatives, Company-wide monitoring and evaluation

Qualifications
- BC om (Hons), SA Government Procurement and Law Development Programme
- Diploma in Treasury Management

IMRAAN BHAMJEE
(Chief Executive Officer)
Executive Director

Expertise and experience
Financial management, Auditing and Risk Management, Process And Control Mapping, Management Consulting, Product Management, Relationship Management

Qualifications
- BCompt Honours
- Accreditation as Registered Government Auditor (RGA)
- Advanced certificates in Auditing, Leadership Management, and CTA



TSHEPO MOKATAKA
Senior Manager: Legal

Expertise and experience
Admitted Attorney of the High Court of South Africa, providing strategic legal advice, operational transitional compliance, vetting strategic agreements and legal documentation, managing legal advisors, managing legal risks, managing the legal budget, legal departments, budgets, the deputy information officer, conducting internal investigations of alleged fraud and corruption.

Qualifications
- BA (Law) LLB
- Postgraduate Diploma in Labour Law
- Postgraduate Certificate in Provincial and Local Government Law

MALA PADAYACHEE
Head of Department:
Information Technology

Expertise and experience
IT strategy development, development of IT Policies and governance, aligning IT services with the needs of business, mitigating and maintaining IT risk and security, system development, system design, hardware/software and testing. Manage, maintain, monitor and monitor IT systems.

Qualifications
- Business Information Systems (Honours)
- Public Administration and Management (Diploma),
- National certificates in: Project Management, Business Engineering, System Development and Customer Complaints, Leadership Skills Development Knowledge Management, and Auditing and Service Level Agreements

CRAIG MATTHEWS
Company Secretary

Expertise and experience
Admitted to practice as an attorney. Practiced for a number of years. More than 15 years' experience as Board/Company secretary in public sector fields such as merchant shipping regulation, agriculture and diamond mining and exploration. Worked as a corporate governance consultant in the private sector.

Qualifications
- BA (Law) LLB , MAP

Executive Director
Executive Management

Executive and Senior Management Remuneration

The remuneration of the Executive and Senior Management is governed by the JPC remuneration policy, which is aligned to the City's policy. The policy is reviewed every two years and approved Board. Senior Management is appointed on total cost to Company, which is broken down into basic salary, travel allowance and Company contributions, which includes retirement fund, and medical aid contribution.

JPC policy allows employees to cash a maximum of eight leave days in a 12 month period provided the compulsory leave of sixteen days have been taken. JPC policy allows also for a once off long term service leave on the year the employee qualifies and no other non-financial benefits.

The performance bonus, which varies according to the rating option, with 14% being the maximum percent, is the only cash value award made under the remuneration incentive scheme. Performance bonuses are assessed based on the employee's contribution to the scorecard of JPC, each KPI is weighted. The policy does not allow the sign-on fees, retention and restraint payment.

The policy does not have provisions for pre-vesting forfeiture (malus) and post-vesting forfeiture (claw-back) of remuneration. JPC employees are not paid any commissions, and allowances are included as part of total cost to Company. Remuneration of Senior Management is relatively fixed, with adjustment being an annual increase and performance based payment. The policy does not detail any obligation, which could give rise to payment on termination, with the exception of leave pay-out and performance bonus, if applicable.

JPC has undertaken to benchmark every two years in order to compare remuneration paid and remain competitive in the property-related market. JPC always compares itself to the 50th percentile. As indicated in the table below, there were no ex-gratia payments during the period. The salary ranges are within the parameters set by the Shareholder.

The remuneration packages outlined in the table below reflects both fixed and variable remuneration. The variable remuneration consists of the performance bonus, which is not guaranteed, but subject to policy provisions.

Name	Basic Salary R	Travel Allowance R	Leave Pay R	Bonuses/ 13th Cheques R	Company Contributions R	Total R
Ms. HM. Botes	R2 241 729.00	R249 999.96		R330 969.66	R26 201.88*	R2 848 900.50
Mr. IM. Bhamjee	R1 729 429.60	R96 000.00		R282 880.08	R361 956.31	R2 470 265 .99
Mr. MM. Makhunga	R1 273429.52	R96 000.00		R207 118.94	R268 552.20	R1 845 100.66
Mr. CL. Matthews	R1 186 812.99			R172 849.60	R141 047.39	R1 500 709.98
Mr. SZ. Mntungwa	R1 794 672.05			R216 201.20	R387 144.90	R2 398 018.15
Mr TF. Mokataka	R1 111 431.82			R93 127.02	R 245 331.98	R1 449 890.82
Mr F. Sardianos	R1 762 387.72			R282 880.08	R 387 144.90	R2 432 412.70
Ms. M Padayachee	R1 006 495.62	R120 000.00		R175 254.52	R218 243.81	R1 519 993.95
Total	**R12 106 388.32**	**R561 999.96**	**-**	**R1 761 281.10**	**R2 035 623.37**	**R16 465 292.75**

SECTION 6:

Governance of Stakeholder Relationship

Stakeholder engagement practices are key success factors in achieving our strategy and form part of the boundaries and scope of our Enterprise Risk Management Framework. Our annual Board approved risk management process (see pages 47-51) or this report not only identifies the issues material to our business and our stakeholder's (currently end in the future). It also allows us to review the stakeholders we have previously identified and identify any new stakeholders.

Our first priority is creating value through (and in partnership) will our stakeholders is to ensure that we manage our stakeholder's relationship ethically and accountably. We do so through various governance mechanisms (Refer to section 1.21 Client relations management, pages 87-90) including Regional Councillor Road Shows and Client Services.

Sustainable relationships with stakeholders form the foundation of JPC's ability to create value in the short, medium and long term. The material stakeholder interests, and level of influence vary according to geographical location, area and nature of their roles.

The entity has identified a number of stakeholders broken down into the following categories:

The Shareholder: City of Johannesburg

Our Shareholder mandates us to deliver a City's priorities and ensure internal JPC strategic objectives are in line with growth and development (GDS 2040) other plans and policies of the city.

How we engage	Material interests
• Regular scheduled engagement with Mayors, Member of Mayoral Committee (MMC), Councillors, and Executive Directors • Strategic engagements between the City and JPC to report on Annual Business Plans i.e. Council, Mayoral and Sub Mayoral Meetings, Mayoral & EMT Lekgotla, etc.	• Strategy Execution • Policy and Regulatory Uncertainties. • Liquidity And Capital Project Execution • Reporting and compliance • Revenue and financial sustainability • Strategy Execution

Investors, Commercial Partners, Government

Key investing opportunities, which could lead in economic growth approaches with COJ. Innovation through partnership as an essential mechanism for measuring the quality end scope of service while reducing costs. These stakeholders include the property industry, Heritage Council, Outdoor Advertising industry, government institutions (national, provincial and state-owned entities), and informal traders, among others.

How we engage	Material interests
• Investor Briefings • Joint planning sessions • Commercial networks and business interactions	• Capital Project Execution • Investment Opportunities • Impact on the Community • Collaboration in planning of Property Development Projects • Servitude Agreements

Organised Labour

JPC engages with Organised Labour through collective agreements and established forums

How we engage	Material interests
• Engagement through recognition agreements that provide for monthly and or quarterly meetings • Regular collective bargaining talks through the Bargaining Council • Commercial networks and business interactions	• Compliance with Labour Law • Salary and Wage negotiation • Socio – economic impact on employees • JPC Strategic Direction • Items of Mutual Interest • Staff Wellness

Communities

JPC 's activities impact the lives of communities in and around the jurisdiction of City of Johannesburg. JPC actively promotes economic growth through property related transactions.

How we engage	Material interests
• Communication and engagement campaigns • Roadshows • Client services walk-ins (Refer to stats on pg 111)	• Socio – economic impact on communities • Relationship with community representatives i.e. Councillors • Property and Land appropriation • SMME and entrepreneurial opportunities • Service Delivery

Employees

The principal human capital needed by JPC to enable its business.

How we engage	Material interests
• Regular Staff meetings and roadshows • Newsletters • Regular collective bargaining talks through the Bargaining Council • Commercial networks and business interactions	• Compliance with Labour Law • Changes in terms and conditions of service • Health and Safety of employees • Operating Procedures • Performance and productivity • Training and Development • JPC Strategic Direction

Media and the general public

The print, broadcast and electronic social media with transparent access to information relating to JPC performance, including large scale economic and developmental achievements and potential failures.

How we engage	Material interests
• Media briefings and press releases • Communication and engagement campaigns • Media Roadshows • Participation in sector specific ad trade publications • Commercial networks and business interactions	• Perceived lack of transparency and information availability • Request for Proposals • Job creation • Land

The detailed stakeholder Management matrix is presented on a quarterly basis to the Transformation, Social and Ethics Committee. The matrix shows each stakeholder and its interest, level of influence and method of engagement.

The Stakeholder Unit (SU) focuses on communicating and engaging with internal and external stakeholders such as COJ Departments and Entities, Regional Directors, Ward Councillors, communities and petitioners on property and land related matters through meetings, site visits and one on one interactions on matters arising through regional engagements which feed into the COJ strategic and Management meetings.

This assists with the issues of stakeholders at regional level to escalate to the relevant department within JPC in order to seek resolution and report back timeously and accurately at forums. E.g. Ward Councillors Forum and Regional Service Delivery Committees.

The methods of engagement vary from one stakeholder to another but include CEO workshops, JPC open days, media tours, quarterly reports, attendance of meetings, Indabas, business breakfast meetings, briefing sessions. Effective stakeholder Management assists JPC to delivery services timeously and avoids unnecessary delays due to strikes, the approval of documents, and so on.

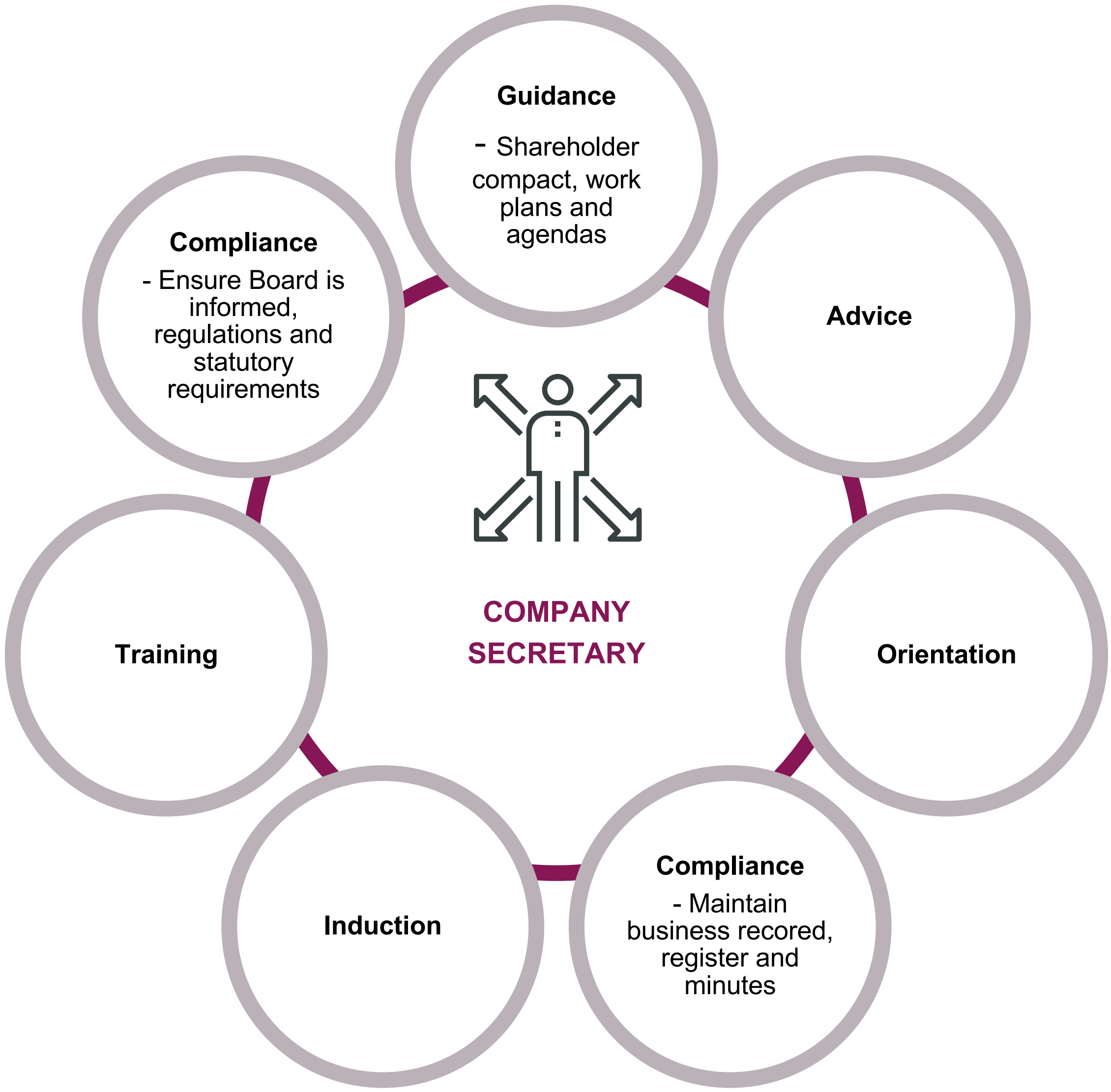
Attention was paid to the environment within which JPC operates, taking cognizance of the fact, that it is fluid and that the needs of the stakeholders are diverse and conflicting, which requires a balanced and objective approach.

JOBURG PROPERTY COMPANY

SECTION 7:

Company Secretarial Function

The Company secretary is an independent, competent, qualified and experienced individual who has proven competencies and experience in the relevant laws. The Board assesses the Company Secretary's performance. This is part of its annual performance assessment process.

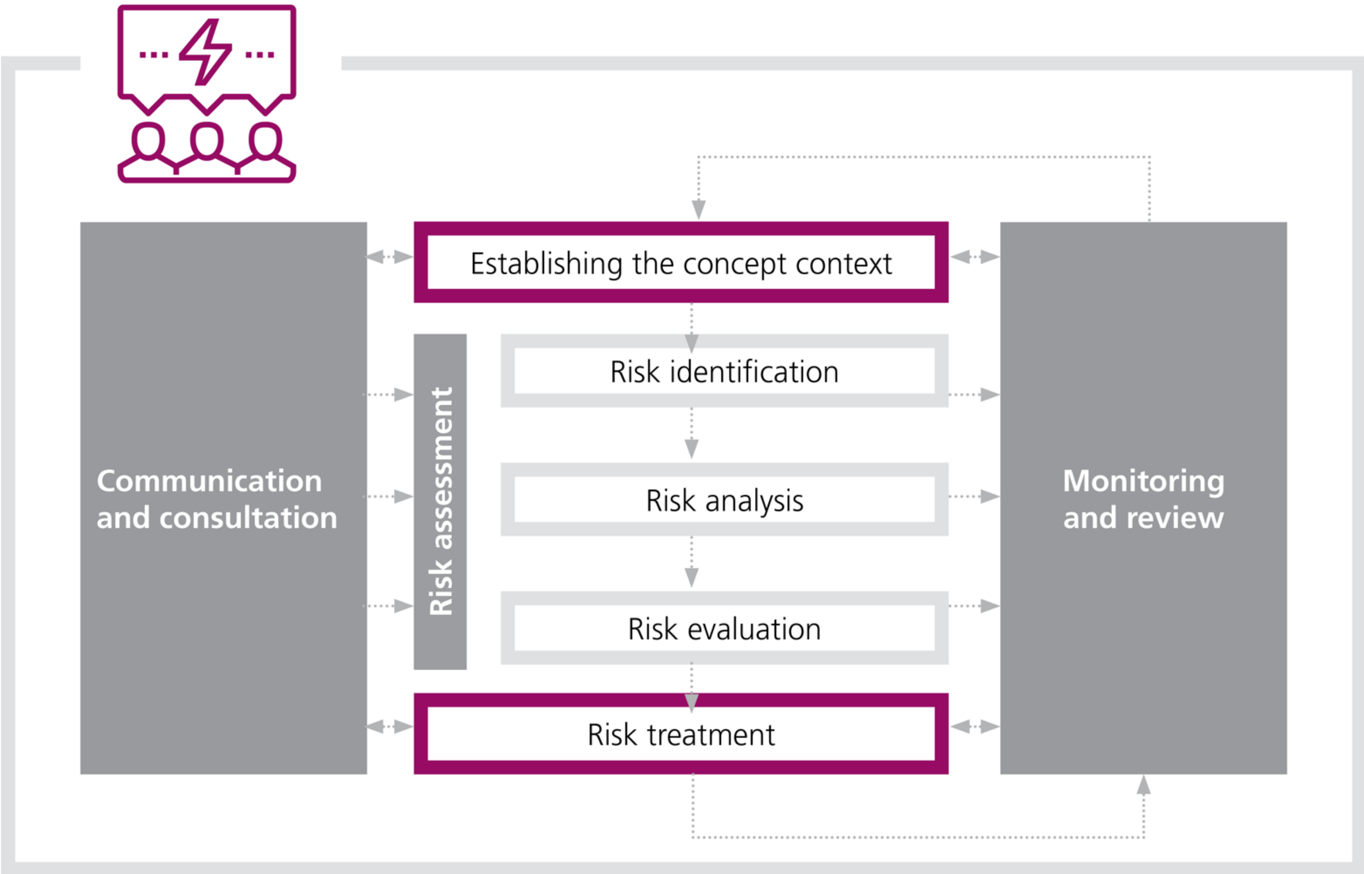


SECTION 8:
Risk Management

Every year the Board of Directors approve the key risks which are likely to have the most material impact on the company's ability to achieve its predetermined objectives.

The JPC policy and framework on Risk Management is fully aligned to the CoJ group policies, ISO 31000 and the King Code of Corporate Governance. Management identifies, monitors and reports on progress made on the top ten risks to the Audit and Risk Committee on a quarterly basis.

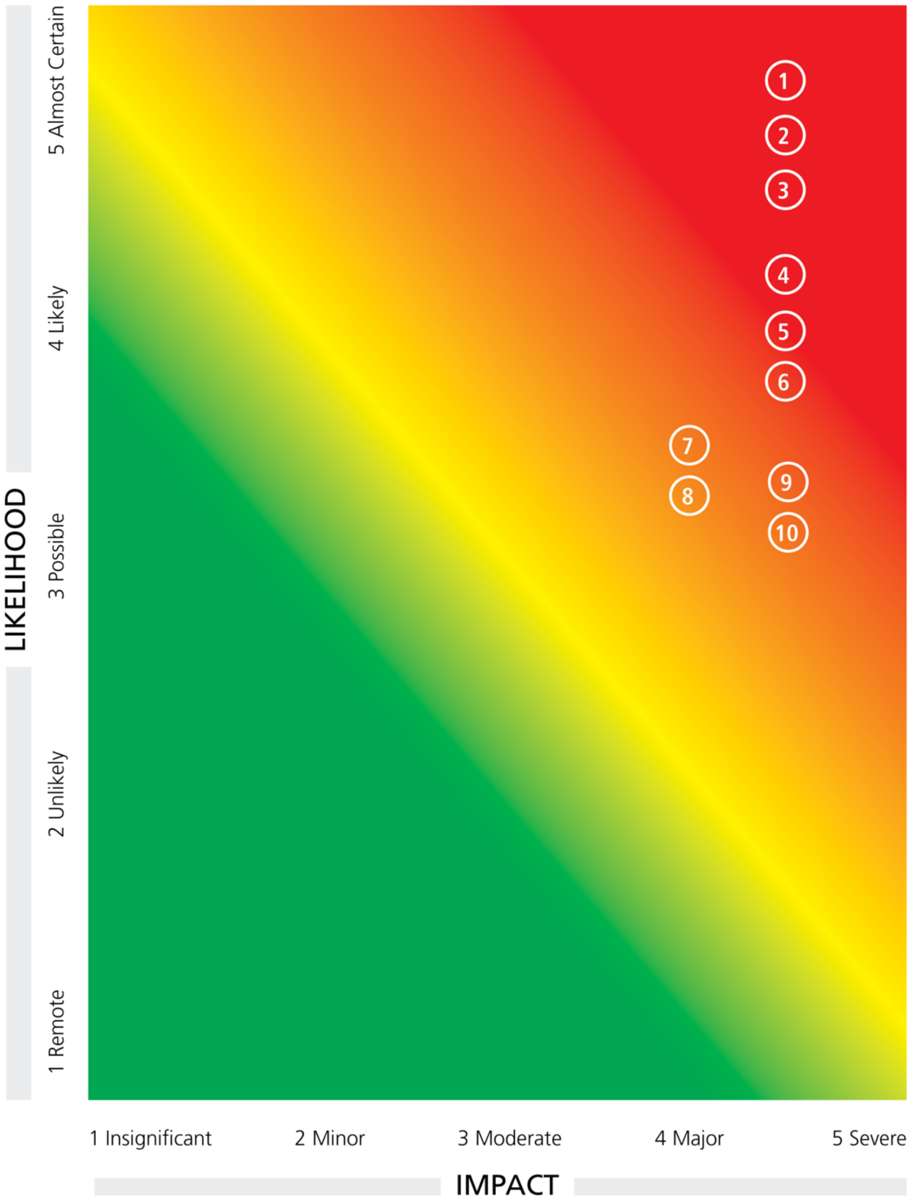
This Committee is mandated to oversee the Risk Management function in order to ensure that there is an effective system of risk management in place within the company. During the 2018/19 financial year, the JPC Executive Management team identified a total of ten strategic risks and the risk profile comprised of a range of categories including Financial, Service Delivery, Human Capital, Governance and ICT risks, majority of which were rated high to very high residually.



JPC monitors its quarterly performance against the approved 2018/19 Strategic Risk Register, and measures improvement according to the number of action plans implemented by Management.

During the current year 42% of the risk action plans were implemented for the top ten strategic risks, having had a minor impact on the overall risk profile at year end. The 2018/19 Strategic Risks, as captured below, will thus form the baseline for the 2019/20 Strategic Risk Register Review.

Measurement/Interpretation of Risk Exposure Levels



1. Perceived to be trading recklessly
2. In ability to generate revenue.
3. Occupation of building not OHASA compliant.
4. Piecemeal integration of the JPC departments backed into the city.
5. Erosion of the City owned land and property asset base.
6. Inadequate maintenance of property.
7. Ineffective government structures.
8. Organisational infrastructure objective is not in line test to the strategy strategic.
9. Non-compliance with the legislation policies procedures and poor governance.
10. Fraud and corruption.

Exposure Rating	Assessment	Action Required
Very High 20 - 25	Unacceptable	Requires immediate attention from Management on implementation of corrective measures
High 12 - 19	Unacceptable	Implementation of improvement opportunities and validation of current controls
Medium 6 - 11	Acceptable with caution	Evaluation and improvement of current controls
Low 1 - 5	Acceptable	Validation and optimisation of controls

Other key activities that will be undertaken during new financial year will include a Risk Management Workshop with the Board, development of departmental operational risk registers as well as project risk registers based on the strategic and service delivery importance of projects to the Company.

Key Risks and Mitigation Strategies as at 30 June 2019

DESCRIPTION OF RISKS	RISK MITIGATION	RISK IMPLICATIONS
Perceive to be trading recklessly	• Contracts only entered into for budgeted expenses. • Suppliers paid within 30 days • Letter requested form the City that protects directors as JPC is insolvent but still trading. • Shareholder mayoral requested to write off the interest charged as a result of late payment by third parties. • Internal control deficiencies that results in fruitless and wasteful expenditure have been addressed. • Dedicated email accounts for all fixed cost register –monitored monthly by SCM officials. Suppliers informed to submit all invoices to these email accounts by 21st of each month. • Fruitless and wasteful expenditure reported to board quarterly and investigated to ensure recovery of monies wasted. • Increase revenue enhancing plans including the following initiatives: o Don't budget for revenue that is subject to conditions not fully in control of JPC. E.g. Outdoor advertising by law or facilitation fee subject to council approval etc. o Pro-actively approach all departments with a budget to acquire properties and ensure properties are acquired and budget not returned, in order to earn our commission. o Process to renew leases are commenced 1 year prior to expiry of the leases thus ensuring that council approval and tenders are awarded before the current lease expires	Medium-term
Inability to generate revenue	• CoJ subsidy in place and being received monthly • Maintenance contracts and SLAs in place and works is being done and billed accordingly • Commission's income received from capital projects, lease income and acquisitions. • Prudent expenditure management • Strict adherence to the approved and allocated annual JPC budget. • Lease Audit ongoing to ensure completeness of properties leased by JPC in order to increase and measure revenue base. • Increase projects that can generate facilitation fess. • Release assets that are not strategic and not used, to increase commission. • Focus on property acquisition for the City as a whole based on the budget availability • SLA's include stricter controls e.g., o Credit limit and sign off by departmental CFO before JPC pays the suppliers, o Purchase Order (PO) received before work is started. o Clarifying the JPC contact person with departments • All new leases require debit order authorisation. • Defaulters handed over and blacklisted after 60 days. • Shareholder mayoral requested to write off the interest charged as a result of late payment by third parties. • Leases for a period of three years and for less than 10million to be delegated to City Manager by Council to transact on those land parcels including temporary advertising signs such as at constructions sites.	Medium-term
Occupation of building not OHASA compliant	• Performance of surveys on the condition of all plant and equipment in order to allow the assessment of the required repairs and maintenance of facilities managed by JPC in line with service level standard • Letters issued to entities and departments that are occupying buildings not OHASA complaint.	Medium to Long-term

DESCRIPTION OF RISKS	RISK MITIGATION	RISK IMPLICATIONS
Piecemeal integration of the JPC departments back into the City	• This risk was identified in the first quarter however the City has decided to halt the re-integration process due to legal disputes in respect of SCM process followed for re-integration therefore this does not pose as a risk.	Short-term
Erosion of the City-owned land and property asset	• Fully complaint asset register. • Planned property maintenance activities for the City's corporate buildings that JPC is managing • Regular councillor roadshow to discuss CoJ properties with the wards. • Formulation of asset management plans • Nicor system has a contract management module which is used to monitor all contracts • Full utilisation of allocated budget for acquisition of properties • Full asset register verification every two year • Asset management plans monitored using tracking sheet to ensure that plans result in a transaction in the future • Short term leases of less than three years and R10 million to be sent to City manager for approval and not council after council have delegated it powers to CM.	Long-term
Inadequate maintenance of property	• Schedule of maintenance plan per department that that signed SLA • Ad hoc maintenance as prompted by call outs due to urgent requests for repairs • Some project teams have been formed and being deployed to temporarily complement teams that require assistance • For all properties in bad state after point two, report the consolidated list to the board, in order for the board to engage with MMC and mayor regarding the issue. • Allocated budget for repairs and maintenance	Medium-term
Ineffective governance structure	• All committees have approved terms of reference that need to be adhered to. • Issues are escalated timeously to board committees and bard • Annual work plan prepared considering all deliverables as per charter/ terms of reference. • Documents provided to the committees within 7 days prior to the meeting. • Documents approved subject to changes are provided to members after those changes. The committees are provided the final products of all documents discussed and approved	Short-term
Organisational infrastructure not aligned to the strategic objective	• Approved organisational structure linked to our mandate • Critical vacancies are prioritised to minimise the impact to service delivery. • Performance management in place and regularly reviewed. • Conducting training needs analysis • Policies and procedures updated and communicated regularly to all employees. • Utilise interns to reduce the vacancy rate especially administrator level • Roll out change management interventions • Employees not complying with JPC code of conduct and other policies undergo disciplinary cases	Medium-term

DESCRIPTION OF RISKS	RISK MITIGATION	RISK IMPLICATIONS
Non-compliance with legislation policies procedures and poor governance	• Policies and procedures in place that are consistent with laws and regulations • Periodic regulatory compliance reviews by internal audit • Quarterly JPC compliance checklist in place • Annual employee's awareness campaign for the relevant laws, regulations and policies. • Review policies for legal and regulatory completeness (biennial/ every 2nd year). • Update and implement JPC compliance management framework which is aligned to the city wide compliance management framework. • Compliance system (Exclaim) is updated regularly as legislation changes	Short-term
Fraud and corruption	• JPC support service policies and procedures in place • Fraud and corruption (Prevention) committee in place • Fraud and whistle blowing hotline and policy in place • Periodic staff awareness training and workshops • Quarterly reporting to ARC on fraud issues. • Caveats are noted against all CoJ owned properties to safeguard against fraudulent transfer • Employee's relations consequence management. • Fraud prevention hotline has been fully implemented. • Biennial promotion of fraud prevention and fraud hotline awareness through partnership with GFIS. • Implementation of ER based on consequence management measures.	Long-term

Internal Audit provides Management with assurance on the effectiveness of the controls in place to manage the risk by conducting risk-based audits throughout the year and focusing on the adequacy of risk mitigation plans and their effectiveness in reducing risk exposure.

SECTION 9:
Internal Audit function

The internal audit function of JPC subscribes to the definition of internal audit as defined by the International Standards for the Professional Practicing of Internal Auditing (ISPPIA), which defines internal audit as "an independent, objective, assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation achieve its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk Management, control and governance process".

JPC's internal audit function conducted audits in line with the requirements of ISPPIA. Independence is defined as the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve such a degree of independence it is necessary to effectively carry out the responsibilities of the internal audit activity. The chief audit executive has direct and unrestricted access to Senior Management and the Board. The internal auditors of JPC report directly to the Board via the Audit and Risk Committee, at least quarterly.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product. The Audit and Risk Committee takes the issue of objectivity seriously and has requested that the internal audit function goes through an independent review after every three years instead of the five years prescribed by the ISPPIA.

The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively. The roles and responsibilities of the internal audit function are in the Audit Charter, which includes the following:

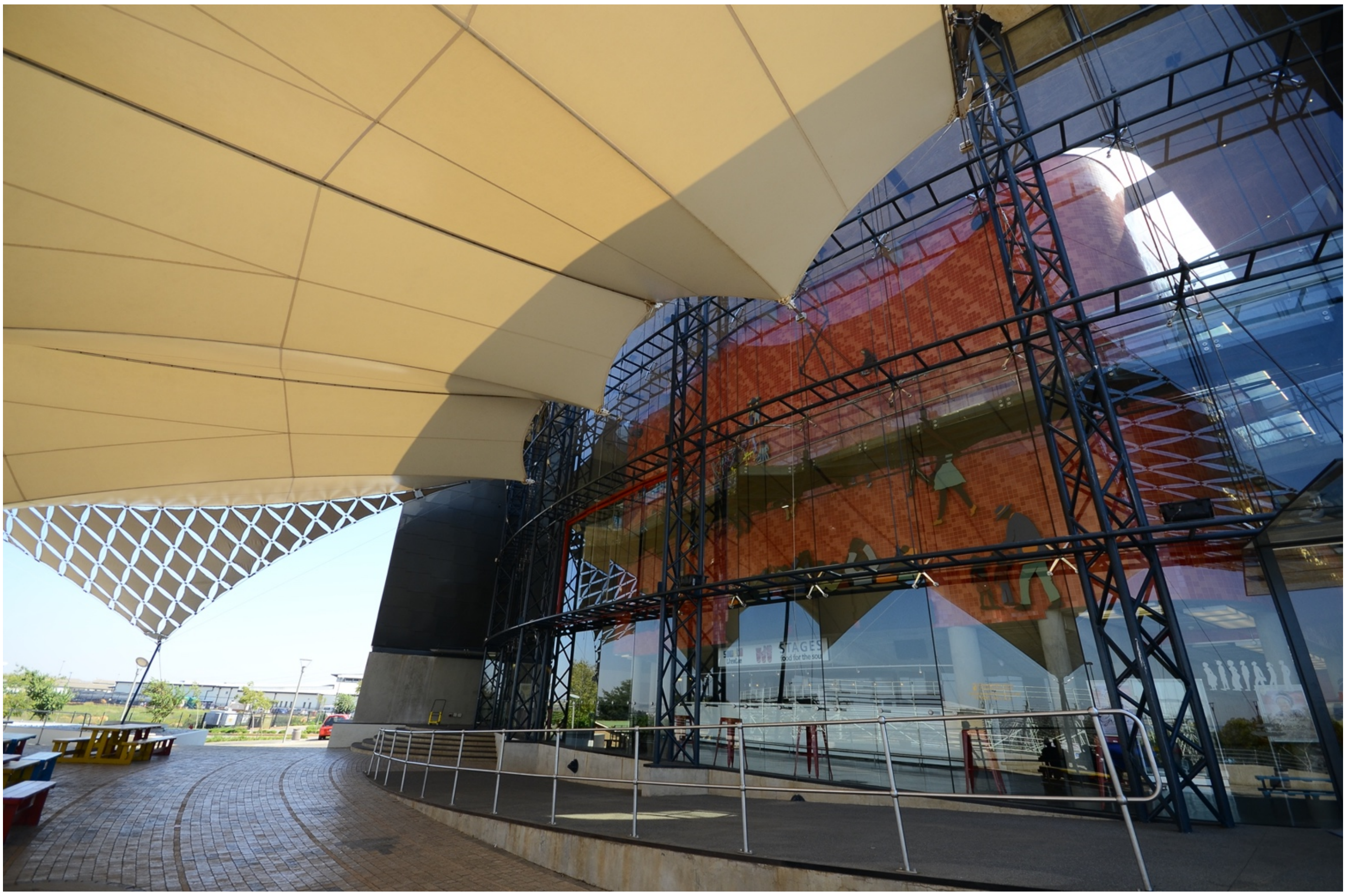
THE ROLES AND RESPONSIBILITIES OF THE INTERNAL AUDIT

- Prepare a rolling three-year strategic internal audit plan based on the assessment of key risk areas for JPC, considering its current operations, those proposed in the strategic plan and its risk management strategy.
- Develop a flexible audit plan using a process-based approach linked to an appropriate riskbased methodology for review and approval, as well as quarterly/ periodic updates.
- Implement the annual audit plan, as approved, including time as appropriate for any special consulting tasks or projects requested by management and the Audit and Risk Committee.
- Assist in the investigation of significant suspected fraudulent activities in the business unit, and notify management and the Audit and Risk Committee of the results.

Boikano Accountants Inc. (BAI) has been appointed as JPC's outsourced internal audit service provider with effect from March 2019. The three-year rolling internal audit plan was reviewed and approved by the Audit and Risk Committee (ARC) after considering both strategic and operational risks of the entity.

Internal audit progress reports were directly submitted to the Audit and Risk Committee of the Board on a quarterly basis. The Committee annually ensures that it can deliver quality services that are in line with set standards and evaluates the effectiveness of the internal audit function.

The state of internal controls remains sound according to Management. There are no significant internal control deficiencies that have been cited by Internal Audits based on audits performed thus far and Management is confident in receiving a 5th consecutive unqualified audit outcome.



SECTION 10:
Corporate Ethics and Organisational Integrity

The JPC Board and Management abide by the principles of King IV, among others those related to corporate ethics and organisational integrity. The Company values – professionalism, accountability, responsibility, customer service and trust – provide an ethical foundation and are fundamental to success. JPC Management encourages employees to live the JPC values. King IV principles require that a Company should demonstrate its commitment to organisational integrity by providing effective leadership based on ethical foundations, ensuring that the Company reflects responsible corporate citizenship and that the Company's ethics are effective.

JPC has already taken an initiative to put more effort into promoting ethics and good corporate governance by establishing the Transformation, Social and Ethics Committee, as prescribed by the Companies Act. This Committee is tasked with overseeing the social and ethical matters in JPC and report to the Board on progress.

JPC has a code of conduct endorsed by the Board that applies to directors and employees. The code is regularly reviewed and updated to ensure that it reflects the highest standards of behaviour and professionalism.

In summary, the code requires that JPC's entire personnel act at all times with the utmost integrity and objectivity and in compliance with the letter and spirit of both the law and its policies. Failure by employees to act in terms of the code results in disciplinary action. The induction training includes discussing the code with each new employee.

SECTION 11:
Sustainability Report

Health and Safety

JPC manages facilities for the CoJ and as a result, issues related to the Occupational and Health Safety Act (OHASA), 1993, are high on the organisation's priority list. The Committee monitored the OHASA reports detailing the conditions of the public facilities under the Management of JPC. The Committee considered some of the challenges faced by the Company and ensures compliance with OHASA legislations.

Environment

At JPC, reducing environmental impact is a top priority and is considered in all stages of the building and renovation projects to deliver innovative workspaces that are energy-efficient that have low operating costs and use sustainable materials and recyclable products wherever possible. JPC's commitment is to maintain the grounds and buildings of the Council Buildings in an environmentally sensitive way including aspects such as the refurbishment programmes of buildings, planning and delivery of new capital projects, and the chemicals used by our maintenance teams.

Built Environment

JPC works with external service providers to deliver on carbon and energy reduction targets through the installation and use of energy-efficient materials, equipment and water efficiency fittings equipment. Assessments of office space requirements are taken into consideration in the planning, designing and construction of the most efficient, ergonomically and environmentally friendly offices. These requirements include aspects related to energy and water use, the internal environment (health and well-being), pollution, transport, materials, waste and facility management processes. Creating office environments with natural ventilation is incorporated into designs for new and refurbished buildings.

Corporate Social Responsibility Report

The concept of sustainable development broadly underpins the Company's corporate social investment philosophy and function. The policy of JPC is to act as a facilitator, rather than a sole sponsor of social investment projects. In this way the long-term sustainability of projects is encouraged, additional donors are attracted, and historically disadvantaged communities are empowered. NGOs serve as a major national initiative through which business and government have joined hands to support strategic interventions on the following issues:

- Health care initiatives
- Education
- Skills Development and Job Creation
- Small Business Development

SECTION 12:
Anti-Corruption and Fraud

JPC subscribes and complies with all the governing policies of JPC and the shareholder, including the Prevention and Combating of Corrupt Activities Act, 2004, and its related regulations. JPC's Management takes a zero tolerance approach to fraud and corruption policy which is reviewed on a regular basis.

In line with the policy, JPC has a Fraud and Corruption Committee (FRACC) that comprise seven members. The Committee is responsible for facilitating investigations into allegations of fraud and corruption, reported to JPC through its fraud hotline email address (fraudhotline@jhbproperty.co.za).

The FRACC considers the matters reported to JPC and ensures that investigated matters are resolved by referring the allegations for investigations either internally and/or externally to the Group Forensic Investigation Services (GFIS) and the South African Police Service. On conclusion of the investigations, the Human Resource Department proceeds to lay charges against the accused persons.
FRACC reports to the Audit and Risk Committee, the Transformation Committee, Social and Ethics Committee and the Board. JPC further reports on the matters received from the CoJ Fraud Hotline to Group Risk and Assurance Services.

The JPC did not receive any new matter during the year under review to be included in the FRACC register.

The following matters are currently dealt with by FRACC:

Allegations against an employee who was living in a council owned property without authorisation and illegally renting out properties in Orange Grove for own profit:

Outcome of hearing handed down on 04th February 2019

Employee found guilty and dismissed. Employee is appealing the dismissal at Bargaining Court

HR investigated a case of misrepresentation regarding sick leave, but no evidence could be established to prove any wrongdoing on the part of the employee

The following matters are currently under investigation by GFIS:

In the matter regarding fraudulent lease over Erf 1162 Fourways Gardens Ext 10

Disciplinary process commences. Hearing postponed as employee representative raised complaints. GFIS also investigating with a view to opening a criminal case.

Illegally renting out properties in Orange Grove for own profit

GFIS investigating the matter with a view to opening a criminal case.
Employee placed on suspension pending outcome of investigation.

SECTION 13:
Information and Communication Technology (ICT) Governance

King IV and ISO 38500 recommend that ICT governance Management should be at political leadership and Executive Management level. This ensures that the delivery of ICT services is in alignment with the Company's strategic goals. ISO 38500 is an international standard for the corporate governance of ICT and provides a framework of principles for the executive authority and Management to govern and manage ICT.

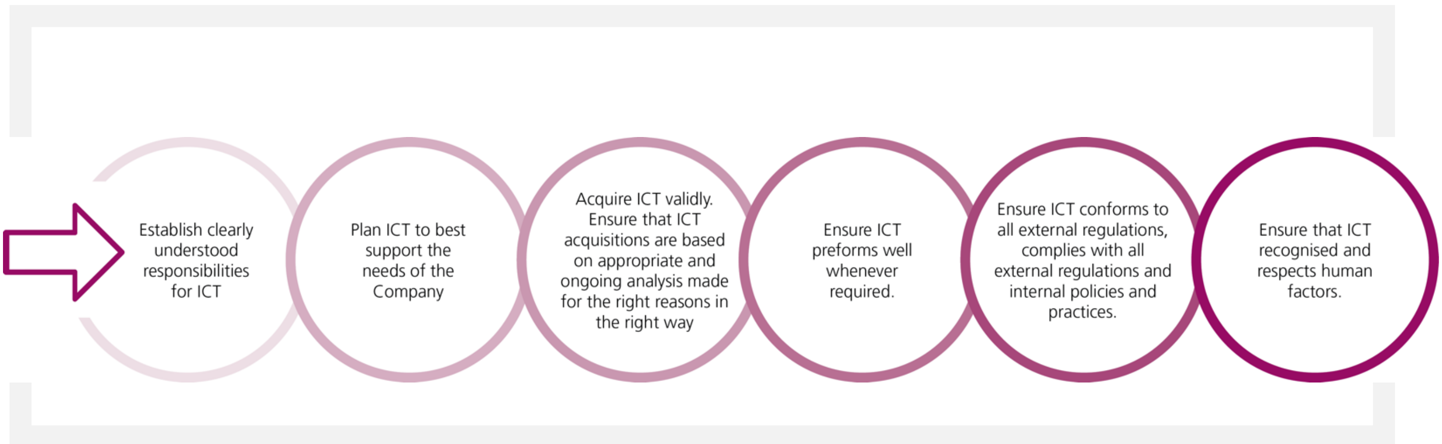
The corporate governance of ICT is a continuous function embedded in all operations of JPC from executive authority and Management level to business and ICT service delivery. The Company's executive authority and Management need to extend corporate governance to ICT providing the necessary strategies, architectures, plans, frameworks, policies, structures, procedures, processes, mechanisms, controls, and ethical culture. JPC's ICT governance complies with the following leading ICT frameworks, standards, and guidelines:

- Control Objectives for Information and Related Technology (COBIT)
- Information Technology Infrastructure Library (ITIL)
- King lV

JPC acknowledges ICT as a strategic asset that forms an integral part of the delivery of its strategic business objectives. In this regard, the Company follows efforts and activities embedded in the King IV Code of Governance Principles. The focus of ICT governance is the establishment of various responsibilities, processes and supporting governance structures. The Company appointed an experienced IT professional to lead the IT business unit.

JPC implemented a governance framework that ensures that ICT goals and investments are aligned to the Company's business objectives and supports the City's business objectives as outlined in the GDS 2040 and its overall transformation agenda.

JPC's ICT governance approach is set on the following principles:



ICT must meet the current and evolving needs of all users. In addition, the City Management acknowledges that to become a high-performing local government entity, JPC needs to enforce rigorous ICT governance in order to achieve the following:

- Ensure that the business and ICT stakeholders are working towards the same strategic objectives of the City.
- Establish reliable financial and performance processes and metrics enabled by relevant IT systems and applications that support business decision making.
- Actively manage the ICT portfolio according to business benefits and ensure that the ICT budgets are a collaborative exercise between the Company and ICT stakeholders.
- Optimise the City's existing ICT functions in order to obtain "true" value from ICT investments.
- Seek continuous improvement on the use of ICT in JPC.
- Ensure compliance with regulatory frameworks and legislation on ICT.

Oversight of the entity's ICT function was delegated to the Audit and Risk Committee, which kept this item as a standing agenda item in the period under review.

SECTION 14:
Assessment of Arrears on Municipal Taxes And Services Charges

Assessment of Senior Management's Municipal Accounts

Name	Municipality	Balance Owing	Arrears
F. Sardianos	CoJ	Current	None
S. Mntungwa	CoJ	Current	None
M. Makhunga	CoJ	Current	None
M. Padayachee	City of Tshwane	Current	None
C. Matthews	CoJ	Current	None
T. Mokataka	CoJ	Current	None

Assessment of Board Members' Municipal Accounts

Name	Municipality	Balance owing	Arrears
H. Botes	CoJ	Current	None
I. Bhamjee	City of Tshwane	Current	None
M Rabodila	CoJ	Current	None
K Muthwa	City of Tshwane	Current	None
Prof H. Kasan	CoJ	Current	None
L Qina	City of Tshwane	Current	None
M Mojapelo	CoJ	Current	None
O Mongale	CoJ	Current	None
M Letshapa	CoJ	Current	None
Y Pamla	CoJ	Current	None

03. Service Delivery Performance

SECTION 1:

Core Business Units

Section 1.1. Highlights and Achievements

✓ **Priority 1:** Promote economic development and attract investments towards achieving 5% economic growth that reduces unemployment by 2021

- During 2018/2019 financial year, 1736 SMME's were supported by JPC
- A total of 2050 jobs opportunities were created
- R1691 206 904.00 investment attraction which translates into R20 Billion construction value over the lease period
- R744 932 600 investment spend on Construction projects

✓ **Priority 2**: Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress

- Two hundred and fifty (250) Asset Management plans were formulated to ensure that Council properties are used optimally addressing service delivery and maximizing return on investment for the City.
- Nineteen (19) properties were acquired as part of addressing City departments' service delivery requirements.
- Twenty- seven (27) Inner-City Redevelopment Projects were awarded as part of the key focus on the City's SDF transformation themes such as Inclusive City that ensures balanced service provision, proximity to social and economic opportunities including affordable housing.
- Refurbishment projects namely Protea Glen Fire station, Diepsloot Licensing Centre and Sandton Licensing Centre leading to improved service delivery.
- JPC was instrumental in securing space and refurbishing the three (3) Opportunity Centers for Department of Economic Development.

✓ **Priority 7**: Enhance our financial sustainability

- Rental income from leases and servitudes sales and acquisition was R161 999 031
- 100% Capex Spend.
- Intercompany debt has been reduced to R403.5million as at 30 June 2019 against R567 million at the end of the previous year.
- The solvency ratio of JPC is 1:1. The company has turned a corner on the going concern challenges it previously faced.
- To advance the City's service delivery, housing provision and economic development objectives, thirty-three (33) properties to the value of R2 540 571.00 were transferred to beneficiaries as part of the Conversion and Land Regularisation Programme.
- A total of seven hundred and sixty nine (769) properties to the value of R10 076 157.00 were transferred during the reporting period. Seven hundred and thirty six (736) housing properties to the value of R7 535 586.00 were transferred to beneficiaries.
- The Development Planning Department acknowledged and welcomed the Land Strategy as it encompasses the sentiments of the Spatial Development Framework 2040 (SDF2040). This acknowledgement will have positive impact and showcase buy in from City departments.
- Refurbishment projects - Protea Glen Fire station, Diepsloot Licensing Centre and Sandton Licensing Centre - have been successfully completed.
- Bertrams Priority Block has contributed to R744 932 600 investment spend on construction projects.
- Public participation process concluded for flagship Southern Farm and Soweto Gateway projects

Section 1.1.1. Asset Management

The primary function of the Asset Management Division is to define an appropriate return on investment, cost structure, investment plan, disposal, acquisition strategy and maintenance plan that aligns to transformation targets and job creation. Asset Management must maintain the property asset register that warrants support to the City's objectives and spatial development framework for each property under Management and the portfolio as a whole.

The heart of JPC's asset Management philosophy is about maximising value, reducing costs and increasing returns from property. Critical to success is for JPC to apply commercial property principles and practices in pursuit of its socio-economic mandate to achieve service delivery objectives and to realise the full potential of property investments.

Acquisition during the period

During the reporting period, twenty-eight (28) properties to the value of R135 770 000.00 were taken on. One (1) property to the value of R13 395 000.00 was acquired through the Capital Budget for Servitude purposes on behalf of City Power. The regional outline of this acquisition is outlined on the table below:

Stand Number	Location	Region	Value
Ptn 429	Zuurfontein 33 - IR	Region E	R13 395 000.00
Total			**R13 395 000.00**

Properties acquired using CoJ budget

A total of twenty seven (27) to the value of R122 375 000.00 were not acquired through the Capital Budget and were acquired by means of being vested to CoJ in terms of law, together with properties transferred by private developer for service delivery purposes in terms of the Conditions of Township Establishment and properties that are unbundled from mother properties for housing purposes.

They are summarised in the table below:

Category	Quantity	Municipal Value
Conditions of Township Establishment	9	R1 218 000.00
Vesting	16	R57 121 000.00
Unbundling	2	R64 036 000.00
Total	**27**	**R122 375 000.00**

Disposals during the period

As part of supporting the Land Strategy to address the rising demand for housing, a total demand for residential housing is projected at 8 200 hectares (ha.) up to 2040 which equates to 360ha per annum across the City of Johannesburg. The City's efforts on the provision of housing is moving towards the right direction, however a more rapid effort is required to accelerate housing provision and in making urban land work for the poor.

As a result, a total of seven hundred and sixty nine (769) properties to the value of R10 016 157 were transferred including thirty three (33) properties worth R2 540 571,00 transferred to beneficiaries as part of the Conversion and Land Regularisation Programme.

To further support this non-core vacant land that is zoned "Residential" is in the pipeline for release to the citizens of the City of Johannesburg. The below provides an outline of the transferred properties.

Category	Quantity	Value
Housing Transfers	736	R7 535 586.00
Land Regularisation	33	R2 540 571.00
Total	**769**	**R10 076 157.00**

Properties disposed during the period

Net Movements

The table and the graph below indicate the impact of the movements on the value of the Asset Register:

Asset Register Movements in Value	
Opening Balance	R9 109 932 660.12
Acquisitions	R135 770 000.00
Disposals	(R8 433 422.00)
Closing balance	R9 237 269 238.12
Movement in percentage	1.38%

Net movement table

Status of CoJ property portfolio holdings

The portfolio of the City has a total value of R9, 237 billion which comprises of 29 454 properties for the financial year ending 30 June 2019. The table below illustrates the high level summary outlining the quantity and value per region.

Region	Value %	No. of Properties	Sum of Value
Region A	8%	1775	R 755 604 142.30
Region B	17%	3989	R 1 602 605 468.00
Region C	12%	2353	R 1 117 735 403.00
Region D	10%	6407	R 884 070 967.70
Region E	19%	4915	R 1 729 237 674.00
Region F	15%	4841	R 1 427 122 126.00
Region G	13%	4684	R 1 173 012 010.00
Outside CoJ Boundaries	6%	490	R 547 881 446.00
Total	**100%**	**29454**	**R 9 237 269 237.00**

Asset per categories

JPC manages the asset register of the City and some of these properties are allocated to departments and entities via use and maintain agreements. JPC manages the residual properties.

Once properties are allocated the responsibility of ensuring that the property value is increased or maintained falls to the department / entity. Departments / entities, and not JPC allocate the budget for refurbishment or repairs and maintenance of such properties.

The table below provides an outline of properties that are allocated to various City departments for the advancement of their service delivery imperatives. These are categorised by property type and summarised by quantity and book value.

The residual land is a portfolio that is left for JPC to conduct its business of making the properties available to the market for economic development and revenue generation for the City (Revenue Potential, some of which have already been leased out.

Property Type	No. of Properties	Asset Value by Property Type	Allocated to Departments	Value of properties allocated	Residual Number	Residual Value
Agricultural	10	R 37 058 139	1	R 1 210	9	R 37 056 929
Commercial - Offices	209	R 183 282 483	127	R 29 734 237	82	R 153 548 246
Commercial - Retail	760	R 186 861 351	440	R 12 251 223	320	R 174 610 128
Industrial	34	R 33 239 806	4	R 82 972	30	R 33 156 834
Informal Markets	105	R 21 011 502	74	R 8 910 279	31	R 12 101 223
Infrastructure	5540	R1 837 951 919	5362	R 1 704 161 564	178	R 133 790 356
Residential	10077	R1 281 352 526	9610	R 1 087 944 120	467	R 193 408 406
Social	466	R 234 852 783	6	R 1 045 589	460	R 233 807 194
Social – Housing	1603	R 230 145 400	1596	R 229 746 680	7	R 398 720
Social - Sports and Recreation	1276	R 596 300 280	609	R 140 689 826	667	R 455 610 454
Social - User Departments	2542	R1 382 790 793	2390	R 1 120 224 345	152	R 262 566 448
Vacant Land	6832	R3 212 422 256	942	R 325 706 582	5890	R2 886 715 674
Total	**29454**	**R 9 237 269 238**	**21161**	**R 4 660 498 626**	**8293**	**R4 576 770 612**

Breakdown of properties managed by JPC

Land Strategy

The Land Strategy is a living document that provides mechanisms to secure land for basic service delivery in the City Johannesburg Metropolitan Municipality. The City of Joburg's Land Strategy is developed to guide land allocations to City's projects; land disposal to third parties through full disposal or leasing; land retention for meeting long term objectives; land swops with other public-sector entities; and land acquisitions to meet City's service delivery objectives.

The Land Strategy is aligned and developed in accordance with the City of Joburg's Spatial Development Framework (SDF) which sets out the City's Spatial Vision for 2040. The Spatial Development Framework thus seeks to address five major issues in Johannesburg's spatial and social landscape:

- Spatial inequalities and the job-housing mismatch
- Urban sprawl and fragmentation
- Exclusion and disconnection emanating from securitisation and gated developments, and disconnected street networks (high cul-de-sac ratios)
- Inefficient residential densities and land use patterns
- Increasing pressure on the natural environment and green infrastructure

The City of Joburg Property Company SOC Ltd (JPC) has therefore developed a Land Strategy which will guarantee that the utilisation of the property portfolio is in the interests of the City's Strategic and Transformative objectives, to ensure that:

The broad principle is that the Land Strategy should have a contribution to the outcomes as set out in the IDP and the City's priorities.

Progress

The Land Strategy has since been workshopped with City's Development Planning Department and they provided their inputs. The land Strategy was further tabled and presented at the Economic Growth Mayoral Sub-Mayoral Committee. The Committee noted the Land Strategy and resolved that further deliberations with other CoJ departments and MOE's be done.

Section: 1.1.2. Property Management

The Property Management Department's objective is to maximise the efficiency of the CoJ property portfolio. This includes lease, sale, and acquisition of properties including registration of servitudes on Council owned properties to maximise income generation. The aim is to ensure that the properties are utilised for commercial, social and service delivery purposes to attract investment and enhance the value of property assets thereby generating financial returns based on the strategic priorities of the City of Johannesburg. Property Management further ensures that the City receives annuity income from leasing of properties through reduction of maintenance costs such as cleaning, security and general maintenance of the properties.

Revenue Potential

Below is an analysis of income and revenue potential for the City portfolio. This table provide an overview on the performance of the residual portfolio when benchmarked with the market related rates of return.

Property Type	Residual No	Residual Value	No. of properties leased	Value of Leased Properties	4th Quarter Income	ROI
Agricultural	9	R37 056 929.00	0	R	R0.00	0.00%
Commercial - Offices	82	R153 548 246.00	49	R146 076 095.00	R14 942 197.59	3.61%
Commercial - Retail	320	R174 610 128.00	106	R62 223 538.00	R11 886 460.37	5.14%
Industrial	30	R33 156 834.00	6	R32 424 427.00	R831 695.72	0.64%
Informal Markets	31	R12 101 223.00	16	R10 705 607.00	R8 832 424.87	19.81%
Infrastructure	178	R133 790 356.00	135	R64 153 394.00	R2 385 960.84	1.01%
Residential	467	R193 408 406.00	138	R60 810 396.00	R7 061 988.92	1.62%
Social	460	R233 807 194.00	151	R214 249 515.00	R2 555 733.01	0.32%
Social – Housing	7	R398 720.00	7	R398 720.00	R7 528.56	0.43%
Social - Sports and Recreation	667	R455 610 454.00	218	R364 612 281.00	R5 128 375.86	0.36%
Social - User Departments	152	R262 566 448.00	75	R101 831 760.00	R1 824 575.78	0.13%
Vacant Land	5890	R2 886 715 674.00	164	R325 272 921.00	R4 825 024.75	0.41%
Total	**8293**	**R4 576 770 612**	**1065**	**R 1 382 758 654**	**R60 281 966**	**0.0436**

R60.2 million revenue is generated from 1 065 properties with a book value of R1.38 billion. This equates to an average rate of return of 4.36% which is significantly below the risk free (South African Government Bond) rate of return that is currently sitting at 8.33%. The risk free rate is the minimum return an investor would look for when taking on no risk hence using this as a benchmark.

JPC assets are performing lower than this rate as the asset register includes properties that are supporting and advancing sports, social development and cohesion, which has resulted in leases being concluded on a considerate rate instead of market related rate to enable realisation of social values.

The only classes of properties that are performing above the risk free rate are commercial properties at 8.75% return and informal markets at 19.81%. Annual escalation also plays a role in the declining rate of return if not linked to the consumer price index to reflect inflation performance.

Acquisitions

During the period under review JPC sought and was granted approval by Council for the acquisition of an approximately 5 hectares property on behalf of the JMPD for vehicle impound purposes. The subject properties are located on 530 Nicolson Road in Denver.

They are highly accessible, entirely fenced through and except for their proximity to the Denver Hostel and the Informal Settlement, they are in a semi-automotive industry hub. The subject properties have the potential to accommodate 10 000 vehicles and will relieve the current impound on Loveday Street which has the capacity to accommodate 740 vehicles.

The proposed use of the properties is for a vehicle impound which is of local and national importance as it addresses amongst others, lawlessness and criminal activity. This use supports JMPD's functions of traffic policing, policing of municipal by-laws and regulations and the prevention of crime, taken from its mandate which is derived from the South African Police Service Amendment Act 83 of 1998. It is anticipated that transfer into the City will be concluded early in the new financial year.



Management of the Sanitary Lanes City-Wide


Council approval was obtained for alienation of roads i.e. 177 sanitary lanes in Region B.

Section: 1.1.3. Property Development

The Property Development unit is in the business of leveraging council property to create a developed asset for the CoJ property assets for the CoJ in such a way that social, economic and financial returns are maximised. The unit employs a four-stage development facilitation process to improve land assets while creating property development pipelines.

The “pipeline” is structured in four parts which correspond with the four stages of the property development facilitation process:

- **Packaging:** This stage involves comprehensive technical, economic, legal and social investigation of the property, the development of a property plan for the property and securing approval from the CoJ to develop and dispose of the property in terms of governing legislation (including the Municipal Finance Management Act)
- **Preparation:** Includes obtaining all zoning rights and legislative approvals, determining servicing arrangements and initiating marketing and tenanting initiatives to ensure that property is “shovel ready” for development.
- **Procurement:** In terms of the CoJ’s supply chain management policy and the prescriptions of the MFMA. The procure stage extends from the bid specification up to the date when the contract is signed by both parties.
- **Construction:** Contract management and development facilitation

The following Key Property Development Projects were initiated and will continue into the coming financial year:

Development of Civic Precincts across the City

The **Civic Precinct** is an important symbolic and functional space within CoJ that have been identified as a priority to promote inclusive development and optimise space of Council offices in order to:

Promote economic renewal, infrastructure investment.

Influence structural elements of the spatial form of the precinct with regard to the current quality of the built form, heritage etc.

Catalyse the revitalisation of nodes in marginalised areas.

Creation of mixed-use precincts that would provide for the office accommodation needs for the City to improve its service delivery as the cornerstone of the projects.

Unlocking the commercial and residential opportunities with a particular focus on the provision of social and affordable housing opportunities.

Increase employment trends.

Addressing the demand for housing, cultural trends and other socio-economic pressures.

The development plans for the Council approved four civic precincts is in accordance with SDF. The four precincts are Midrand (Region A), Roodepoort (Region B), Randburg (Region C) and Wynberg: Watt Street (Region E).

Randburg Civic Precinct

The precinct is bordered by Jan Smuts, Selkirk street and measure 8.28 hectares. The precinct development will create a projected number of 3 000 jobs and includes a vibrant mixed use development of Retail, Public transport interchange facility, Clinic, Public Library with an anticipated development cost of R1, 813 billion within a 5 – 10 year period. At the end of financial year under review, the bidding process was underway, and the awarding will be concluded in the financial year 2019/2020.

Watt Street Civic Precinct

The property is located along Louis Botha avenue in Wynberg and measures 9 000m^2. The development will result in the creation of an estimated 1 800 jobs and will include mixed-use developments, such as retail, residential, offices and a public square for events. The anticipated development cost of the project is set at R1.2 billion. It is anticipated that the award is finalised and approved by August 2019.

Midrand Civic Development

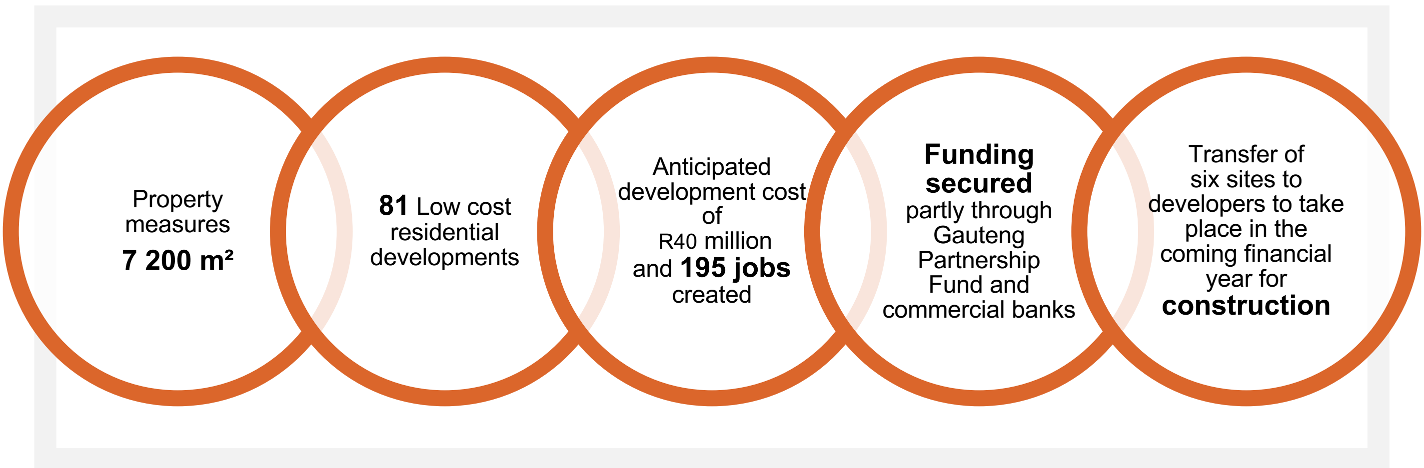
This precinct is located along the Grand Central Boulevard and measures 42 787 m^2. The development will include a vibrant mixed use development (Retail, Public transport interchange facility, Clinic, Public Library) focused on well framed and connected public spaces focused on a new public square at an anticipated development cost of R1.65 billion and will create an estimated 1 900 jobs. The team has commenced with process to call for Development proposals in line with Council process.

Jabulani Civic Development

The civic development is located at the corner of Koma and Bolani Roads and measures 53 053 m^2. The development, which will create an estimated 3 500 jobs will include 1 000 (10 000 m^2) residential units, 18 000 m^2 of offices, 5 000 m^2 municipal offices and 5 000m^2 of retail, clinic, library, informal traders' stalls, public square at an anticipated development cost of R1.5 billion. At this stage, the public participation process has been completed and the next step is to obtain Council approval for Section 14(2), by end November 2019.

Bertrams Priority Block Phase 1 and 2

The Bertrams Priority Block consists of existing buildings and vacant land purchased by the CoJ to facilitate the development of a medium to high-density mixed-used development. The site, located along Gordon and Bertrams Roads, is in close proximity to the BRT route and in walking distance of the Ellis Park Precinct.



The team has completed a Property Plan, Heritage Application submitted to PHRAG and Rezoning application submitted to CoJ in June 2019.

Soweto Gateway

The property is located at Chris Hani Rd (previously known as Old Potch Rd) in Soweto and measures 30,5 hectares. The development, which will result in 7 000 jobs, will include 3366 mixed income residential units, 1 389 m² of Public open space, 121 008 m² of retail space, 16 827 m² of educational space with an anticipated development cost of R4 billion. Township establishment application was submitted to CoJ Planning for approval and the request for proposal for the development of the first portion of the site issued in the next reporting cycle.

Rosebank Linear Park

The property is located on Keyes Avenue in Rosebank and measures 2.5ha. The development will include a new 12 000 m² Linear park with 250 units, a 12 storey residential development as well as a New 600 m² library with an anticipated development cost of R400 million. The bidding process for development proposals will commence in the first quarter of coming financial year.

Bryanston Wedge

The property is situated at Corner William Nicole and Main and measures 11 071 m². The development, which will create an estimated 550 job, will include approximately 7 500 m² of Offices and Retail space at an anticipated development cost of R300 million. At this stage, the rezoning application has been approved and the bidding process for development proposals will commence in the latter quarters of coming financial year.

Filling Stations

JPC has identified filling stations which will be leased to address the socio and economic priorities of the City. The release of these filling stations on a long-term basis will lead to the economic revitalisation of areas such as Soweto while stimulating entrepreneurial development and job creation. These long-term leases will lead to improvements of property consisting of the filling station and auxiliary buildings. This relates to the various filling stations with ancillary uses located City wide for anticipated development costs of R300 million. The bid evaluation process is underway, and we anticipate having the bids awarded by end September 2019.

Riverside View

The development is located in Diepsloot and measures 270Ha.The development includes 10 414 Mixed income residential units, 2 Primary and Secondary Schools, Parks, walkways, Institutional Centre, Business sites as well as Recreational facilities at development cost of at R2 billion over 5 years. 2010 Social/Rental units completed and 2000 units under construction.

Jabulani Housing

The property development is situated along Jabulani CBD and the development with result in the construction of 4 120 units with an anticipated cost of R1.2 billion. Construction of 2005 residential units have been completed. The activation of this residential scheme was always driven by the availability of power supply which had been the prevailing constraint for the CBD with the impending resolution of the capacity crisis. The developers are assisting to secure construction of the switching station this will provide 8MVa capacity which will sustain all the developments of the CBD land parcels.

Paterson Park

The property is located on Victoria extension 3 in Paterson Road in Norwood and measures 3.5 hectares. The development will include Approximately 744 units at an anticipated development cost of R800 million. Rezoning application to higher density approved and new rights have been proclaimed. Subdivision and consolidation application for each land parcel has been submitted and JPC anticipates obtaining approval by end July 2019. The bid evaluation process commenced and JPC anticipate having the development awarded by the first quarter of the new financial year.

Southern Farms

These land parcels are located in the South of Johannesburg abutting Eikenhof and measure approximately 3 639 hectares (1578 hectares suitable for development). The development will include Public amenities, Housing, Commercial, Retail and industrial development at an anticipated development cost of R27 Billion of which R16 Billion will be privately funded. The R16 Billion investment is structured as follows:

R54 million

Contribution towards the establishment of the Southern Farms Stewardship Trust Fund

R1.5 billion

Construction of Internal civil and electrical services in the development that will be handed over to Government/ Local Authority as assets

R317.5 million

Acquisition and purchase of land for the City

R179.5 million

Township establishment processes

R3.8 billion

Development of Commercial, Retail, Industrial and associated land uses

R10.1 billion

Construction of top Structures for FLISP, Rental and Bonded housing

A public participation process was undertaken to ensure all CoJ stakeholders agree with regards to what the project seeks to achieve. The following are key outcomes from the PPP:

All concerns, suggestions and issues raised during the public particioation will be considered as the project planning for phase two of the projects beigns. However, most of the concerns raised were misplaced at this stage and will be dealth with during the town planning application stage

↓

There will be continous engagements with the departments, the community and all the parties affected by the project thoughout the project

↓

In line with the Council resolution of 31 October 2018 the public participation process has been concluded

↓

For retail, industrial and commercial land development, there will be 35 years development lease agreements

↓

The environmentally sensitive land will also be reverted back to the City.

↓

Land used public ementities will remain in the City's ownership.

↓

The only land that will be alienated is for housing properties. The will be a land release agreement with the turnkey developer to develop project area as a mega inclusionary housing project as per approved business plan attached. The developer will reimburse JPC the amounts upon registration of respective housing units into the name of the beneficiary.

JPC has been engaging with CoJ Development Planning concerning the precinct plan approval process, which is expected to be concluded by end of October 2019.

Section: 1.1.4. Facilities Management

JPC is responsible for the Facilities Management function and oversees all City-owned buildings, public conveniences (public ablutions) and taxi facilities. The unit is focused on providing effective, efficient and quality facilities management, building construction and maintenance services to the City.
The following key achievements are reported for the Unit for the year under review:

DED - Opportunity Centres

In its quest to achieve 5% economic growth by 2021 the City firmly believes that the development and support of SMMEs and entrepreneurs will play a huge role in achieving this goal with sustainable SMME's contributing to a reduction in unemployment.

A total of three (3) Opportunity Centres, to the value of R5.3miliion were rolled out throughout the three (3) Regions that were successfully established and opened to a resounding launch by the Executive Mayor in the year under review. These are walk – in centres identified to be key in supporting the development of start-up and emerging SMMEs to manage sustainable businesses.

Executive Mayor launching the Thusanang and Isiqalo Opportunity Centres

Alexandra MPCC Opportunity Centre in operation

JPC was very instrumental in the delivery of these Opportunity Centres on behalf of the City as mandated DED JPC in the year under review to remodel and establish three (3) namely:

- Region A - Klipfontein View Multipurpose Centre;
- Region B – Danie Van Zyl Recreation Centre;
- Region E - Alexandra Multi-Purpose Centre

Danie Van Zyl Opportunity Centre in operation

The refurbishment of City- owned Facilities:

The following refurbishment projects were implemented:

- Revamping of the Informal Trading Stalls within the Inner City: Fordsburg Linear Market and Hoek Street Linear Market
- Diepsloot Licensing Centre at a cost of R 3 951 550.00
- Sandton DLTC Phase 3 at a cost of R 3 949 963.12
- Protea Glen Phase 3 at a cost of R 9 442 910.12
- Public Conveniences: erected new public toilets in public convenience spaces at development cost of R4 992 891.00 (excluding VAT) As part of ensuring pro poor development and addressing inequality.

Hoek Street Linear Market Concept Image (left) and the Protea Glen Fire Station

Section: 1.1.5. Outdoor Advertising Portfolio

JPC has collected an amount of R 87 858 819.00 for the Financial Year against revenue budgeted of R 80 million from outdoor advertising leases. Outdoor Advertising is deemed a prominent revenue stream and has led to the company turning a corner on the going concern challenges it previously faced.

Summary of progress on the implementation of the Master plan

The City's Department of Development Planning, as mandated by Council, has issued a public notice to urge all property and media owners to declare to the City all their advertising assets erected on any land to determine their compliance. The said notice specified that the City shall, without any further notice, carry out the removal of any advertising sign on council- owned land and or assets in particular for which no declaration was received or take appropriate action should any person fail to declare any advertising sign or provide false or misleading information or documents.

The notice will also be clear that Council may invoke the rates penalty in terms of CoJ Policies on any private land to enforce compliance. This will result in an updated inventory of all advertising signs categorised according to their legal status and has a potential to yield about R 60 million for the City in the 2019/2020 Financial Year.

The City's Department of Development Planning, as mandated by Council, issued a public notice to urge all property and media owners to declare to the City all their advertising assets erected on any land to determine their compliance.

Transgressors were given a transitional period of 36 months. This determination necessitated a review of the implementation plan by DDP and JPC to give effect to the council resolutions. In essence, both the DDP and JPC were granted authority to undertake a strategic review of Outdoor Advertising across the City in terms of applicable law. The period provides mechanisms (indulgence) to all media and property owners to regularize illegal advertising in the City.

The notice specified that the City shall, without any further notice, carry out the removal of any advertising sign on council-owned land and/or assets in particular for which no declaration was received or take appropriate action should any person fail to declare or provide false or misleading information or documents. The notice was clear, Council may invoke penalties in terms of COJ Policies to enforce compliance. This will result in an updated inventory of all advertising signs categorized according to their legal status.

The approval by Council of a transitional period enjoins both JPC and DDP to effect measures to resolve various challenges facing the portfolio. The City prefers engagements and other mechanisms to usher the sector into an era of lawfulness and requires finalisation of Transitional Agreements.

These relates to agreements that JPC have prioritized as part of the Transitional Period.
JPC will attend to these agreements in two phases:

Formalisation of Lapsed Agreements

The first phase will cater to all lapsed contracts where advertising signs remain on site. The conclusion of the agreements will immediately unlock revenue from rentals in terms of lapsed contracts not paid to the City.

Agreements to Regulate Illegal Advertising Signs

The second phase will cover all illegal advertising on CoJ land and assets subject to EAC approval. Included here in particular are those signs that may be contracted including unknown ones based on declarations to be made to the City as per the notice.

JPC has been engaging with CoJ Development Planning concerning the precinct plan approval process, which is expected to be concluded by end of October 2019.JPC has finalised workshops individually with all media owners of advertising signs on CoJ-owned land. This project is expected to yield an estimated amount of about R 60 million by June 2020.

Reduction of Outdoor Advertising Contraventions

One important objective of the declaration of the transitional period is to phase out all forms of illegality across all land in support of DDP's strategic imperative of reducing contraventions across all land. While the principle of the period is mainly, to provide temporary reprieve to illegal advertising over a period of 36 months

Section: 1.1.6. Inner City Property Development Projects

Inner-city rejuvenation is a key focus area and has been established with the intention of building an inclusive society with an enhanced quality of life for residents.

Phase One, Two and Three were implemented concurrently from the 2017/18 financial year. Phase 4 of the Inner City Rejuvenation project has also commended with JPC investigating various methods of acquisition of privately-owned properties as well as the demand for provision of student accommodation in Johannesburg.

Phase One and Two (City-Owned Properties)

Phases One, Two, and Three of the Programme have been implemented concurrently throughout the 2018/19 financial year. Moreover, continued progress has been witnessed since the programme was initiated as the City advertised Requests for Proposals (RFP) for 84 properties to be released for redevelopment to which numerous compelling proposals were received.

Furthermore, following an elaborate bid evaluation and adjudication process, the Executive Adjudication Committee made recommendations to the City Manager to award various properties for redevelopment. To date, no less than twenty-seven (27) developments have been awarded (as listed below).

Phase One Properties			
No.	**RFP**	**Property**	**Awarded Entity**
1.	12/2017	Erf 5216 Johannesburg	EGC Properties (Pty) Ltd
2.	20/2017	Erf 170 Newtown	Brickfields Housing Company (Pty) Ltd
3.	23/2017	Erf 4956 Johannesburg	EGC Properties (Pty) Ltd
Phase Two properties			
NO.	**RFP**	**Property**	**Awarded Entity**
1.	23/2018	Erf 2252 Johannesburg	Brickfields Housing Company (Pty) Ltd
2.	26/2018	Erven 1633,1638,1638,1639 & 1640 Johannesburg	Milzet Consulting CC
3.	29/2018	Erven 326 & 327 Berea	Milzet Consulting CC
4.	30/2018	Erven 171 – 178 Marshalls Town	Nthwese Developments
5.	31/2018	Erf 5100 Johannesburg	Pace Group (Pty) Ltd
6.	32/2018	Erf 1015 City and Suburban	Instratin Property Developers, Investors & Asset Managers (Pty) Ltd
7.	33/2018	Erven 3807 & 3808 Johannesburg	Phahamo Olive X36
8.	34/2018	Remainder and Portion 1 Erf 2862 Jeppes Town	Milzet Consulting CC
9.	35/2018	Erven 2146 – 2149 & 5075 Johannesburg	Instratin Property Developers, Investors & Asset Managers (Pty) Ltd
10.	36/2018	Erf 35 Salisbury Claims	Instratin Property Developers, Investors & Asset Managers (Pty) Ltd
11.	37/2018	Erven 637 – 639 & 652 – 654 Vrededorp	Izicwe Consulting Services
12.	42/2018	Erven 381, 396 – 399 & 401 Vrededorp	Izicwe Consulting Services
13.	43/2018	Erven 225 & 226 Vrededorp	Izicwe Consulting Services
14.	44/2018	Erven 235 – 240 Vrededorp	Izicwe Consulting Services
15.	46/2018	Erven 495 – 501 & 516 Vrededorp	Izicwe consulting Services
16.	47/2018	Erven 3545, 3546, 3547, 3548, 3549, 3550 & 3551 Johannesburg	Instratin Property Developers, Investors & Asset Managers (Pty) Ltd
17.	48/2018	Remainder of Portion 260 of Farm Doornfontein 92IR	JM Corporate Real Estate Solutions and Ryden JV
18.	50/2018	Erven 76, 79 & 80 Wolhuter	EGC Properties (Pty) Ltd
19.	51/2018	Erven 105, 106, 109, 110, 111 & 112 Fairview	JM Corporate Real Estate Solutions and Ryden JV
20.	52/2018	Erven 149, 153, 155, 157, 158, 159 Fairview	JM Corporate Real Estate Solutions and Ryden JV
21.	53/2018	Erven 139, 140, 142, 144, 147 Fairview	JM Corporate Real Estate Solutions and Ryden JV
22.	54/2018	Erven 43, 44, 91, 92 Yeoville	Bayete Capital (Pty) Ltd
23.	55/2018	Erf 383 Yeoville	Bayete Capital (Pty) Ltd
24.	56/2018	Erf 658 Yeoville	JM Corporate Real Estate Solutions and Ryden JV

This is a monumental milestone for the City which is ultimately anticipated to realise R20 billion over the lease period in expected investment value. Furthermore, it seems through award of the aforementioned properties, the City will be afforded the opportunity to contribute to the socio-economic upliftment of historically disadvantaged individuals as all awarded entities are above 50% black owned. Moreover, they have all made the commitment to collaborating with the City to redevelop the Inner City, restoring it to its former glory.

Below are ‘before’ and ‘after’ visuals of Vanin Court, a crime ridden hijacked building situated in the Inner City.

Before

After

Significant milestones have been achieved with the successful roll out of Phase 1 and 2 of the Inner City Rejuvenation Programme. However, the resonant challenge encountered since the awarding of the developmental projects is that of provision of Temporary Emergency Accommodation (T.E.A)

JPC has also identified vacant land for the development of temporary structures (i.e. prefabricated buildings/containers) for the development of a T.E.A. However, continuous engagements, some of which have already ensued, are of paramount importance and required between JPC, CoJ Housing, JOSHCO, CoJ Development Planning and the Developers, to realise the holistic success through the rejuvenation programme.

Section 1.2.2: Marketing And Communications

Marketing and Communications

The Communications and Marketing department fulfilled a number of their objectives such as of attracting a number of property developers to participate in the following listed activities during the financial year to ensure that there were a good number of submissions on the tender proposals received at the end of the seven-month RFP cycle (July 2018 to February 2019).

Prospectus for 84 Inner City properties

The 27 RFPs were for 84 properties were published through an event launch in August 2018. This was supported by various stakeholder engagements through the process over the months with stakeholders which included South African Institute of Black Property Professionals (SAIBPP), Green Buildings Council of South Africa (GBCSA).

The first three property awards were made from the first 13 properties. A Stakeholder and Media Tour to Hillbrow and Newtown to show the derelict state of the buildings awarded in January 2019. , Funding Workshops to Stakeholders to enable access to funders – these were held on 29 January and 8 February 2019.

Press Conference to announce the Awarding of the 81 Properties on 24 April 2019. Followed by an Awards Ceremony for the recipients of the properties and members of the media on Monday 29 April 2019.

Prospectus for inclusive developments

The third phase of the City land parcel release scheme was launched on 1 April 2019. The Property Asset Management team delivered the prospectus that featured 70 land parcels (in Orange Grove & Houghton Estate) consolidated to 17 RFPs for Affordable Housing (also Student Accommodation), six Filling Stations in Soweto and a few Municipal Precincts. This touched on township developments through the six filling stations available on tender.

Land Regularisation

On 11 February 2019 various business owners and churches had their title deeds handed over. The Executive Mayor was in attendance and 33 title deeds were regularised. These were in Region D.

One of the shop fronts

Social Media

The Communications and Marketing team has been active on social media, using platforms to share information on JPC tenders. While we have been circumspect in the number of posts, analysis has shown that the information is often shared, and the reach has thrown up some interesting insights.

Stakeholder Survey

For the first time, we also shared JPC's Shareholder Survey across our social media platforms. The Survey measures external perceptions of JPC and awareness of its services. This year's Survey, with a sample size of 500 clients, is a follow up from one done two years ago and the results will be available at the start of the new financial year.

Internal Communications

This continued to grow at a steady pace through regular communications (monthly newsletters) as well as the Intranet and regular e-mail communication.

Media

JPC has built a strong media network by being responsive to all media queries. We have, especially, received favourable coverage for property release functions and awards from Kaya FM, The Star, Business Day and the Randburg Sun.

Exhibiting

The JPC had a media presence at the SAPOA Convention in Cape Town and the Concrete Week in Midrand.

Exhibition Stands

Corporate Social Investment

The JPC staff continued to knit for Mandela Day and the blankets produced were distributed to an old age home where clothes were also donated. These clothing contributions came from the staff of the JPC.

Section 1.2.3. Information Technology (IT)

The purpose of the City of Joburg Property Company (SOC) Ltd Information Technology department directive is to ensure efficient and effective solutions to exceed customer expectations by providing responsive, reliable and secure information technology solutions that enables JPC to achieve its objectives at an optimal level.

The corporate governance of ICT is a continuous function embedded in all operations of JPC from executive authority and Management level to business and ICT service delivery. JPC acknowledges ICT as a strategic asset that forms an integral part of the delivery of its strategic business objectives. In this regard, the Company follows efforts and activities embedded in the King IV Code of Governance Principles. The focus of ICT governance is the establishment of various responsibilities, processes and supporting governance structures. The Company appointed an experienced IT professional to lead the IT business unit.

New JPC Multifunctional Printing Machines Deployed

The current JPC Printer footprint lease contract had expired, JPC IT department together with this service provider (Dalitso) have deployed the new high-workload multifunctional networked printers seamless. The New high-workload multifunctional networked printers have been deployed in these various depots (Diepsloot, Doornfontein, Faraday, Jeppe, Kliptown, Metro Mall (Bree), Park Central, Yeoville, Kwa Mai Mai, Hillbrow, Bara, Lenasia, Hamberg, Metro Centre, Alexandra, Klipspruit, Avalon, Langlaagte, Midrand) and Head Office.

Computer Training For Users (Ms PowerPoint)

IT has conducted basic computer training on Microsoft PowerPoint for marketing staff. As well as basic computer training to depot staff where a communal PC has been placed. Depot staff training was scheduled over a 1-week period and each session was 3 hours. The modules that were covered are as follows:

Basics on Printing – how to print.
Basics of internet – surf the net and access JPC applications, logging a call with IT.
Basics of computers – logging on, logging off, switching users, change passwords etc.
Basics of telephones – using the phone and accessing voicemail.

Below is a list of depots and users that have been scheduled for the training:

Depot	Total users attending training
Orange Groove	39
Crosby	2
Newtown	23
	64 users were trained to use a computer

JPC Disaster Recovery Migration

The 1st phase of the Disaster Recovery migration to get traffic flowing from JPC Head Office to the Sonicwall IS Data Centre Bryanston has been completed successfully. The 2nd phase will be removing the TMG firewall that is currently in place at JPC Head Office.

Section: 1.2.1. Client Relations Management

CBO is a strategic department formed to oversee operations at JPC and manage the overall reputation through positive interaction with its stakeholders. it is essentially the entrance and exit point for all queries, reports and matters arising from various platforms. The multifunctional CBO portfolio is the axis for integrating external and internal needs to support JPC in achieving its business mandate based on the strategic objectives of the CoJ's Economic Strategy, Growth and Development Strategy and the Mayoral priorities.

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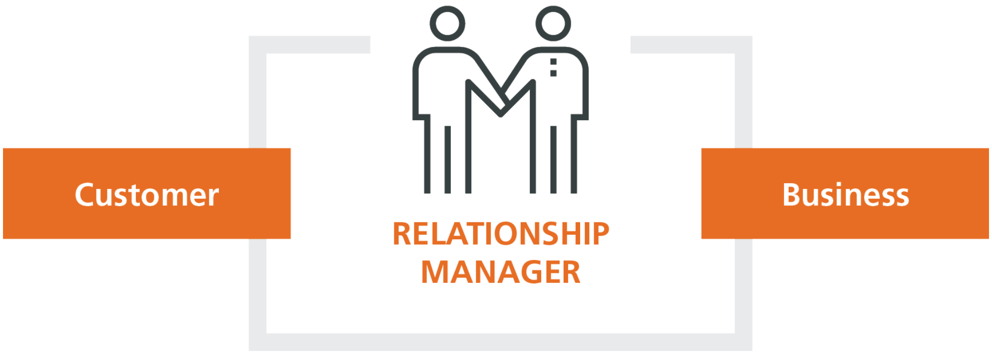

The importance of Business Operations lay in its responsibility to support the business to achieve its objectives. By understanding and communicating the environment in which JPC operates it manages expectations and builds positive relationships both internally and externally. It is also tasked with ensuring that there is adequate representation for each committee, task team or meeting and manages responses within guidelines and timeframes.

Stakeholder Engagement Strategy

In developing a Stakeholder Relations Management and Corporate Social Investment strategy JPC aimed to achieve the following key objectives:

- Promote a professional, transformative and customer centric organisation;
- Foster a corporate social investment and sustainability culture;
- Build and maintain sustainable relations with all stakeholders; and
- Meeting JPC's performance targets to ensure that all stakeholders are informed of JPC's projects and the benefit to the community.

Regional Councillor Road Shows

JPC embarked on Regional Road Shows in Regions B, C, E and G to engage with councillors on the mandate, processes, projects, activities and purpose of the company. It was an opportunity to understand issues affecting service delivery and the road to be undertaken to ensure excellence. Councillors were given a general presentation as well as a prospectus and ward based asset register.

PRESENTATION	WARD-BASED INFORMATION
Overall presentation as it relates to land both vacant and improved	**Asset register and ward profile as it relates to both vacant and improved properties**
JPC key processes, service standards, escalation mechanisms and contact details	Regional contact details Frequently asked questions
Service offering per department • Asset Management • Property Management • Property Development • Facilities Management • Outdoor Advertising • Legal • Client Business Operations	• Transactions • Leases • Acquisitions • Petitions • Servitudes • Service Delivery Municipal Accounts • Sanitary Lanes • Developments • Outdoor Advertising • Informal Trading • Public Conveniences • Pipeline transactions • Inner City Projects • Asset Management • Property Management • Property Development • Facilities Management

The Roadshows identified pathways forward and a need to engage further on:

- Proposed uses of CoJ owned land;
- Update of the asset register; and
- Need to holistically approach land invasions.

Other Stakeholder Engagements

- Land regularisation hand over of title deeds to shop owners in Soweto;
- JPC has been included in the new task team established by Public Safety to actively manage land invasions
- Launched sanitary lane project in Region B and engaged Region F councillors;
- Attended and participated in a number of regional IDP sessions where booklets were provided indicating the key JPC processes and contact details and generic queries addressed.
- Weekly Regional Director and Ward Councillor Open Days were implemented across all regions
- JPC participated in the identification and establishment of DED Opportunity Centres at Klipfonteinview MPCC, Alexandra MPCC and Danie Van Zyl Recreation Centre;
- Attended various Ward Councillor and MMC Tours across the regions;
- Attended and presented at Regional Visible Service Delivery (RVSD) meetings;
- Attended and presented to all relevant Section 79 Committees on matters relating to JPC;
- Attended Petitions Standing Committee meetings AND Petitions Technical Task Team meetings;
- Facilitated site inspections to improve debtors collection, contract Management, determine the status of properties and lessees and to escalate and remedy breaches and non-adherence to leases and by-laws on CoJ properties;
    - All matters raised at the various forums have been addressed through immediate action or by indicating the resolution process to be followed. Management undertook the following engagements across the 7 regions for the financial year:

Client Services

Client Services Unit (CSU) attended to 5 579 walk-in clients for the full financial year.

		Q1	Q2	Q3	Q4	YTD	
	Service	**Total Walk In Clients**	**Total Walk In Clients**	**Total Walk In Clients**	**Total Walk In Clients**	**Total Walk In Clients**	% of Transactions
A	Follow-Up Enquiries	299	231	268	239	1037	18.59%
B	New Enquiries	1287	1010	1173	1042	4512	80.88%
C	Ward Councillors	8	13	3	6	30	0.53%
	Total	**1594**	**1254**	**1444**	**1287**	**5579**	**100.00%**

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SECTION 2:

JPC Performance Service Standards

KPI	Core Service	Service Level Standard Target	Full Year Actual	Full Year Total	Variance as at 30 June	Variance explanation	Mitigations
KPI 1.1	Response in acknowledgement of requests, enquiries and complaints	Within 1 day of logged call	8262	8262	0%	Achieved	Not required
KPI 1.2	Provision of answers and/or results related to the receipt of the requests and enquiries regarding properties	Within 3 days of logged call	8262	8262	0%	Achieved	Not required
KPI 1.3	The performance of emergency work for JPC managed facilities	Within 1 day of logged call	322	322	0%	Achieved	Not required
KPI 1.4	Performance of minor works on facilities managed by JPC	Within 2 days of logged call	1059	1059	0%	Achieved	Not required
KPI 1.5	Performance of major works on facilities managed by JPC	Within 5 days of logged call	44	44	0%	Achieved	Not required
KPI 1.6	Complete the sale or lease and registration of servitudes of Council owned land	Within 6 months after Council Approval in terms of Section 14(2) of the Municipal Finance Management Act	2	2	0%	Achieved	Not required
KPI 1.7	Tender placed after Council approval and CoJ Executive Adjudication Committee	Within 4 months of CoJ Executive Adjudication Committee approval	33	33	0%	Achieved	Not required
KPI 1.8	Internal allocation of land and buildings to City Departments and Entities (PTOB : Permission to occupy and build and lease office space from third parties)	Within 60 days of application and budget confirmation	1	1	0%	Achieved	Not required
KPI 1.9	Performance of surveys on the condition of all plant and equipment in order to allow the assessment of the required repairs and maintenance of facilities managed by JPC	Quarterly	144	144	0%	Achieved	Not required
KPI 1.10	Response to general enquiries at client services counter	Within 24 hours of logged call	3022	3022	0%	Achieved	Not required
KPI 1.11	Response to enquiries regarding transactions in pipeline	Within 24 hours of logged call	5138	5138	0%	Achieved	Not required
KPI 1.12	Response to applicants/interest to lease or acquire (formal applications) land and/or buildings	Within 30 days of application	67	326	79%	Some enquiries require in-depth investigations, interrogation, and dependencies on CoJ departments, entities, site visits or other spheres of government which result in delays in turnaround times	Ongoing monitoring and reminders to departments, entities and clients whom JPC has requested further information and/or clarity from in order to determine the way forward

JOBURG PROPERTY COMPANY

SECTION 3:

Service delivery challenges

Outdoor Advertising

The new Outdoor Advertising By-laws were approved by Council on 20 March 2018 but only promulgated on 30 May 2018. Legal challenges raised have meant implementation has been suspended awaiting determination by the Court. The suspension hampered the delivery of a number of projects envisioned in the Masterplan

As a result, the revenue target of R 300 million had to be reviewed to R 80 million during midterm of the year under review. In addition, the target to implement 50% of the Masterplan was also reviewed to 20% pending Council's approval of a determination of a transitional period aimed at providing an alternative for dealing with challenges facing the sector.

In light of this, the City had to revert to enforcement of the 2009 By-laws through the courts in order to deal with illegality, a protracted and costly process. Various lapsed contracts are in litigation due to disputes raised by previous incumbents. Pending a court determination in these matters, the City derived no revenue from such signs.

This challenge has been mitigated by the Council approval of the Outdoor Advertising Transitional plan. The transitional plan entails measures, which focuses on finalisation of Transitional Agreements i.e. Formalisation of **Lapsed Agreements** and Agreements to regulate illegal advertising signage.

Inner City

The biggest challenge encountered since the roll out of Phase 1 and 2 of the Inner City Rejuvenation Programme has been the provision of **Temporary Emergency Accommodation** (T.E.A). JPC has identified vacant land for the development of temporary structures (i.e. prefabricated buildings/containers) for the development of a T.E.A. However, continuous engagements are of paramount importance and required between JPC, CoJ Housing, JOSHCO, CoJ Development Planning and the developers, to realise the holistic success of the rejuvenation programme.

SECTION 4:

Performance Predetermined Objectives: Highlights & Achievements

The JPC scorecard for the financial year ending 30 June 2019 reflects that the entity achieved 86% (18 of 22 targets due), and 14% (3 of 22) of its targets are not achieved.

EXCEEDED TARGETS	ACHIEVED TARGETS	NOT ACHIEVED TARGETS	TARGET NOT YET DUE	TOTAL
11 (86%)	8	3 (14%)	0	22

1	**Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021**

1.1. Rand value of investment attracted

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		A glowing, diverse and competitive economy that creates jobs	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
R1.4bn investment attracted on CoJ property	R1691 206 904.00 investment attracted on CoJ property	R1.3bn Cumulative Rand value attraction of investment on CoJ property transactions	R1.4bn Cumulative Rand value attraction of investment on CoJ property transactions

This investment attraction is a result of the release properties for development as part of the Inner City Redevelopment projects. Actual investment exceeded budgeted investment due to developers investing more than expected.

1.2. Rand value of investment spend on project

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		A glowing, diverse and competitive economy that creates jobs	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
R 600m investment spend on projects	R744 932 600 investment spend on projects	R 700m attraction of investment on projects	R1.1bn attraction of investment on projects

This relates to the packaging, preparation, procurement and construction on CoJ land as well as facilities management work performed in relation to opportunity centres and refurbishments.

1.3. Number of jobs opportunities created

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		A glowing, diverse and competitive economy that creates jobs	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
2000 Jobs opportunities created	2050 Jobs opportunities created	2000 Jobs opportunities created	2017 Jobs opportunities created

Target exceeded as more anticipated work was done with regards to CAPEX spent on projects, repairs and maintenance as well as valuation services.

1.4. Number of SMME's supported through property transaction

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		A glowing, diverse and competitive economy that creates jobs	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
1200 SMME's supported through property transaction	1 736 SMME's supported through property transaction	1 200 SMME's supported through property transaction	1 203 SMME's supported through property transaction

Target exceeded as more work than anticipated was done on CoJ projects.

1.5. Payment of valid invoices within 30 days of invoice receipt date.

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		A glowing, diverse and competitive economy that creates jobs	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
100% of valid invoices paid within 30 days of invoice receipt date	100% of valid invoices paid within 30 days of invoice receipt date	Not applicable. This is a new target	Not applicable. This is a new target

Target achieved

2 Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress

2.1. Number of asset management plans formulated

IDP priority		Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress	
GDS outcome		An inclusive society with an enhanced quality of life that provides meaningful redress through the pro-poor development	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
250 asset management plans formulated	250 asset management plans formulated	200 asset management plans formulated	244 asset management plans formulated

Target achieved

2.2. Number of properties acquired

IDP priority		Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress	
GDS outcome		An inclusive society with an enhanced quality of life that provides meaningful redress through the pro-poor development	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
10 properties acquired	19 properties acquired	10 properties acquired	11 properties acquired

Target exceeded due to property transactions that were approved and finalised in this financial year. Actual acquisitions exceeded budgeted acquisitions.

2.3. Number of shops and stalls concluded

IDP priority		Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress	
GDS outcome		An inclusive society with an enhanced quality of life that provides meaningful redress through the pro-poor development	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
1900 leases of shops and stalls concluded	Zero leases of shops and stalls concluded	Not applicable. This is a new target	Not applicable. This is a new target

Target not achieved due to the report on Informal trading not being approved because Economic Development Department's Informal trading policy must be approved first.

2.4. Number of public conveniences completed

IDP priority		Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress	
GDS outcome		An inclusive society with an enhanced quality of life that provides meaningful redress through the pro-poor development	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
50 public conveniences completed	50 public conveniences completed	Not applicable. This is a new target	Not applicable. This is a new target

Target achieved

2.5 Number of properties leased

IDP priority		Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress	
GDS outcome		An inclusive society with an enhanced quality of life that provides meaningful redress through the pro-poor development	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
100 properties leased	110 properties leased	Not applicable. This is a new target	Not applicable. This is a new target

Target exceeded due to number of property transactions approved exceeding budgeted transactions.

2.6 Number of Inner City property redevelopment projects approved in Council for release to the private sector

IDP priority		Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress	
GDS outcome		An inclusive society with an enhanced quality of life that provides meaningful redress through the pro-poor development	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
25 Inner City property redevelopment projects approved in Council for release to the private sector	27 Inner City property redevelopment projects approved in Council for release to the private sector	10 Inner City property development projects approved in Council for release to the private sector	Zero Inner City property development projects approved in Council for release to the private sector

Target exceeded due to approval for awarding Inner City Redevelopment projects.

3 Create a culture of enhanced service delivery with pride

3.1. Number of employees trained

IDP priority		Create an honest and transparent City that fights corruption	
GDS outcome		An honest, transparent and responsive local government that prides itself on service excellence	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
80 employees trained	152 employees trained	100% training and development initiatives for employees	103.75% of targeted employees trained

Target exceeded due increased interventions.

3.2. Percentage completion of skill audit for level 1 to 6 employees

IDP priority		Create an honest and transparent City that fights corruption	
GDS outcome		An honest, transparent and responsive local government that prides itself on service excellence	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
100% completion of skill audit for level one to six employees	100% completion of skill audit for level one to six employees	Not applicable. This is a new target	Not applicable. This is a new target

Target achieved.

3.3. Percentage of funded strategic vacancies filled within 90 days

IDP priority		Create an honest and transparent City that fights corruption	
GDS outcome		An honest, transparent and responsive local government that prides itself on service excellence	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
90% of all funded strategic vacancies filled within 90 days	Nil% funded strategic vacancies filled	Not applicable. This is a new target	Not applicable. This is a new target

Target not achieved Due to budget constraints.

3.4. Number of days it takes to conclude disciplinary cases

IDP priority		Create an honest and transparent City that fights corruption	
GDS outcome		An honest, transparent and responsive local government that prides itself on service excellence	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
Disciplinary cases to be concluded within 90 working days	3 out of 4 cases concluded within 90 working days	Not applicable. This is a new target	Not applicable. This is a new target

Target not achieved. The achievement of this deliverable has been hindered by the postponement requests by organised labour.

3.5 Percentage success rate on all concluded disciplinary cases

IDP priority		Create an honest and transparent City that fights corruption	
GDS outcome		An honest, transparent and responsive local government that prides itself on service excellence	
Current year 2017/2018		Prior year 2016/2017	
Annual target	Actual	Annual target	Actual
90% success rate in all cases concluded	100% success rate in all cases concluded	Not applicable. This is a new target	Not applicable. This is a new target

Target achieved.

3.6. Percentage of fatalities reported.

IDP priority		Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress	
GDS outcome		An inclusive society with an enhanced quality of life that provides meaningful redress through the pro-poor development	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
0 % fatalities reported	0 % fatalities reported	Not applicable. This is a new target	Not applicable. This is a new target

Target achieved.

4	Enhance our financial sustainability

4.1. Rand value of income raised from leases and servitudes sales

IDP priority		Enhance our financial sustainability	
GDS outcome		Enhanced, quality services and sustainable environment	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
R110 000 000 raised of rental income from leases and servitudes sales	R161 999 031 raised of rental income from leases and servitudes sales	R130 000 000 raised of rental income from leases and servitudes sales	R144 910 149 raised of rental income from leases and servitudes sales

Target exceeded. Actual income exceeding budgeted income as revenue from outdoor advertising is included as lease income.

4.2. Percentage Implementation of the Outdoor Advertising Masterplan (transitional plan)

IDP priority		Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	
GDS outcome		A glowing, diverse and competitive economy that creates jobs	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
20% implementation of the Outdoor Advertising Masterplan	20% implementation of the Outdoor Advertising Masterplan	50% implementation of the Outdoor Advertising Masterplan	52,5% implementation of the Outdoor Advertising Masterplan

Target exceeded as result of the implementation of Outdoor transitional period

4.3. Percentage spent of allocated Capex

IDP priority		Enhance our financial sustainability	
GDS outcome		Enhanced, quality services and sustainable environment	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
100% spend on allocated Capex	100% spend on allocated Capex	100% spend on allocated Capex	100% spend on allocated Capex

Target achieved

4.4. Audit Outcome

IDP priority		Enhance our financial sustainability	
GDS outcome		Enhanced, quality services and sustainable environment	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
Unqualified audit opinion (clean audit)	Unqualified audit opinion (clean audit)	Unqualified audit opinion (clean audit)	Unqualified audit opinion (clean audit) received

Target achieved

4.5. Percentage of resolution of Auditor-General and Internal Audit findings within four months after the report issued

IDP priority		Enhance our financial sustainability	
GDS outcome		Enhanced, quality services and sustainable environment	
Current year 2018/2019		Prior year 2017/2018	
Annual target	Actual	Annual target	Actual
100 % resolution of Auditor General and Internal Audit findings after report issued	100 % resolution of Auditor General and Internal Audit findings after report issued	Not applicable. This is a new target	Not applicable. This is a new target

04: Human Resources and Organisational Management

SECTION 1:
Highlights and Achievements for 2018/2019

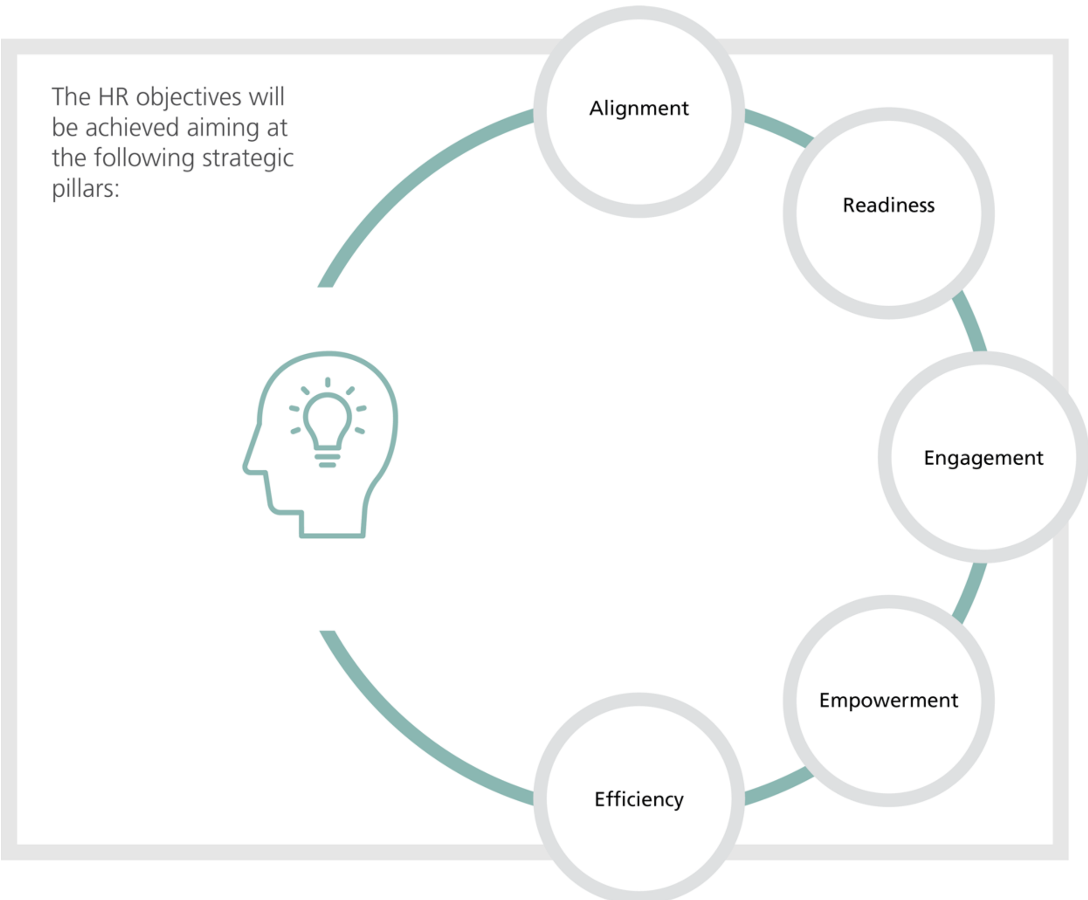
1.1 Revised Human Resources Strategy

The revised Human Capital Management Strategy was approved by JPC Board on 28 June 2019. Revisions took into account the following strategic focus areas:

- Aligning the HR strategy to the JPC Strategy, IDP and the Mayoral Priorities by positioning JPC as Employer of Choice.
- The HR Strategy serves as a vehicle to facilitate transformation from a human capital perspective and to ensure that JPC has a workforce that is fit for purpose and productive.

The envisaged success of the strategic objectives will be achieved through the HR Implementation Plan, focusing on the following:

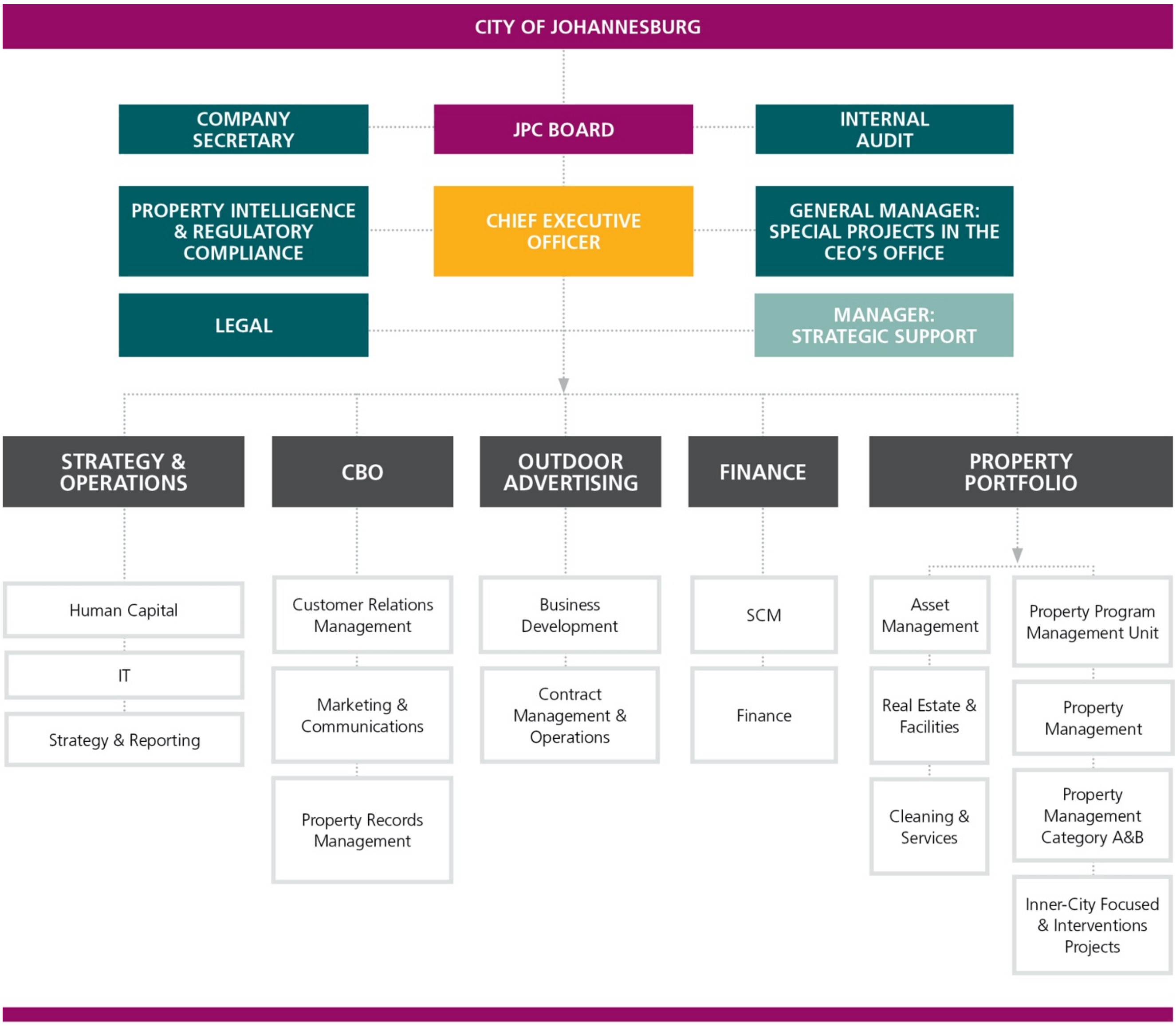
- Organisational development
- Revised HR policies
- Talent management
- Training and development
- Performance management and productivity levels
- Skills audit
- Employee relations to intensify the turn-around times on disciplinary cases
- Employee wellness
- SAP upgrade project



1.2 Organisational Development

The JPC Board approved the Revised High Level Design on 28 June 2019 based on the factors below:

- Ensuring optimal use of resources at our disposal and deployment of critical and scares resources within core functions to add value to attain the financial turnaround strategy.
- Improving operational excellence and efficiencies.
- Decreasing the high vacancy rate.
- Removing duplication of functions in order to be cost effective whilst improving JPC's financial proposition.



Subsequent to the approval, the organisation finalised the lower level structures. Secondly, the implementation plan aims to address elements that relate to readiness and alignment on an employee level and an organisation level.

1.3 HR Policies

JPC Board reviewed and approved eleven (11) Human Resources policies. It is important to highlight that these reviewed policies mainly focused on the following aspects:

- Legislative compliance
- Aligned to the City's Group Human Capital Management policies
- Applicability and relevance to JPC's context and requirements
- HR best practices

The final phase is to ensure successful implementation and engage employees on HR policies and procedures to ensure compliance.

1.4 Talent Management

Budget constraints have created opportunities for JPC staff to apply for vacant positions identified as critical to business operations. An internal recruitment process identified forty seven (47) candidates who were assessed and appointed during this financial year.

Secondly, the company chose secondments, acting appointments and temporary appointments to close critical gaps to ensure business targets are delivered. This initiative proved to be morale boosting as it presented employees with an opportunity to gain new skills and acquire new competencies.

1.5 Training and Development

JPC's strategic focus is to ensure that its employees are empowered by giving them an opportunity to upgrade their current skills set and competency levels. Training interventions focused on improving performance and productivity levels by providing staff with skills to fill identified gaps. The key training priorities for 2018/2019 financial year focused on:

- Functional and Technical Training Interventions;
- Legislative and Organizational Compliance;
- Managerial and IT training;

JPC managed to train a total of one hundred and fifty two (152) employees at a total cost of R1.3m during 2018/2019 financial year. This amount excludes the bursaries granted to employees.

1.6 Employee Wellness

JPC's main objective in relations to health and wellness is to improve the quality of life for all its employees through the provision of quality, sustainable health and wellness programmes that play a pivotal role in promoting healthy lifestyles and the provision of preventive health care measures.

HCM embarked on a drive to create awareness and create access to the Employee Wellness Programme (EWP) by holding engagement sessions. That the wellbeing of employees is pivotal to the success of JPC, shown through the investment in the programme, was an eye opener to employees

SECTION 2:
Employee Remuneration and Cost Including Executives

The total salary bill equates to an amount of ***R278 751 722.00*** for the 2018/2019 financial year. The table below reflects a comparison of employee cost as at 30 June 2019 versus 30 June 2018 and showcases the variance:

Line budget item	Budget		Variance	
	30 June 19	**30 June 18**	**%**	**Rand value**
Employee related costs	R278 751 722	R260 929 078	6.83%	R17 822 644

The breakdown of the quarterly employee cost for 2018/2019:

SALARY BILL: Q1-Q4 2018/2019	
Quarterly Salary Bill	Amount
First Quarter	R66 605 911.71
Second Quarter	R74 454 296.71
Third Quarter	R69 813 395.78
Fourth Quarter	R67 878 117.80
Total Amount	**R 278 751 722.00**

The table above indicates the quarterly employee cost for 2018/2019 that includes salaries & related benefits.

The following transaction transpired during this financial year***:***

- JPC Board resolved the 3-years' "Salary and Wage Collective Agreement with effect from 01 July 2018 ending 30 June 2020.
- The cost of living increase for 2018/2019 was implemented by 7% retrospectively, 01 July 2018.
- All related benefits such as Medical Aid and Homeowner Allowance was adjusted by 7% effective 01 July 2018.

The Upper-limits cost of living increase was implemented in November 2018 for the Executive Manager team.

- The Service Bonus/13th cheque for all qualifying employees was implemented during November 2018 pay-run.
- After AGM performance bonuses were paid to qualifying EXCO and Senior Managers.
- The new tax table, effective 01 March 2019, has been loaded onto the payroll system.

The entity strived to be competitive in its remuneration structures for all levels of employees and as such has adopted a policy that targets the 50th percentile of the remuneration market against which it benchmarked basic salaries and total cost to entity levels (refer to page 50 where the Executive and Senior Management Remuneration are outlined).

Employees on Executive and Management levels are incentivised in line with performance management and remuneration policies. These policies provide for performance cascading, evaluations and variable pay in form of performance bonus.

Overtime Costs for 2018/2019

Overtime expenditure is consistent as a result of services rendered to the public by JPC in respect of public convenience facilities. Opens seven (7) days a week they are maintained by employees working five (5) days a week, they are required to work during weekends in order to deliver the service to the public.

The table below indicates quarterly overtime expenditure incurred during the 2018/2019 financial year.

OVERTIME BILL: Q1-Q4 2018/2019			
Quarterly	Total Overtime Amount	Percentage Expenditure	Quarterly Reduction
Q1 (Jul-Sep 18)	1 160 131	24%	**-2%**
Q2 (Oct - Dec 18)	1 162 540	24%	**-2%**
Q3 (Jan - March 2019)	1 251 392	26%	**0%**
Q4 (Apr - June 2019)	1 246 778	26%	**0%**
TOTAL AMOUNT	**4 820 841**		

The quarterly overtime expenses for the 2018/2019 financial year indicates a slight reduction in Q1 and Q2 by at least ***2%.***

The ultimate goal is to continue to reduce the overtime costs by 5% during the 2019/2020 financial year. Management continues to implement shift and rational schedules as a method of reducing the overtime bill.

SECTION 3:
Key Vacancies

Budget constraints made the recruitment of staff to fill critical vacancies a challenge. In order to improve business operations efficiently, Management in consultation with HR, took a business decision to mobilise capable employees through secondments, acting and temporary appointments in certain key critical vacancies to mitigate under capacitation in core business units

Further, intervention to mitigate the high vacancy rates through a ring-fenced internal recruitment process was a success, with in which forty-seven (47) positions filled.

To ensure that the recruitment process was transparent and fair to all employees, the shortlisting and interview panels comprised of: Organised Labour (as observers), 2 representatives from hiring department; Employment Equity representative and an external manager from other MOE's. This initiative had a positive impact as it helped boost staff morale and it opened opportunities for employees to advance, utilise their skills and gain new competencies.

Staff Movements

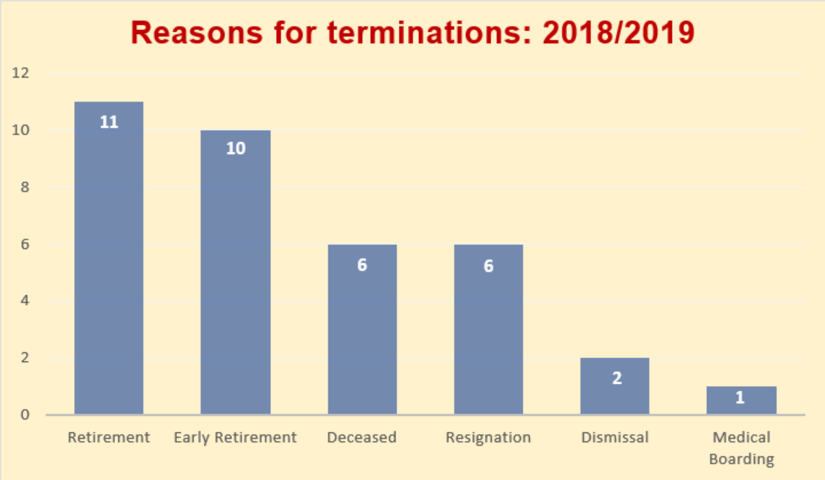
Terminations: It is reported during this financial year 2018/2019 that ***36 (thirty-six)*** permanent employees' terminations were actioned.

Professionally qualified and Mid-Management	Junior Management, Superintendents and Skilled Technical	Semi-skilled / Administration	Unskilled and defined decision making	TOTAL PERMANENT STAFF
3	16	12	5	36

Occupational Levels	MALE				FEMALE				Foreign Nationals		TOTAL
	A	C	I	W	A	C	I	W	M	F	
Top Management	0	0	0	0	0	0	0	0	0	0	**0**
Senior Management	0	0	0	0	0	0	0	0	0	0	**0**
Professionally qualified and Mid-Management	1	0	0	1	1	0	0	0	0	0	**3**
Junior Management, Superintendents and Skilled Technical	12	1	0	0	3	0	0	0	0	0	**16**
Semi-skilled / Administration	11	0	0	0	1	0	0	0	0	0	**12**
Unskilled and defined decision making	1	0	0	0	4	0	0	0	0	0	**5**
Total Permanent Staff	25	1	0	1	9	0	0	0	0	0	**36**
Temporary Employees	0	0	0	0	0	0	0	0	0	0	**0**
GRAND TOTAL	**25**	**1**	**0**	**1**	**9**	**0**	**0**	**0**	**0**	**0**	**36**

The table above illustrates the terminations realised inclusive of permanent employees as per occupational levels, race and gender. These terminations mainly consist of deceased employees, medical boarding, resignations, dismissals, retirements and early retirements.

The chart depicts the reasons for terminations:



The diagram above shows that most terminations consisted retirements and early retirements during the 2018/2019 financial year.

Retirements: Eleven (11) employees retired, in terms of their pension fund rules. This confirms that JPC has an ageing workforce hence succession planning has been a key focus area to ensure successors for business continuation.

Early Retirements: Ten (10) employee opted for early retirement as per their pension fund rule. The affected employee qualifies for the full benefits in terms of the age over 55-years and long years of service.

Death: Six (6) JPC employees died during the 2018/2019 financial year, mostly due to natural causes.

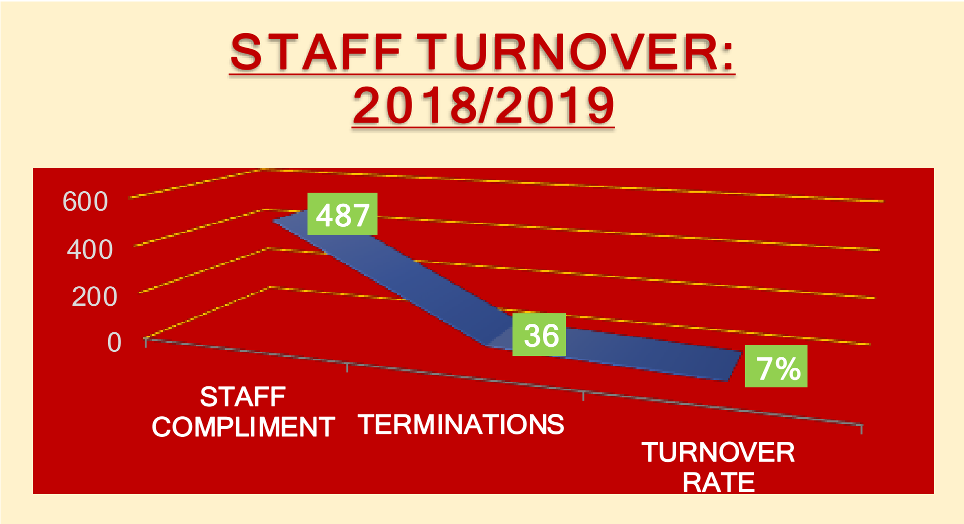
Resignation: Six (6) employees resigned to accept new career opportunities and remuneration packages outside of JPC.

Dismissal: Two (2) employees were dismissed following the outcomes of disciplinary hearings.

The impact of the attrition rate has contributed to the under capacitation within key business areas. The current solution is to prioritise critical vacancies within core functions as the most pressing challenges to business continuation.

 4 HR & ORGANISATIONAL MANAGEMENT

Staff turnover as at end June 2019 excluding temporary staff is as follows:

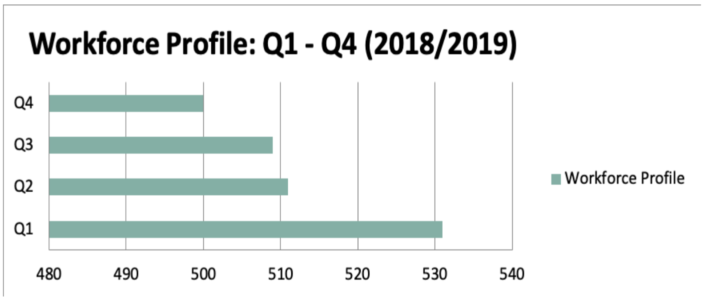


The graph above staff turnover of 7% is at an acceptable level taking into consideration that a healthy turnover rate is between 5% and 10%.

SECTION 4:

Employment Equity

The EE demographic indicates that JPC has a total staff compliment of 500 of which (487) four hundred and eighty seven employees are permanent and (13) thirteen temporary staff as at end June 2019.



The Employment Equity Committee is reviewing the targets, racial representation and gender to provide recommendation that may assist to mitigate the current barriers to achieve the set targets including improving of people with disabilities.

This graph (left) indicates the quarterly workforce profile from Q1 – Q4 2018/2019 financial year. The workforce trend shows evidently staff reduction from Q1 of 531 to 500 in Q4.

In order for JPC to achieve its objectives, the organisation places a strong value in its human capital and ensures equity and fairness in the workplace, JPC fully supports the principles of employment equity and is committed to the principles of equity, anti-discrimination and diversity as enshrined in the Constitution of the Republic of South Africa and the Employment Equity Act (EEA) No 55 of 1998.

Gender Equity, youth programmes, succession planning and retention have become some of the key drivers in managing the manpower strategies at JPC. More so, employment equity strategies have become a course for action to promote equality amongst employees and help towards the development of future competent leaders in the Property Portfolio Industry.

The EE targets are based on the Provincial Economic Active Demographic Population (EADP) and are as follows:

Africans	Coloureds	GENDER SPLIT %
78%	4%	
Indians	Whites	
2%	16%	50/50

EE targets are based on EADP:

Overall Racial	RACIAL SPLIT			
	A	**C**	**I**	**W**
Actual	81%	11%	4%	5%
Target	**78%**	**4%**	**2%**	**16%**
Gaps	3%	7%	2%	**-11%**

The diagram above indicates the overall racial and gender split.
The racial split shows an over representation of designated groups and under representation of the non-designated group. Preference will be given to qualified white females when the opportunity arises as and when vacancies are filled.

The table below indicates the gender split

GENDER SPLIT	ACTUALS	TARGET	GAP
MALES	58%	50%	8%
FEMALES	42%	50%	-8%

The racial split shows an over representation of designated groups and under representation of the non-designated group. Preference will be given to qualified white females when the opportunity arises and
when vacancies positions become available and filled.

JPC has made significant strides in relation to the gender imbalances since the commencement of the 5-year EE plan from 2014 to 30 June 2019. Although the majority of the workforce specialises in technical trades, the organisation initiated opportunities for female employees to take up roles, which were previously male dominated at all occupational levels.

Two female employees successfully qualified as artisans and others took roles within the technical environment. The Employment Equity Forum tenure ended 30 June 2019 and the process of electing the new committee commenced in August 2019.

Occupational Gap Analysis against set targets

Top and Senior Management								
Occupational Level	Males				Females			
	A	**C**	**I**	**W**	**A**	**C**	**I**	**W**
Actual %	25%	0%	25%	25%	0%	25%	0%	0%
Target %	38%	2%	1%	9%	38%	2%	1%	9%
GAP%	**-13%**	**-2%**	**24%**	**16%**	**-38%**	**23%**	**-1%**	**-9%**
Prof Qualified/Specialists/Mid Management								
Occupational Level	MALES				FEMALES			
	A	**C**	**I**	**W**	**A**	**C**	**I**	**W**
Actual %	32%	2%	8%	7%	33%	3%	5%	10%
Target %	38%	2%	1%	9%	38%	2%	1%	9%
GAP%	**-6%**	**0%**	**7%**	**-2%**	**-5%**	**1%**	**4%**	**1%**
Skilled /Technical Qualified, Junior Management/Superintendents/Artisans/Administrators								
Occupational Level	Males				Females			
	A	C	I	W	A	C	I	W
Actual %	45%	3%	3%	4%	36%	7%	1%	0%
Target %	38%	2%	1%	9%	38%	2%	1%	9%
GAP%	**7%**	**1%**	**2%**	**-5%**	**-2%**	**5%**	**0%**	**-9%**
Semi-Skilled / Administration								
Occupational Level	Males				Females			
	A	C	I	W	A	C	I	W
Actual %	82%	8%	1%	1%	7%	2%	0%	0%
Target %	38%	2%	1%	9%	38%	2%	1%	9%
GAP%	**44%**	**6%**	**0%**	**-8%**	**-31%**	**0%**	**-1%**	**-9%**
Unskilled								
Occupational Level	Males				Females			
	A	C	I	W	A	C	I	W
Actual %	41%	3%	0%	1%	43%	13%	0%	0%
Target %	38%	2%	1%	9%	38%	2%	1%	9%
GAP%	**3%**	**1%**	**-1%**	**-8%**	**5%**	**11%**	**-1%**	**-9%**

SECTION 5:

Skills Development and Training

JPC's strategic focus is to ensure that its employees are empowered by giving them an opportunity to upgrade their skills and competency levels. These training interventions will improve employees' performance and productivity levels to ensure that JPC achieves its business operational goals and creates a learning culture through capacitating employees with appropriate skills.

Interventions

Training implemented from July 2018/201 reported for this period under review

The training interventions conducted during the 2018/2019 financial year focused on newly appointed employees Property Administrators, Administrators across Superintendents, Area and Regional Supervisors and SCM/Finance. Secondly, 15 employees were enrolled for the Municipal Finance Management Programme to meet the National Treasury minimum competency requirements.

Training Cluster	Course/Programme conducted
Functional/Technical	Document Management
	Ms Excel
	Ms Word
	Technical Report Writing
	Geographic Information Systems
Legislative/Organisational Compliance	Municipal Finance Management Programme
Managerial Skills	Supervisory Skills

Supervisory Skills

Supervisory Skills

The supervisory course was aimed at empowering newly appointed employees to be competent in:

- Co-ordination and interpersonal skills
- Delegation
- Discipline in the workplace
- Time management and teamwork
- Conflict resolution
- Diversity management
- Inventory control
- Monitoring and reporting
- Planning and organising.

Municipal Finance Management Programme

The eight month Municipal Executives' Financial Management course, a NQF level 6 qualification, was offered to JPC accounting officers, senior managers, and other financial officers to acquire financial management and supply chain management competencies critical in the implementation of the Municipal Finance Management Act (Act No. 56 of 2003)

Each module is delivered through a three day block release system. Programme delivery includes highly interactive classroom instruction; group work in syndicates, giving course participants the opportunity to benefit from sharing ideas and insights; extensive use of a case study approach using both local cases written by WBS and international cases.

Technical Training Cluster (Geographic Information Systems Online Maps Training)

Geographic Information Systems (GIS) training comprises of five principal components: data, software, procedures, hardware and the most important one, the users of the system. The asset management and newly appointed property administrators employees, as users are required to attend a refresher course on the GIS system which gives them access to a property geographic property information system. This intervention support the organisation's operations and efficiency in enhancing the employees' ability to search and view of properties.

The table below depicts the number of employees who attended training per occupational category:

	MALE				FEMALE				Foreign Nationals		TOTAL
Occupational Levels	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**M**	**F**	
Top Management	0	0	0	0	0	0	0	0	0	0	**0**
Senior Management	2	0	0	0	1	0	0	0	0	0	**3**
Professionally qualified and mid-management	3	1	0	0	1	0	0	1	0	0	**6**
Jun. Management, Superintendents and Skilled Technical	40	10	3	1	42	12	0	0	0	0	**108**
Semi-skilled / Administration	7	1	0	0	22	1	0	0	0	0	**31**
Unskilled and defined decision making	3	0	0	0	1	0	0	0	0	0	**4**
Total Permanent Staff	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0	0	**0**
Temporary Employees	0	0	0	0	0	0	0	0	0	0	**0**
GRAND TOTAL	**55**	**12**	**3**	**1**	**67**	**13**	**0**	**1**	**0**	**0**	**152**

Employee Bursary Scheme

The Employee Bursary Scheme is intended to provide financial assistance to employees obtain qualifications beneficial to JPC. These bursary applications will be awarded in line with the training and skills development policy guidelines. An interim bursary committee was established comprised of heads of department, HCM, EE representative and Organised Labour to ensure that both the employee and the employer will benefit through a screening and verification process.

Bursary applications that meet the requirements were approved in line with budget allocations. The committee recommended eleven employees be awarded bursaries to pursue their career development goals.

Internship and Learnership Programmes

Thirty seven (37) interns were placed within the JPC through the EAAB in partnership with the SETA funding program for a period of 18 months.

SECTION 6:

Performance Management

Performance Scorecards for 2018/2019 financial year had been concluded by Management to ensure that performance objectives are achieved.

SECTION 7:
Disciplinary Matters and Outcomes

7.1. Disciplinary Matters

Four (4) employees are facing charges relating to various misconduct cases, one has been finalised and disciplinary hearings are in progress on the other cases.

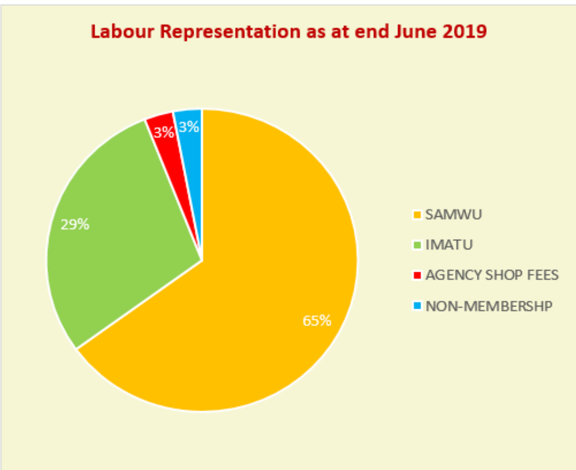
Case Description	Outcome
Non –compliance to the code of conduct and fraud	The disciplinary hearing took place and the outcome was a dismissal of the employee.
Alleged Misconduct	The disciplinary hearing did not proceed due to employee resigning.
Absenteeism	The employee was issued with a final written warning.
Dishonesty	The case has not been yet been finalised.

7.2. Disputes

Case Description	Outcome
Unfair Labour Practice	The matter was dismissed at the Bargaining Council.
185 Unfair Labour Practice	Conciliation held and the outcome indicated that matter was not resolved. The complainant has proceeded and referred the matter for arbitration.
185 Unfair Labour Practice	Conciliation held and the outcome indicated that the matter was not resolved, complainant has proceeded and referred the matter for arbitration.

Union Representation

JPC is highly unionised and requires a structured, stabilised and sound labour relationship with organised labour to ensure a harmonious working environment.



The union representation and membership graph above shows that from a staff compliment of 500 employees including temporary staff, 65% belongs to SAMWU, 29% belongs to IMATU and 3% fall within the Agency shop fees. The remaining 3% does not belong to a union however mostly consist of temporary employees.

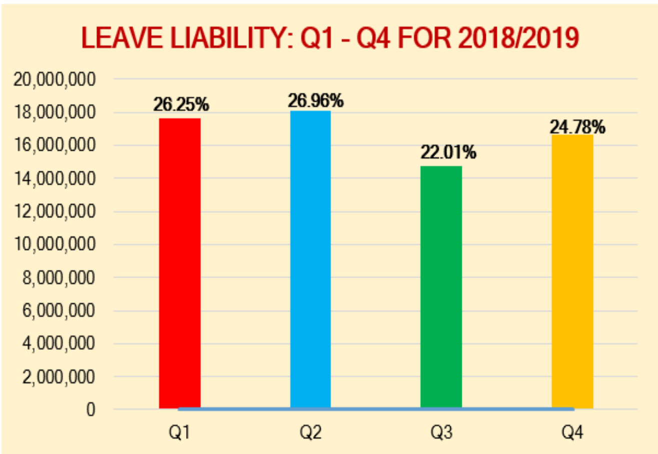
SECTION 8:
Leave and Productivity Management

Leave Provision: 2018/2019 financial year

The leave liability amount based on the annual leave balances as of the end of June 2019 amounts to ***R16 631 409.*** The leave liability amount showed a significant reduction after capturing of leave taken over the festive period as most employees utilised their annual leave days during this period.

The table below illustrates the monthly leave liability amounts: (July 2018 – June 2019):

QUARTERLY LEAVE PROVISION - 2018/2019			
QUARTER	LEAVE DAYS	AMOUNT	**% Per Quarter**
Q1	8 637	17 619 187	**26.25%**
Q2	8 541	18 094 545	**26.96%**
Q3	6 630	14 769 498	**22.01%**
Q4	7 690	16 631 409	**24.78%**



The graph illustrates the quarterly leave percentage for the 2018/ 2019 financial year.

Leave Encashment for the period under review:

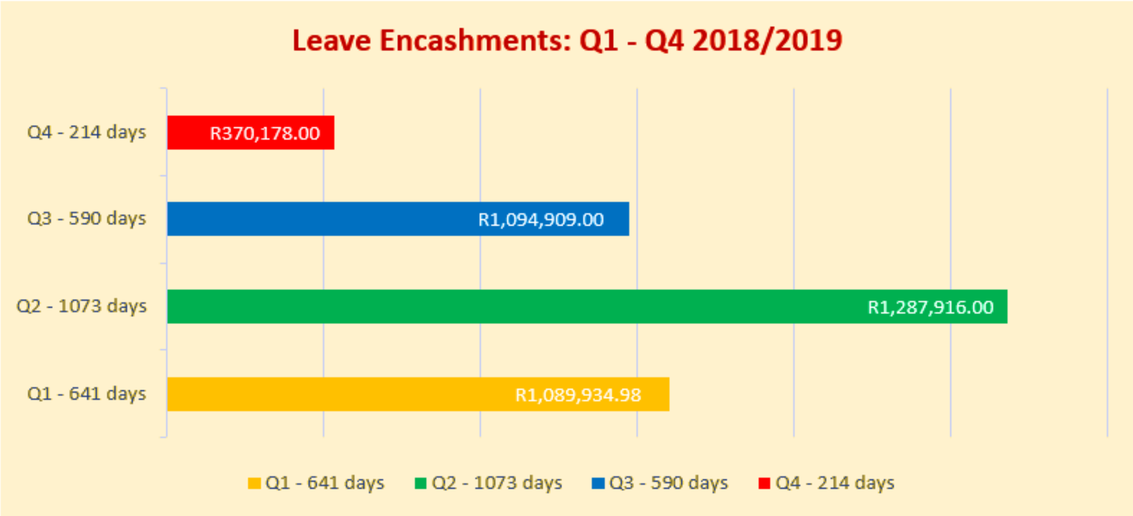
The leave encashment applications were implemented in line with policy. Employees are allowed to take sixteen days annual leave and can only sell a maximum of eight (8) days once within a financial year.

The table below illustrates the quarterly, leave encashment for 2018/2019 financial year:

LEAVE ENCASHMENTS: Q1 - Q4 (2018/2019)		
Monthly	Days Encashment	Financial Impact
Q1	Number of Days - 641	R1 089 934.98
Q2	Number of Days - 1073	R1 287 916.00
Q3	Number of Days - 590	R1 094 909.00
Q4	Number of Days - 214	R370 178.00
Totals	Days:2518	R3 842 938

Employees encashed 2 518 of non-compulsory days at a total cost of ***R 3 842 938***. This initiative positively impacts the organisation to manage the leave liability and forces employees to utilise their compulsory leave days before selling and ensures compliance to legislative requirements.

Diagram below indicating the leave encashment during Q1 – Q4 2018/2019



The diagram indicates the total numbers of days encashed from July 2018 to June 2019, as well as the amounts paid out. In February there was more of mid to high level (levels 7 to 5) income earners who sold leave which has resulted in a spike, hence the increased amount of leave encashment.

Most employees tend to encash their leave days between January and February as this assists them in cushioning being back at work after the holiday period (December-high spending) and also assists them to pay school fees for their children in the new year.

Absenteeism for 2018/2019 (July 2018 – June 2019)

DEPARTMENT	PERIOD	Number of Staff taken Sick leave	Total Sick Days Taken	*% Absenteeism*
Office of the CEO	July 2018 - June 2019	14	119	*0.10%*
Finance & SCM	July 2018 - June 2019	35	455	*0.38%*
Information Technology	July 2018 - June 2019	9	99	*0.08%*
Client Business Operations	July 2018 - June 2019	92	227	*0.19%*
Corporate Services	July 2018 - June 2019	18	282	*0.23%*
Outdoor Advertising	July 2018 - June 2019	4	40	*0.03%*
	July 2018 - June 2019	319	3885	*3.22%*
TOTALS	**ANNUAL**	**491**	**5107**	*4.23%*

The above table illustrates the annual departmental absenteeism rates from Q1 – Q4. JPC overall has a high absenteeism rate of 4.23*%*. This serves as a reflection that JPC has a sick workforce, as most illnesses are as a result of dread and chronic diseases. The introduction of the Employee Wellness Programme through Careways is assisting in alleviating employees financial, social and mental stress. The absenteeism rate has been falling as more and more employees are warming up to using this platform.

SECTION 9:
Employee Wellness

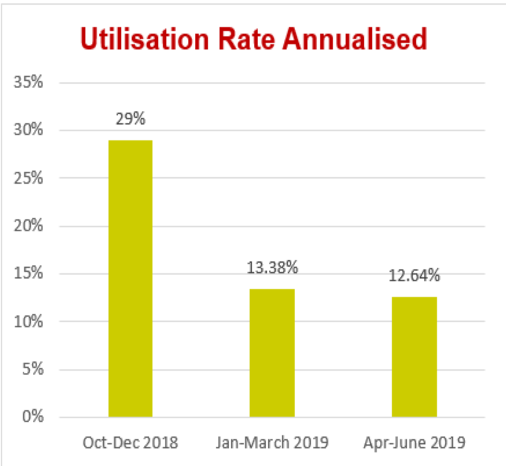
JPC's objective in relations to health and wellness is to improve the quality of life for all its employees through the provision of a quality, sustainable Health and Wellness Programme. Employees, being the life-blood of the organisation, have access to the fully subsidised Careways Employee Wellness Programme. Employees, and their dependents, can access the programme and shows JPC's commitment to its employee well-being.

Employee Wellness Programme - Services Accessed

JPC's main objective in relation to health and wellness is to improve the quality of life for all its employees through the provision of quality, sustainable Health and Wellness Programmes. This will also ensure support and assistance to employees to give them skills to cope with challenges they face and as a result, productivity and attendance will improve.

Employees with their dependents can access the programme and this also serves as the greatest benefit which demonstrates that JPC cares for its employees.

Employee Wellness Programme – Utilisation Rate



The utilisation rate is annualised to determine the predicted utilisation at a given point in time. Psychosocial issues, with stress as the leading complaint, have been the top problem category presented to the EWP since inception of the programme. It is encouraging to note that the drop in employee absenteeism is indicative of the employees accessing the services to address their health issues.

In October and December 2018 engagement session were held with employees to create awareness of the Employee Wellness Programme (EWP) and to market access platforms. The utilisation rate is quite high as a result of employees showing interest to the programme and this initiative became an eye opener to employees. JPC's investment in the employee wellbeing is proof that JPC believes its workforce is pivotal to its success.

January – March 2019 shows a percentage drop in utilisation rate, we believe this is indicative of the fact that JPC employees are comfortable accessing the EWP services to deal with the problems that they face. This made employees feel supported and valued and increases compliance with the process.

April – June 2019 also shows a 0.74% drop in terms of utilisation. While employees are still accessing the services, the EWP Programme was extended to family members. Continued promotion of EWP wellness initiatives is envisaged to sustain well-being gains.

When viewing utilisation of the EWP programme, it is evident that there has been a noticeable drop in utilisation over time. High utilisation of the EWP is often noticed during the first 3 months of the programme when employees test the service, reach out for practical matters or require support for longstanding problems. Following this, utilisation usually drops until a consistent utilisation rate is reached.

Best practice for EWP utilisation (nationally and internationally) is between 8 and 10% per year with some countries, for example, the USA and UK report average utilisation rates of 4 – 5 %. Joburg Property Company has consistently reached utilisation rates of above 8%, which clearly indicates that employees trust the EWP services available to them.

It is evident that employees are aware of the programme and comfortable accessing the services offered.

Key Recommendations

Following the above analysis of the key findings for the 2018/2019 financial year, it is recommendable that the general marketing of the EWP is targeted. Continued promotion of EWP wellness initiatives to sustain employee well-being gains achieved. These activities could include employee orientation, awareness sessions, induction sessions, wellness day and distribution of marketing material.

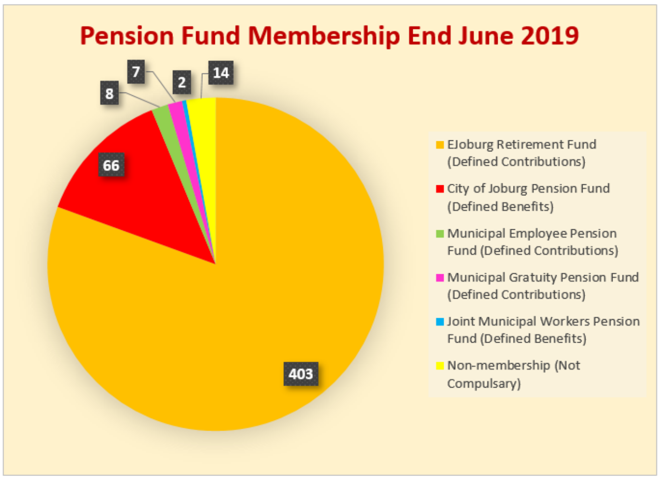
HIV/AIDS in the workplace

JPC's HIV/AIDS policy is aligned with the CoJ's policy and promotes objectives which ensures that no employee us discriminated against based on their HIV status. In terms of the policy all employees must respect the confidentially of information regarding existing or potential employees with life-threatening illnesses.

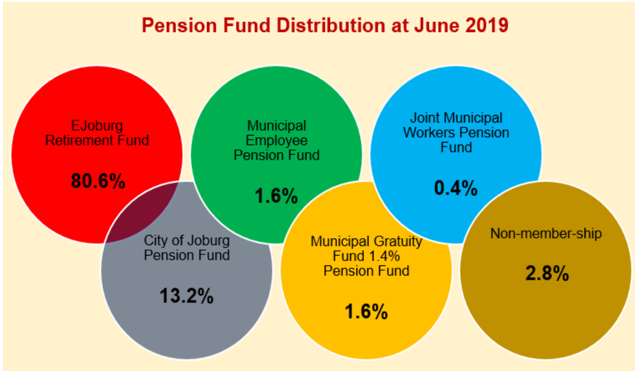
All employees are encouraged to know their HIV status and remain health through the implementation of employee wellness programme. The employee wellness programme runs awareness and educational campaigns on HIV/AIDS, mental and physical wellness. In the period under review, JPC and Careways held wellness day, where HIV/AIDS awareness was prioritised as part of Health Screening and testing.

SECTION 10:
Employee Benefits

The graphics show pension fund membership distribution and the membership percentage to the pension funds at end June 2019.

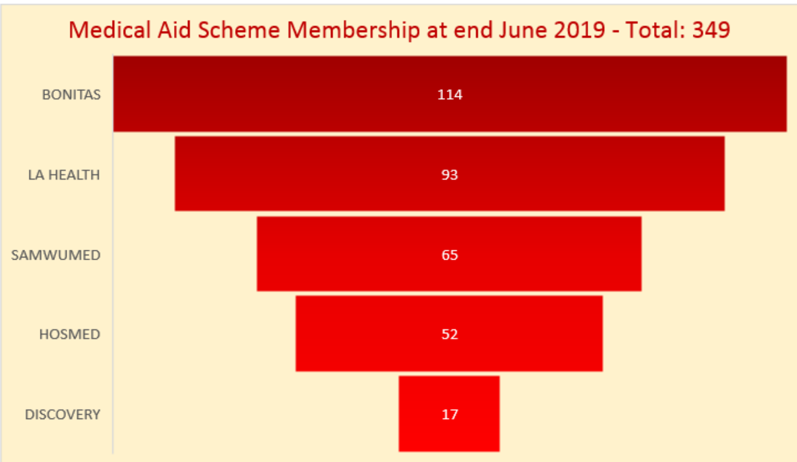


Left: Affiliating to a pension fund is compulsory to all JPC employees
Below: Accredited Medical Aid Schemes and membership distribution as at end June 2019.



The diagrams on this page specify the accredited medical aid schemes as approved by JPC, as well as the membership distribution to each scheme as at end June 2019. The provision set out in the Main Collective Agreement in relation to medical aid, it states that the 60/40 principle rule will apply and the maximum employer capped amount **R4 218.17** for 2018/2019 financial year. In Q2, medical aid presentations were conducted to give employees the opportunity to join or change to alternative medical aid schemes of their choice. The presentations were successfully concluded and staff that do not have medical aid schemes were also encouraged in joining medical aid and reaping the benefits thereof.

Occupational Health and Safety (OHAS)



The JPC Occupational Health and Safety (OHAS) Team is proud to report another successful year where identified Occupational Health and Safety risks were addressed and resolved.

The OHAS roll-out programme mainly focused on improving OHAS standards Company-wide with the following achievements:

Highlights: July 2018 – June 2019

- Emergency Display Chart with valuable information on appointed OHAS Workplace representatives for Fire and Safety, First Aid Officials and, the emergency contact numbers for all emergencies. Availing such information to JPC's OHAS Stakeholders, is a continuation effort to influence and maintain the JPC staff awareness roll out programme for the 2018-2019 period.

- Zero tolerance drive and practice towards potential fire hazards at JPC's 11 workplaces where, the area of focus is to ensure that, the JPC staff enjoy a safe and secure working environment. In supporting the drive, various OHAS goods and services were ordered to provide benefits such as, advance fire warnings through the use of safety tools; fire warning panel Boards, fire sirens, smoke detector and, visible warning signs. The matter is ongoing and is expected to reach closure in the 2019-2020 period.

- In September 2018, the JPC Workplace SHE Committee reviewed the OHAS Risk Registers of its workplaces and put forth action plan of mitigating factors. These have been resolved in terms of highest to lowest risks whereas, the rest will reach closure over the next two years.

- The latter half of 2018 also focused on implementing priority programmes at JPC's 11 workplaces where improving OHAS standards at workplaces was visible. There were two significant happenings during the quarter, the first being where, the JPC Workplace Safety, Health and Environment (SHE) Committee comprising of twenty appointed Workplace Health and Safety representatives (Section 17's and Section 20's) met to review the progress on JPC OHASA drive in terms of meeting certain achievable standards. The second being the interest shown by OHAS stakeholders on coming on Board to manage OHAS Compliance at all operational levels.

- Supporting the City's programmes, Section 20 representatives attended several meetings hosted by the City and offered its support through various tasks; one such successful programme being the *World Safety and Health day event* where JPC's support and assistance was welcomed.

- Fire safety assessments was conducted during quarter 4.

- The servicing and replacement of fire safety tools and equipped forms part of an annual ritual in meeting legislative requirements and JPC's OHAS Team ensures that compliance is met with the required standards. JPC's trained OHASA representatives continued to display passionate in bridging gaps that could pose as possible compliance threats and, have kept a steady momentum in conducting OHASA compliance checks at their respective workplaces on a regular basis.

- In October 2018, the distribution of personal protective clothing and safety gear to Artisans was completed. The OHAS Team strives to ensure that JPC's Artisans, who duties required the use of special health and safety clothing, is provided with the necessary safety gear such as, face facemasks, welding gloves, safety boots, protective gloves and so forth when performing tasks associated with safety and health hazards.

- During quarter 4, another successfully task was the initiative taken towards the condition–based assessments for JPC's corporate buildings. The findings of such programmes served to be useful in that, useful information is received on not only OHAS matters but also on, issues that concern matters linked to facilities management; repairs and maintenance, security, pest control, waste management and so forth.

With the following interventions in place, the efforts of the JPC OHAS Team are admirable, bearing in mind that the functions they perform are on voluntary OHAS roll appointment basis, over and above their normal duties:

Appointed and Trained SHE Representatives in four categories of representation
Active JPC SHE Workplace Committee and minutes in place
Active Operational OHAS Committee and minutes in place
Workplace Sub-Committees in place
OHAS Policy statement in place, awaiting sign off
Participation and attendance at the City's quarterly Group SHE Meetings
Internal control and support documentation in place • OHASA compliance checklist & Audit record and, • The OHAS risk register
Emergency Display Chart in place
Quarterly Compliance assessment is conducted internally and externally through OHAS Stakeholders
JPC is an active participant at all the City's OHAS events
Standardized COID claim submission, processing and reporting is timeous

The table below summarises the status of the JPC OHASA Compliance roll out programme.

	The OHAS Roll Out Programme	Status as at June 2019
1	Conduct Roadshows –Share compliance and other relevant information on the requirements of the OHASA Act no. 85 of 1993.	Completed
2	Conduct Workplace ballot and nomination of workplace OHASA support representatives	Completed
3	Conduct Orientation workshops for Appointed OHASA representatives	Completed
4	Arrange for intensive training to enable appointed OHASA Representatives to be well equipped in fulfilling their respective mandate	Completed for support categories; Health and Safety Representation, Fire and Safety Management First Aid Administration levels 1-3
5	Conduct regular OHASA Compliance Checks	Completed on a quarterly basis and ongoing
6	Acquisition of relevant OHASA goods, tools and safety signs	Completed and ongoing as determined by the OHAS priority risk assessment results
7	Establishment of the JPC SHE Workplace Committee	Active and fully functional
8	Establishment of the Workplace Sub- Committees	Active and in progress
9	OHASA Support Group Orientation and Partnership Building Workshops	Completed and ongoing
10	OHAS Stakeholder /Staff Awareness Programmes	Completed and Ongoing
11	Establishment of achievable OHAS internal support systems	Completed
12	Regular role play briefing on areas of Responsibility	Completed and ongoing
13	Implementation of Health Awareness Calendar 2019	In progress

05: Financial Performance

SECTION 1:

Statement of Financial Position and high-level notes

	REF	30-Jun-19	30-Jun-18	VARIANCE %	VARIANCE R
Assets					
Current assets		**453 508 577**	**592 676 881**	**-23.48%**	**-139 168 304**
Cash and cash equivalents		2 000	2 000	0%	-
Receivables from exchange transactions	1	442 595 760	568 068 547	-22.09%	-125 472 787
Loans to shareholders		10 660 919	20 198 667	-47.22%	-9 537 748
Receivables from non-exchange transactions	2	53 475	4 125 059	-98.70%	-4 071 584
Prepayments		196 423	282 608	-30.50%	-86 185
Non-current assets		**85 215 813**	**65 075 460**	**30.95%**	**20 140 353**
Deposits		173 897	165 144	5.30%	8 753
Prepayment		212 576	465 997	-54.38%	-253 421
Property, plant and equipment	3	30 073 871	30 009 468	0.21%	64 403
Intangible assets		14 193 617	14 158 666	0.25%	34 951
Deferred Tax Asset		33 868 431	7 998 068	323.46%	25 870 363
Current tax receivable		6 693 421	12 278 117	-45.48%	-5 584 696
Total Assets		**538 724 390**	**657 752 341**		**-119 027 951**
Liabilities					
Current Liabilities		**539 553 341**	**764 883 347**	**-29.46%**	**-225 330 006**
Payables from exchange transactions	4	177 582 026	248 786 972	-28.62%	-71 204 946
Finance lease obligation	3	7 400 956	5 665 213	30.64%	1 735 743
Loans from shareholders	5	344 892 230	499 152 848	-30.90%	-154 260 618
Provisions	6	2 412 991	2 461 185	-1.96%	-48 194
Operating lease liability		7 265 138	8 817 129	100.00%	-1 551 991
Non-Current Liabilities		**5 517 222**	**6 469 045**	**-14.71%**	**-951 823**
Finance lease obligation	3	4 730 222	5 694 045	-44.10%	-963 823
Employee benefit obligation		787 000	775 000	9.20%	12 000
Total liabilities		**545 070 563**	**771 352 392**		**-226 281 829**
Net Assets		**-6 383 173**	**-113 600 052**		**107 216 879**
Share Capital		5 142 721	5 142 721	0%	-
Accumulated Surplus/(Deficit)		-11 525 894	-118 742 773	-90.29%	107 216 879
Total Net Assets / Liabilities		**-6 346 173**	**-113 600 051**		**107 253 878**

Notes to the Statement of Financial Position

1. Trade receivables from exchange transactions decreased year-on-year as JPC executed some repairs and maintenance projects, as well as cleaning for some departments. In the 2019 financial year there was a drive to collect as much related party debt as possible, this has resulted in the decline of trade receivables.

2. Receivables from non-exchange transactions decreased with the settlement of outstanding VAT refunds being paid to JPC from SARS, and the recalculation and reclassification of the straight-lining on operating leases from an asset to liability for 2019.

3. IT infrastructure was acquired in the form of a finance lease during the period under review. The comparative for PPE has been restated after the review of the useful life of a group of assets at R1.

4. A deferred tax asset on losses brought forward from previous financial years has been recognised in the 2019 financial year.

5. The income tax refund due from SARS has been reclassified from current to non-current in the 2019 financial year due to the timing difference and duration of time SARS requires to finalise the refund. No impairment is required.

6. Trade and other payables have declined year-on-year as fewer repairs and maintenance projects were completed and accrued at financial year end.

7. Loans to and from shareholders decreased as the receipts from related party debtors increased. The result was a year-on-year decrease in the sweeping account of R129 million.

8. JPC recognised an operating lease liability from the straight-lining of office accommodation leases. This is was due to the renewal of existing leases at current market values and the acquisition of additional office accommodation through leasing.

SECTION 2:

Statement of Financial Performance and high-level notes

	REF	30-Jun-19	30-Jun-18	VARIANCE %	VARIANCE R
Revenue					
Revenue from exchange transactions		**122 480 516**	**102 178 311**	**19.87%**	**20 302 205**
Cell mast services		9 207 907	11 389 998	-19.16%	-2 182 091
Commissions and ad hoc fees		43 633 173	40 824 355	6.88%	2 808 818
Management fees		44 826 333	48 601 695	-7.77%	-3 775 362
Facilitation fees		24 813 103	1 362 263	1721.46%	23 450 840
Revenue from non-exchange transactions		**509 336 000**	**368 134 000**	**38.36%**	**141 202 000**
CoJ - Subsidies received		509 336 000	368 134 000	38.36%	141 202 000
Other income		**878 987**	**1 161 674**	**-24.33%**	**-282 687**
Donations received		183 335	10 000	1733.35%	173 335
Interest received		695 652	1 151 674	-39.60%	-456 022
Total Revenue		**632 695 503**	**471 473 985**	**34.20%**	**161 221 518**
Expenditure					
Employee related costs		278 751 722	260 929 078	6.83%	17 822 644
Depreciation and amortisation		8 828 561	6 076 401	45.29%	2 752 160
General expenses		86 321 459	98 171 330	-12.07%	-11 849 871
Interest and finance costs		31 321 849	2 289 398	1268.13%	29 032 451
Lease rentals on operating leases		112 913 378	111 472 737	1.29%	1 440 641
Loss on disposal of fixed assets		560 631	87 215	542.81%	473 416
Repairs and maintenance		32 651 385	62 995 779	-48.17%	-30 344 394
Total expenditure		**551 348 985**	**542 021 938**	**1.72%**	**9 327 047**
(Deficit)/surplus before taxation		**81 346 518**	**-70 547 953**	**-215.31%**	**151 894 471**
Taxation		**25 870 363**	**1 263 581**	**1947.38%**	**24 606 782**
(Deficit)/surplus for the year		**107 216 881**	**-69 284 372**	**-254.75%**	**176 501 253**

Notes to the Statement of Financial Performance

1. Revenue from facilitation fees increased in 2019 from the adjudication and awarding of properties for the inner city rejuvenation.

2. Donations received in 2019 relate to IT equipment from Infra-Sol.

3. Depreciation for 2018 has been restated due to the review and extension of the useful life of assets with a R1 net book value.

4. For the 2019 financial year a budget has been provided for the interest JPC has incurred on the sweeping account. The interest on the sweeping was written off by Group Treasury in 2018.

5. Lease rentals continue to increase at their respective annual escalation rate and from leases being renewed at current market values.

6. This is only due to deferred tax implications. No Income tax incurred for the period as assessed losses from previous financial years are recognised against profits in 2019.

7. The entity has no investments to disclose.

SECTION 3:

Cash Flow Statement

	30-Jun-19	30-Jun-18
Cash flows from operating activities		
Rendering of services	252 024 886	73 911 797
Subsidies	509 336 000	368 134 000
Interest Income	-	597 650
	761 360 886	**442 643 447**
Payments		
Employee costs	-278 750 917	-261 418 452
Suppliers	-304 303 554	-354 730 867
Finance costs	-31 321 849	-2 289 398
Taxation receivable	6 271 594	
	-608 104 726	**-618 438 717**
Net cash flows from operating activities	**153 256 160**	**-175 795 270**
Cash flows from investing activities		
Purchase of PPE	-1 674 711	-1 699 965
Proceeds/(Loss) on disposal of PPE	-	-
Purchase of intangible assets	-325 289	-
Net cash flows from investing activities	**-2 000 000**	**-1 699 965**
Cash flows from financing activities		
Net movement of shareholders loan	-144 722 870	182 652 659
Finance lease payments	-6 533 290	-5 157 424
Net cash flows from financing activities	**-151 256 160**	**177 495 235**
Net increase/(decrease) in cash and cash equivalents	**-**	**-**
Cash and cash equivalents at 01 July 2018	**2 000**	**2 000**
Cash and cash equivalents at 30 June 2019	**2 000**	**2 000**

SECTION 4:

Capital Projects & Expenditure

JSIP No	Details	Budget	YTD Actuals	%
4142	Erf 43-46 Victoria Ext 3(Paterson Park Node) VICTORIA EXT.3 E Regional	5 000 000	5 000 000	100%
4180	Watt Street Inter-change New Housing Development WYNBERG E Regional	2 000 000	2 000 000	100%
4181	Rosebank Linear Park Redevelopment New Precinct Redevelopment ROSEBANK B Regional	10 000 000	10 000 000	100%
4184	Office Space Optimisation Program New Precinct Redevelopment JOHANNESBURG F City Wide	9 600 000	9 600 000	100%
6348	Newtown Land Preparation and Packaging	5 000 000	5 000 000	100%
22094	Newtown Public Park Upgrade and service connections	10 000 000	10 000 000	100%
22149	Midrand Station Development public environment upgrade	3 000 000	2 998 850	100%
3943	Neighbourhood Development for Bertrams Priority Block New Building Alterations BERTRAMS F Regional	10 000 000	10 000 000	100%
3944	Site Development Projects New Land Preparation JOHANNESBURG F City Wide	5 000 000	5 000 000	100%
2421	Soweto Empowerment Zone New Economic Infrastructure DIEPKLOOF D Regional	3 000 000	3 000 000	100%
2507	Sandown Extension 49 Erf 575RE Renewal Building Alterations SANDOWN EXT.49 E	27 300 000	27 300 001	100%
2638	Dobsonville Informal Trading Market Upgrading and construction of Informal Trading Facility New Informal trading Stalls DOBSONVILLE D Ward	5 000 000	5 000 000	100%
2523	Jabulani CBD Precinct development New Operational Capex JABULANI D Ward	5 000 000	5 000 000	100%
2290	FMMU - Public Conveniences New Public toilets JOHANNESBURG F Ward	5 000 000	4 999 998	100%
2284	Revamping of the Informal Trading Stalls within the Inner City Renewal Operational Capex JOHANNESBURG F Ward	20 000 000	20 000 000	100%
2669	Computer Equipment New Computer Upgrades BRAAMFONTEIN WERF EXT.1 F City Wide	2 000 000	2 000 000	100%
TOTAL		**126 900 000**	**126 898 849**	**100%**

JOBURG PROPERTY COMPANY

SECTION 5:
Ratio Analysis

Surplus/ (Deficit)
The net surplus as at 30 June 2019 is at R107 216 881 and was at a deficit of R69 284 372 compared to restated figures for the period ended 30 June 2018. Major contributors to the surplus are as follows:

- JPC prepares a breakeven budget; estimated income is matched with estimated expenditures. Majority of JPC's expenses are fixed with the exception of repairs and maintenance.
- Outdoor Advertising income budget was increased as the entity were off the view that more money can be generated in this place based on the implementation of the new Outdoor Advertising By-Laws. Unfortunately, the by-laws were only approved by council on 20 March 2018 but only promulgated on 30 May 2018. However, its implementation was suspended pending finalisation of legal action by various role-players in the industry (OHMSA, SAPOA, etc.) challenging various aspects of it.
- The subsidy that JPC received compensated for Outdoor Advertising, CAPEX commissions and the interest on the sweeping account.
- Facilitation fees were raised for the facilitation of the inner city rejuvenation projects that had been adjudicated and awarded by financial year end.
- A deferred tax asset of R25,8 million was recognised for tax losses brought forward from previous financial years.

JPC has recently discussed the turnaround strategy targeting matters affecting the solvency of the entity. The fruits of the strategy are already visible in 2019/20 and will continue to flourish in 2020/21.

Solvency Ratio
The City's solvency ratio benchmark is 2:1, which is higher than the generally accepted norm of 1:1. The JPC's ratio is 0.98:1, which indicates that the entity is insolvent, as the current liabilities exceed assets by R6 346 173 . The accumulated surplus increased significantly in the current period as compared to the previous financial years, improving the solvency of JPC in 2019.

JPC will be approaching the City to seek a surety letter regarding the going concern. JPC is not trading recklessly as we are commercially solvent and can pay creditors as they fall due even though we are utilising an overdraft which attracts interest.

The implementation of the strategy will result in the improvement of the solvency issue at JPC.

Liquidity Ratio
JPC has a current ratio of 0.84:1 as compared to the City's norm of 1:1. The main contributors to this adverse ratio are the loan accounts with shareholders, the sweeping account with Group Treasury being the most notable. This position is expected to improve as the profitability of JPC improves in 2019/20.

Cost Coverage Ratio

Due to the negative cash flow of JPC, the cost coverage ratio is negative 6:1 due to the overdraft of the sweeping account. However, the ratio is not a true reflection of JPC's operational expenditure as R&M related to expenses by CoJ that are paid for by JPC and offset against internal recoveries revenue.

Debtors Collection Period

JPC has a debtor's collection ratio of 45 days for third-party/external debtors. Collection of third party debtors have declined due to the timing difference for the receipt of cell mast income and facilitation fees across the financial year-end. The debtor's collection ratio for related party debtors is 187 days. The improvement in the intercompany debtor's collection ratio is due to the influx of receipts for historic debt prior to the closure of the financial year-end.

The repairs and maintenance budget which resulted in the related party balance to escalate to over half a billion has been returned to the City entities and departments. JPC will now only work with entities that pay timeously. Due diligence will be done prior to executing work for departments.

Creditors Payment Cycle

JPC currently pays service providers and creditors within 30 days, as defined by the MFMA.

SECTION 6:
Supply Chain Management and BBBEE

An SCM policy regulates JPC's supply chain management (SCM) for goods and services that governs all SCM Practices. The approval of the policy by the board is subject to periodic review, every two years or more frequently if required to ensure that it remains relevant to changes and circumstances. The Policy implements the SCM practices as envisaged by the Act and its Regulations.

The SCM Policy ascribes to a procurement system which:
- Is fair, equitable, transparent, competitive and cost-effective in terms of section 217 of the Constitution of South Africa NO. 108 of 1996;
- Enhances uniformity in supply chain management systems between organs of state in all spheres;
- Embraces the principles of efficient environmental management; and
- Is consistent with the Municipal Finance Management Act, Municipal Supply Chain Management Regulations, Broad-Based Black Economic Empowerment Act, Preferential Procurement Policy Framework Act and other Codes promulgated thereunder in the Government Gazette.

Deviations
For the 2018/19 financial year deviations were incurred for the acquisition of new printers with Dalitso, and for an extension from existing contract with Schindler Lifts. The deviation with Dalitso arose from the time delay between when the previous contract expired to when the new contract was entered into. The gap between the old and new contract is classified as a deviation as the contract went month-to-month until the new contract was signed.

This was done with the intention of preventing a disruption of the operations of JPC while the service provider procured the financing required to supply the tendered equipment to JPC. The maintenance contract with Schindler Lifts is classified as they are the sole service provider for their lifts and a new contract was drafted to continue maintenance at various corporate buildings.

The other deviations have remained consistent with those disclosed in the 2017/18 financial year and consist primarily of office accommodation.

Payment within 30 days
JPC currently pays service providers and creditors within 30 days as defined by the MFMA. This compliance with 30 days is one of the reasons why JPC has an overdraft, as the City departments do not settle the intercompany debts within 30 days.

BBBEE

	Q3	Q4	Q3	Q4
BBBEE as % of OPEX	99%	99%	99%	99%
BBBEE as % of CAPEX	100%	100%	100%	100%

SECTION 7:
Fruitless and Wasteful Expenditure

DESCRIPTION					CORRECTIVE MEASURES		
Unauthorised Expenditure	**Irregular Expenditure**	**Fruitless & Wasteful Expenditure**	**Estimated Amount**	**Category**	**Disciplinary Action**	**Criminal Charge**	**Other**
N/A	N/A	YES	R1 141 700	SARS	PENDING	N/A	N/A
N/A	N/A	YES	R3 248 573	OFFICE RENTAL	PENDING	N/A	N/A
N/A	YES	N/A	R7 114 868	FLEET SERVICES	N/A	N/A	N/A
N/A	YES	N/A	R792 854	R&M	PENDING	N/A	N/A

During the financial year the South African Revenue Services (SARS) concluded a payroll audit for the 2014 and 2015 financial years. SARS reconciled and recalculated PAYE and other payroll items across these financial years against the annual financial statements (AFS) for those respective years and raised penalties and interest based on their reassessment amounting to R680 206. JPC leased Forum 1 in Braampark Office Park as additional office space was required by JPC and the CoJ. The building is required to allow JPC to reallocate CoJ departments from the Metro Centre in order to address occupational health and safety challenges at the Metro Centre. Forum 1 is ideal as it is within close proximity to the Metro Centre and poses minimal disruption to the operations of the CoJ. The rental paid for the period is R3 248 537.

During the 2018/19 financial year JPC incurred R7 144 868 in irregular expenditure for the continuation of the AVIS fleet management contract. The contract was deemed to be irregular by the Auditor General during their audit of the CoJ in 2018. Fleet services are an essential requirement for the operations of JPC and could not be discontinued under the existing contract that was entered into by the CoJ. JPC incorporated a panel of professionals consisting of 46 categories and utilised the service providers on an ad hoc basis. The panel is not in compliance with SCM regulations. The utilisation of the panel for 2019 totalled to R792 854.

SECTION 8:

Pending Litigations and Possible Liabilities

JPC does not have any pending litigations or possible liabilities against third parties. There were no contingent liabilities as at the end of financial year.

SECTION 9:

Insurance Claims Against/to JPC

Date of incident	Date of claim	Claim number	Nature of claim	Value	status
17-Apr-19	17-Apr-19	JOPC/1118/033957/AAR	Damage to council property	R190 633.56	Payment received 31/07/2019
08-Apr-19	08-Apr-19	JOPC/0419/03367/AAR	Theft of company laptop	R6 871.80	Under review and assessment by Aon.

SECTION 10:

Statement of Amount Owed to Government Departments and Public Entities

JPC does not have amounts owed to any government departments and public entities.

06: Internal and External Audit Findings

SECTION 1:
Results of Internal Audits

The three-year rolling internal audit plan is reviewed and approved annually by the Audit and Risk Committee after taking into account both strategic and operational risks of the entity.

Boikano Accountants Incorporated has completed its 2018/19 audits of JPC. The audit was conducted in accordance with the International Professional Practice Framework, (IPPF), (IIA standard, 2430) of the Institute of Internal Auditors (IIA).

Progress made on the Annual Plan

Control environment (CE) rating	Preventative or detective controls are in place	🙂 (green)
	Control environment requires improvement	😐 (yellow)
	Internal controls are not in place and intervention is required to design and implement appropriate controls	☹ (red)

The table below confirms the review and progress as per the Audit and Risk Committee approved coverage Audit plan for the 2018/19 financial year:

Internal Audit Plan Ref No	Audit Description	Status	Comments	Conclusion on Control Environment
1	Audit of Pre-determined Objectives Quarter (1, 2,3 & 4)	Completed	Preventative or detective controls are in place	🙂 (green)
2	Annual Financial statement review	Completed	Preventative or detective controls are in place	🙂 (green)
3	Human Resource & Employee Verification	Completed	Preventative or detective controls are in place	🙂 (green)
4	Revenue Management	Completed	Preventative or detective controls are in place	🙂 (green)
5	Anti-Fraud & corruption	Completed	Control environment requires improvement	😐 (yellow)
6	Follow-up Review	Completed	One of ten findings reported by AGSA has not been resolved	☹ (red)
7	Information Technology	Completed	Preventative or detective controls are in place	🙂 (green)
8	Supply Chain Management	Completed	Preventative or detective controls are in place	🙂 (green)
9	Contract Management	Completed	Preventative or detective controls are in place	🙂 (green)
10	Service Level Standards	Completed	Preventative or detective controls are in place	🙂 (green)
11	Related Party Transactions	Completed	Preventative or detective controls are in place	🙂 (green)

The IIA standard, 2450 dictate that internal auditors express an overall opinion on the internal audit work done. The control environment of the organisation appears to be adequate and Boikano Accountants Incorporated, as internal auditor, is satisfied that its overall opinion is supported by and contained sufficient, reliable, relevant, and useful information.

SECTION 2:
Progress on Resolution of Internal Audit Findings

On a quarterly basis, Internal Audit also conducts a follow-up on the implementation of External and Internal audit recommendations. These reports are presented to the Audit and Risk Committee (ARC) who monitors the progress made by Management on the implementation of recommendations and action plans.

Majority of the findings relates to the previous year 2017/18 where there was a dispute between JPC and Group Risk and Audit Services (GRAS), which the current auditors were mandated by ARC, had to include their scope for 2018/19.

Financial Period	Total Findings i.e. Opening balance	Total Resolved findings	Total Unresolved Findings
2017/18	**47**	**47**	**0**

SECTION 3:
Progress on the resolution of external findings

AGSA raised 10 findings as per the Management Report issued 30 November 2018. The audit outcome for 2017/18 AGSA annual audit for JPC was unqualified with 10 AGSA findings rated as other important matters. Management has resolved all the issues highlighted by AGSA in the report except for one finding relating to the filling of vacancies.

The board recently approved a new structure that will significantly reduce the vacancies rate. Unfortunately, vacancies will still exist as the entity does not have sufficient salary budget to affect the appointments. : JPC unable to fill the positions until CoJ provides funding for those vacant posts.

Financial year	Total findings	Repeat Findings	Resolved	In progress	Unresolved
2015/16	0	0		0	
2016/17	0	0		0	
2017/18	10	0	9	0	1
Total number as at 30 June 2019	**10**	**0**	**9**	**0**	**1**
Percentage			**90%**		**10%**

The 90% of the total 10 findings rated as "Other Important matters" were verified as resolved with the exception 1 finding dependent on City of Johannesburg.

JPC has achieved the constant audit outcome for past four financial years being an Unqualified Audit Opinion

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Audit Opinion	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified with findings

SECTION 4:
State of the internal controls

The control environment of the organisation appears to be adequate as indicated in the audit opinion reports by Boikano Accountants Incorporated. The state of internal controls remains sound according to Management. There are no significant internal control deficiencies that have been cited by Internal Audits for the reporting period.

Appendices

JOBURG PROPERTY COMPANY

JOBURG
PROPERTY COMPANY

City of Joburg Property Company (SOC) Limited
(Registration number 2000/017147/07)
Annual Financial Statements
for the year ended 30 June 2019
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Provide property and facilities management functions for the City of Johannesburg Metropolitan Municipality and other municipal owned entities within the group.
Chief Finance Officer (CFO)	Mr IM Bhamjee
Directors	Ms H M Botes Mr I Bhamjee Prof H Kasan Mr M Letsapa Ms M Mojapelo Mr O Mongale Ms K Muthwa Mr M Rabodila Ms Y Pamla Mr L Qina
Business address	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
Postal address	P O Box 31565 Braamfontein 2017
Controlling entity	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
Bankers	Standard Bank
Auditors	Auditor General South Africa
Secretary	Mr C Matthews
Company registration number	2000/017147/07
Tax reference number	9292/129/14
Preparer	The annual financial statements were internally compiled by: Imraan Bhamjee City of Joburg Property Company (SOC) Ltd

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Board of Director's Responsibilities and Approval

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

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

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

The directors acknowledge that they are ultimately responsible for ensuring that there is a system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future. However, the financials are endorsed on the basis that a letter of surety on the going concern of the entity has been issued by the City of Johannesburg Metropolitan Municipality to provide adequate resources in sustaining the entity for the forthcoming year.

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

Although the board of directors are primarily responsible for the financial affairs of the entity, they are supported by the entity's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 6.

The annual financial statements set out on page 13, which have been prepared on the going concern basis, were approved by the on 30 November 2019 and were signed on its behalf by:

Mr M Rabodila	**Ms H M Botes**
Chairperson	**Chief Executive Officer**

Audit and Risk Committee Report

We present our report for the financial year ended 30 June 2019.

Audit and risk committee members and attendance

The current Audit and Risk Committee members were only appointed on 17 April 2019 - less than 3 months from the end of the financial year being reported on. This made it difficult for the committee to provide a view on the adequacy and effectiveness of internal controls. This challenge was further exacerbated by the appointment of internal auditors a few months before the financial year end as highlighted under internal audit below.

The audit and risk committee consists of the members listed hereunder and should meet 4 (four) times per annum as per its approved terms of reference. During the current year 7 (seven) meetings were held.

Name of member	Number of meetings attended
Ms Y Pamla (Chairperson) - Appointed on 17 April 2019	-
Ms K Muthwa - Appointed on 17 April 2019	-
Mr T Motloung - Resigned on 17 April 2019	4
Ms M Mojapelo - Retired on 17 April 2019	3
Ms M Hlobo - Resigned 17 April 2019	2
Mr R Hill (IAC) - Resigned on 17 April 2019	3
Mr L Mabuza (IAC) - Resigned on 17 April 2019	6
Mr V Mokwena (IAC) - Resigned on 17 April 2019	4
Mr G Dunnington (IAC) - Appointed on 17 April 2019	-
Ms S Mzizi (IAC) - Appointed on 17 April 2019	-
Mr Z Samsam (IAC) - Appointed on 17 April 2019	-

IAC - Independent audit and risk committee member

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.

Internal audit

An outsourced internal audit firm was only appointed in March 2019, prior to the appointment of the current audit and risk committee members. Whilst they largely completed the programme of internal audits requested by the former Committee by the end of August 2019, the Committee did not get an opportunity to interrogate their work and make a determination on the adequacy and effectiveness of internal controls.

The effectiveness of internal control

Given the inability to place reliance on internal audit, the Committee's assessment of the system of internal controls applied by the entity over financial and risk management is informed by the work conducted by the external auditors. In this regard, it is noted that the Audtior General of South Africa has raised findings on the adequacy and effectiveness of internal controls, particularly in financial reporting and compliance monitoring in the area of supply chain management. The Committee however, can report that nothing has come to its attention to indicate any significant breakdown in controls and concludes that the system of controls are adequate but only partially effective.

Audit and Risk Committee Report

Evaluation of annual financial statements

The Audit and Risk Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the board of directors;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices ;
- reviewed the entities compliance with legal and regulatory provisions;
- 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 annual financial statements, and are of the opinion that the audited annual 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 following:
- 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
- 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 has reviewed the appointment and suitability 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.

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.

Chairperson of the Audit Committee

Date: 29 November 2019

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the City of Joburg Property Company (SOC) Limited set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of Joburg Property Company (SOC) Limited as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with South African standards of Generally Recognised Accounting Practise (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

Basis for opinion

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

4. I am independent of the municipal entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2019.

Other matter paragraphs

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

Unaudited disclosure note

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

Responsibilities of the accounting officer for the financial statements

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

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the

completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipal entity for the year ended 30 June 2019:

Development priorities	Pages in the annual performance report
Priority 1: Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021	x – x
Priority 2: Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress	x – x
Priority 4: Enhancing our financial sustainability	x – x

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

18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following development priorities.

- Development priority 1 – Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021
- Development priority 2 – Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress
- Development priority 4 – Enhancing our financial sustainability

Other matter

19. I draw attention to the matter below.

Achievement of planned targets

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

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Development priority 1: Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021 and Development Priority 4 – Enhancing our financial sustainability. As management subsequently corrected the misstatement, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements and performance reports

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

25. Material misstatements of current liabilities, expenditure and a disclosure item identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

26. Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.

27. Some of the contracts were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

28. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations.

Consequence management

29. Allegations of financial misconduct laid against officials of the municipal entity were not investigated, as required by section 172(3)(a) of the MFMA.

Other information

30. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in the auditor's report.

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

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

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

Internal control deficiencies

34. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

35. Senior management did not ensure that sufficient controls are in place over matters of compliance and to prepare accurate and complete annual financial statements that are supported by reliable information.

Other reports

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

37. Eight investigations were conducted by the group forensic and investigation services for allegations against employees of the municipal entity. These investigations included allegations of fraud and corruption. The reports were completed during the year under review and some recommendations have yet to be implemented.

38. There were forty eight investigations on various allegations being conducted by the group forensic and investigation services which were still in progress at year end.

Johannesburg

30 November 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the municipal entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - obtain an understanding of internal control relevant to the audit 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
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
   - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City of Joburg Property Company (SOC) Limited's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease continuing as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Board of Director's Report

The Directors have pleasure in submiting to the Shareholders their report together with the annual financial statements for the year ended 30 June 2019.

1. Incorporation

The entity 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 entity is engaged in provide property and facilities management functions for the city of johannesburg metropolitan municipality and other municipal owned entities within the group. and operates principally in South Africa.

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

Net surplus of the entity was R 107 216 881 (2018: deficit R 69 284 372), after taxation of R (25 870 363) (2018: R (1 263 581)).

3. Going concern

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

4. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

5. Directors' interest in contracts

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 entity during the year under review.

7. Borrowing limitations

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

8. Non-current assets

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

The useful lives of various assets were reviewed for extension in the 2019 financial year. The financial statements have been restated to refelct the change in useful lives of the fixed assets.

9. Dividends

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

10. Changes in appointment

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

Name	Nationality	Changes
Ms H M Botes	South African	
Mr I Bhamjee	South African	
Mr N Baloyi	South African	Resigned 17 April 2019
Ms P Corbin	South African	Resigned 17 April 2019
Ms N Hlatswayo	South African	Appointed 13 November 2018, resigned 17 April 2019
Prof A Karam	South African	Resigned 17 April 2019
Prof H Kasan	South African	Appointed 17 April 2019
Mr M Letsapa	South African	Appointed 17 April 2019
Mr O Maseko	South African	Resigned 17 April 2019
Ms M Mojapelo	South African	Appointed 17 April 2019
Mr O Mongale	South African	Appointed 17 April 2019
Mr T Motloung	South African	Appointed 13 November 2018, resigned 17 April 2019
Ms K Muthwa	South African	Appointed 17 April 2019
Mr M Rabodila	South African	Appointed 13 November 2018
Ms Y Pamla	South African	Appointed 17 April 2019
Mr L Qina	South African	Appointed 17 April 2019
Mr N Tshindane	South African	Appointed 13 November 2018, resigned 17 April 2019
Prof K Wall	South African	Appointed 13 November 2018, resigned 17 April 2019
Mr M Ntanga	South African	Appointed 13 November 2018, resigned 17 April 2019

11. Secretary

The secretary of the entity is Mr C Matthews of:

Business address	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
Postal address	P O Box 31565 Braamfontein 2017

12. Corporate governance

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 SOC Ltd confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King Code on Corporate Governance for South Africa. The Board of Directors discuss the responsibilities of management in this respect, at Board meetings and monitor the company's compliance with the code on a continuous basis.

Board of Director's Report

Board of directors

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

Chairperson and chief executive

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

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

Remuneration

The upper limits of the remuneration of the Chief Executive Officer, and the Chief Financial Officer, who are the only two executive directors of the entity, are determined by the Parent entity, and the board of directors will determine the remuneration within the above mentioned limits.

Board meetings

The board of directors has met on 12 separate occasions during the financial year. The board of directors schedules to meet at least 4 times per annum.

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

Direcotrs attendance at board and sub-committee meetings are as follows:

Name	Board Meeting	Audit and risk committee	Social & ethics and transformation committee	Transaction and service delivery committee	Remuneration committee
Mr N Baloyi	3	2	1	2	-
Mr P Corbin	8	1	-	4	-
Ms N Hlatswayo	5	-	-	-	2
Ms M Hlobo	2	2	1	-	-
Prof A Karam	7	-	1	4	3
Prof H Kasan	3	-	-	1	1
Mr M Letsapa	4	-	-	-	1
Mr O Maseko	7	-	1	2	3
Ms M Mojapelo	10	3	1	-	4
Mr O Mongale	4	-	-	-	1
Mr T Motloung	4	4	-	-	-
Ms K Muthwa	4	-	-	1	-
Mr M Ntanga	5	-	-	2	-
Ms Y Pamla	4	-	-	1	-
Mr L Qina	2	-	-	-	-
Mr Rabodila	4	-	-	-	-
Mr N Tshindane	5	-	-	-	-
Prof K Wall	5	-	-	1	-
	12	7	1	5	4

Board of Director's Report

Audit and risk committee

As at 30 June 2019 the committee comprised of 2 (two) non-executive directors, namely: Ms. Y Pamla (Chairperson) and Ms. K Muthwa.

In terms of Section 166 of the Municipal Finance Management Act, 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 entities' Audit and Risk Committees, National Treasury policy requires that parent municipalities should appoint further members of the municipal entity's Audit and Risk Committees who are not directors of the municipal entity onto the Audit and Risk Committee and these independent members are Mr G Dunnington, Ms S Mzizi and M Z Samsam. The Audit and Risk Committee has fulfilled its responsibilities as provided for in Section 166 of the Municipal Finance Management Act.

Transactions and Service Delivery committee

The Transaction and Service Delivery Committee is comprised of 5 (five) members, namely: Ms. K Muthwa (Chairperson), Prof. H Kasan, Ms M Mojapelo, Ms Y Pamla and Mr. L Qina.

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 to ensure that service delivery is enhanced and property related transactions are concluded efficiently within the legal framework that JPC operates in.

Social, Ethics, Transformation and Remuneration committee

As of 30 June 2019 the committee comprised of 4 (four) members: Ms. M Mojapelo (Chairperson), Prof. H Kasan, Mr. J Letsapa and Mr. O Mongale.

The committee advises the Board on the remuneration policies, remuneration packages and other terms of employment for senior managers. Its specific terms of reference also include recommendations to the Board on matters relating inter alia, human resources policies, executive remuneration and other human resource affairs of the company.

It is further tasked with looking into the entity's social and ethics, and transformation, 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 entity's advertising, public relations and compliance with consumer protection laws; and labour and employment.

Internal audit

The company's internal audit function is performed by Boikano Accountants Incoporated. The appointment is made in compliance with section 165 of the Municipal Finance Management Act No.56 of 2003.

13. Controlling entity

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

14. Auditors

Auditor General South Africa will continue in office in accordance with the the Public Audit Act 25 of 2005, section 92 of the Municipal Finance Management Act No. 56 of 2003.

The annual financial statements set out on page 13, which have been prepared on the going concern basis, were approved by the on 30 November 2019 and were signed on its behalf by:

Mr M Rabodila
Chairperson

Company Secretary's Certification

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

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, and the Municipal Finance Management Act No. 56 of 2003. I, Craig Matthews, certify that, to the best of my knowledge and belief, that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Mr C Matthews
Company Secretary

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	2 000	2 000
Receivables from exchange transactions	4	442 595 760	568 068 547
Loans to shareholders	5	10 660 919	20 198 667
Prepayments	6	196 423	282 608
Receivables from non-exchange transactions	7	53 475	4 125 058
		453 508 577	**592 676 880**
Non-Current Assets			
Deposits	8	173 897	165 144
Prepayments	6	212 576	465 997
Property, plant and equipment	9	30 073 871	30 009 468
Intangible assets	10	14 193 617	14 158 666
Deferred tax	15	33 868 431	7 998 068
Current tax receivable	11	6 693 421	12 278 117
		85 215 813	**65 075 460**
Total Assets		**538 724 390**	**657 752 340**
Liabilities			
Current Liabilities			
Loans from shareholders	5	344 892 230	499 152 848
Payables from exchange transactions	12	177 582 026	248 786 972
Finance lease obligation	13	7 400 956	5 665 213
Provisions	14	2 412 991	2 461 185
Operating lease liability	18	7 265 138	8 817 129
		539 553 341	**764 883 347**
Non-Current Liabilities			
Finance lease obligation	13	4 730 222	5 694 045
Employee benefit obligation	17	824 000	775 000
		5 554 222	**6 469 045**
Total Liabilities		**545 107 563**	**771 352 392**
Net Assets		**(6 383 173)**	**(113 600 052)**
Share capital	19	5 142 721	5 142 721
Accumulated deficit		(11 525 894)	(118 742 773)
Total Net Liability		**(6 383 173)**	**(113 600 052)**

* See Note 33

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)
Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Cellmast services	20	9 207 907	11 389 998
Commissions and ad hoc fees	20	43 633 173	40 824 355
Management fees	20	44 826 333	48 601 695
Facilitation fees	20	24 813 103	1 362 263
Donations received	21	183 335	10 000
Interest received	22	695 652	1 151 674
Total revenue from exchange transactions		**123 359 503**	**103 339 985**
Revenue from non-exchange transactions			
Non-conditional subsidies			
City of Johannesburg Metropolitan Municipality - Subsidy	20	509 336 000	368 134 000
Total revenue	20	**632 695 503**	**471 473 985**
Expenditure			
Employee related costs	23	(278 751 722)	(260 929 078)
Depreciation and amortisation	9	(8 828 561)	(6 076 401)
Interest and finance costs	28	(31 321 849)	(2 289 398)
Lease rentals on operating lease	26	(112 913 378)	(111 472 737)
Loss on disposal of assets and liabilities	9	(560 631)	(87 215)
General Expenses	25	(86 321 459)	(98 171 330)
Repairs and maintenance	27	(32 651 385)	(62 995 779)
Total expenditure		**(551 348 985)**	**(542 021 938)**
Surplus (deficit) before taxation		**81 346 518**	**(70 547 953)**
Taxation	16	(25 870 363)	(1 263 581)
Surplus (deficit) for the year		**107 216 881**	**(69 284 372)**

* See Note 33

Statement of Changes in Net Assets

Figures in Rand	Share capital	Share premium	Total share capital	Accumulated deficit	Total net assets
Balance at 01 July 2017	**1 000**	**5 141 721**	**5 142 721**	**(49 458 401)**	**(44 315 680)**
Changes in net assets					
Surplus for the year	-	-	-	(69 284 372)	(69 284 372)
Total changes	-	-	-	(69 284 372)	(69 284 372)
Opening balance as previously reported	1 000	5 141 721	5 142 721	(83 571 489)	(78 428 768)
Adjustments					
Prior year adjustments	-	-	-	(35 171 286)	(35 171 286)
Restated* Balance at 01 July 2018 as restated*	**1 000**	**5 141 721**	**5 142 721**	**(118 742 775)**	**(113 600 054)**
Changes in net assets					
Surplus for the year	-	-	-	107 216 881	107 216 881
Total changes	-	-	-	107 216 881	107 216 881
Balance at 30 June 2019	**1 000**	**5 141 721**	**5 142 721**	**(11 525 894)**	**(6 383 173)**
Note(s)	19	19	19		

* See Note 33

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		252 024 886	73 911 797
Grants		509 336 000	368 134 000
Interest income		-	597 650
		761 360 886	442 643 447
Payments			
Employee costs		(278 750 917)	(261 418 452)
Suppliers		(304 303 554)	(354 730 867)
Finance costs		(31 321 849)	(2 289 398)
Taxes on surpluses		6 271 594	-
		(608 104 726)	(618 438 717)
Net cash flows from operating activities	30	**153 256 160**	**(175 795 270)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1 674 711)	(1 699 965)
Purchase of other intangible assets	10	(325 289)	-
Net cash flows from investing activities		**(2 000 000)**	**(1 699 965)**
Cash flows from financing activities			
Repayment of shareholders' loan		(144 722 870)	182 652 659
Finance lease payments		(6 533 290)	(5 157 424)
Net cash flows from financing activities		**(151 256 160)**	**177 495 235**
Cash and cash equivalents at the beginning of the year		2 000	2 000
Cash and cash equivalents at the end of the year	3	**2 000**	**2 000**

* See Note 33

City of Joburg Property Company (SOC) Limited
(Registration number 2000/017147/07)
Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Cellmast services	8 529 000	-	**8 529 000**	9 207 907	**678 907**	Appendix E(1)
Comissions and ad hoc revenue	58 428 999	(23 948 999)	**34 480 000**	43 633 173	**9 153 173**	Appendix E(1)
Management fees	13 051 000	(6)	**13 050 994**	44 826 333	**31 775 339**	Appendix E(1)
Facilitation fees	8 682 000	10 318 000	**19 000 000**	24 813 103	**5 813 103**	Appendix E(1)
Donations received	-	-	-	183 335	**183 335**	Appendix E(1)
Interest received	3 004 000	-	**3 004 000**	695 652	**(2 308 348)**	Appendix E(1)
Total revenue from exchange transactions	**91 694 999**	**(13 631 005)**	**78 063 994**	**123 359 503**	**45 295 509**	
Revenue from non-exchange transactions						
Non-exchange revenue						
Non-conditional subsidies	454 399 213	54 936 785	**509 335 998**	509 336 000	**2**	Appendix E(1)
Total revenue	**546 094 212**	**41 305 780**	**587 399 992**	**632 695 503**	**45 295 511**	
Expenditure						
Personnel	(271 186 000)	(10 847 083)	**(282 033 083)**	(278 751 722)	**3 281 361**	Appendix E(1)
Depreciation and amortisation	(6 283 946)	(3 051 268)	**(9 335 214)**	(8 828 561)	**506 653**	Appendix E(1)
Finance costs	(1 019 000)	(38 699 809)	**(39 718 809)**	(31 321 849)	**8 396 960**	Appendix E(1)
Lease rentals on operating lease	(144 964 630)	23 692 974	**(121 271 656)**	(112 913 378)	**8 358 278**	Appendix E(1)
General Expenses	(122 640 636)	(12 400 594)	**(135 041 230)**	(118 972 844)	**16 068 386**	Appendix E(1)
Total expenditure	**(546 094 212)**	**(41 305 780)**	**(587 399 992)**	**(550 788 354)**	**36 611 638**	
Operating surplus	-	-	-	**81 907 149**	**81 907 149**	
Loss on disposal of assets and liabilities	-	-	-	(560 631)	**(560 631)**	Appendix E(1)
Surplus before taxation	-	-	-	**81 346 518**	**81 346 518**	
Taxation	-	-	-	(25 870 363)	**(25 870 363)**	Appendix E(1)
Actual Amount Presented in the Budget and Actual Comparative Statement	-	-	-	**107 216 881**	**107 216 881**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accouting 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 20	Related Parties
GRAP 31	Intangible Assets
GRAP 104	Financial Instruments
GRAP 109	Accounting by Principals and Agents

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at managements best estimate of the expenditure required to settle the obligation at the reporting date.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of investment properties 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 note 15 – Deferred tax.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity 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 entity 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 in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period 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.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

The company used the City of Johannesburg Metropolitan Municipality average borrowing rate as a point of departure.

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 year.

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

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

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

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	25 years
Plant and machinery	Straight line	10 years
Furniture and fixtures	Straight line	16 years
Office equipment	Straight line	8 years
IT equipment	Straight line	7 years
Computer software	Straight line	7 years
Leasehold improvements	Straight line	Term of lease
Finance lease equipment	Straight line	Term of lease

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

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

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

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

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

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

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

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.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

Accounting Policies

1.4 Intangible assets (continued)

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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.
- 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 goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	Indefinite
Computer software	Straight line	7 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

1.5 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

1.5 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

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.

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 cost. 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

Accounting Policies

1.5 Financial instruments (continued)

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

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

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 Tax

Current tax assets and liabilities

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

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

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.

1.6 Tax (continued)

Deferred tax assets and liabilities

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

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

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

Tax expenses

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

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

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

1.7 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 of 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.

1.8 Impairment of non-cash-generating assets

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

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

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

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Accounting Policies

1.10 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.10 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Measurement

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

Non-conditional subsidy

Non-conditional subsidies are recognised as non-exchange revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.15 Borrowing costs

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

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

1.16 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Recognition

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

1.17 Comparative figures

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

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.

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

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

Accounting Policies

1.19 Irregular expenditure (continued)

(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Accounting Policies

1.21 Related parties (continued)

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.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment does not affect the entitiy.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment does not affect the entity.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2019 or later periods:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:
- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The entity expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 18 (as amended 2016): 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 municipality. 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 municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:
- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual 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;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- 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 annual 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;
  - 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 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 not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance, however, the entity has adopted the standard in the 2019 financial year.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. 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 cashflow management on a city-wide basis. Cash is readily available at all times and the sweeping has no effect on its availability.

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	**30 June 2018**	**30 June 2017**	**30 June 2019**	**30 June 2018**	**30 June 2017**
Standard Bank - Current Account - 00-019-890-0	(273 228 606)	(402 676 782)	(161 072 763)	(273 228 606)	(402 676 782)	(161 072 763)

4. Receivables from exchange transactions

External trade debtors	39 071 793	900 299
Related party debtors	403 523 967	567 168 248
	442 595 760	**568 068 547**

Receivables from exchange transactions ageing		
Current	181 508 137	141 117 001
30 Days	(11 576 340)	(28 923 295)
60 Days	(29 205 645)	(59 251 085)
90 Days	(38 189 551)	(31 449 917)
120+ Days	340 059 159	546 575 843
	442 595 760	**568 068 547**

The trend of JPC is to receive monies outstanding in the lead up to financial year end. This is indicated by receipts from monies outstanding being higher than invoiced services in the 30, 60 and 90 day periods. The majority of repairs and maintenance is completed by financial year end and invoiced accordingly in the June month. Trade receivables are predominantly comprised of related party debtors and as per the policies of JPC and the COJ cannot be impaired. A quarterly review of external trade debtors will be performed to test for possible impairment in 2019/20.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Loans to (from) shareholders

City of Johannesburg Metropolitan Municipality - Group Finance Loan payable to Group Finance for the administration of the JPC payroll. The loan bears no interest.	(19 589 666)	(60 211 351)
City of Johannesburg Metropolitan Municipality - Portfolio The loan account through which accounting transactions transfer between JPC and Portfolio for commisions. The loan bears no interest and is repayable within 12 months.	10 660 919	20 198 667
City of Johannesburg Metropolitan Municipality - Housing The loan originates from the pending transfers of various property acquisitions across the financial year end for the Department of Housing.	(14 319 219)	-
City of Johannesburg Metropolitan Municipality - Group Treasury TThe sweeping account bears interest at an average call rate of 6.6% p.a irrespective of a favourable bank balance or not.	(273 228 606)	(402 676 782)
City of Johannesburg Metropolitan Municipality - Revenue Services The loan account for the administration of payroll deductions for employees in the service of the municipality. The loan bears no interest.	(3 118 360)	(1 628 336)
City of Johannesburg Metropolitan Municipality - Group Corporate Services Loan payable to Group Corporate and Shared Services for the administration of the facilities management payroll at integration. The loan bears no interest.	(34 636 379)	(34 636 379)
	(334 231 311)	**(478 954 181)**

Current assets	10 660 919	20 198 667
Current liabilities	(344 892 230)	(499 152 848)
	(334 231 311)	**(478 954 181)**

6. Prepayments

Current assets	196 423	282 608
Non-current assets	212 576	465 997
	408 999	**748 605**

Current assets

Prepayment of software licenses to be amortised over the 2019/2020 financial year.

Non-current assets

The non-current portion of the prepayment for professional services. The expense is to be amortised over the course of the lease agreement signed by JPC for the Hoofd Street head office.

7. Receivables from non-exchange transactions

Staff debtors	53 475	30 424
SARS - VAT refund due	-	4 094 634
	53 475	**4 125 058**

8. Deposits

Deposits held by Eskom for informal trading facilities.

Baragwanath	151 704	144 068
Lenasia	22 193	21 076
	173 897	**165 144**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

9. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	487 200	-	487 200	487 200	-	487 200
Buildings	6 350 957	(5 538 530)	812 427	6 350 957	(5 284 491)	1 066 466
Plant and machinery	1 533 677	(898 307)	635 370	1 567 359	(762 289)	805 070
Furniture and fixtures	5 428 050	(2 157 790)	3 270 260	5 512 516	(1 936 861)	3 575 655
Office equipment	2 542 698	(1 169 034)	1 373 664	2 469 092	(948 461)	1 520 631
IT equipment	15 384 272	(6 527 231)	8 857 041	11 874 474	(3 718 414)	8 156 060
Leasehold improvements	2 607 977	(1 015 228)	1 592 749	2 599 501	(754 760)	1 844 741
Finance lease assets	28 478 617	(15 433 457)	13 045 160	30 267 124	(17 713 479)	12 553 645
Total	**62 813 448**	**(32 739 577)**	**30 073 871**	**61 128 223**	**(31 118 755)**	**30 009 468**

Reconciliation of property, plant and equipment - 2019

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	487 200	-	-	-	487 200
Buildings	1 066 466	-	-	(254 039)	812 427
Plant and machinery	805 070	-	(16 501)	(153 199)	635 370
Furniture and fixtures	3 575 655	-	(27 934)	(277 461)	3 270 260
Office equipment	1 520 631	127 876	(6 037)	(268 806)	1 373 664
IT equipment	8 156 060	1 721 695	(354 834)	(665 880)	8 857 041
Leasehold improvements	1 844 741	8 475	-	(260 467)	1 592 749
Finance lease assets	12 553 645	7 305 209	(155 323)	(6 658 371)	13 045 160
	30 009 468	**9 163 255**	**(560 629)**	**(8 538 223)**	**30 073 871**

Reconciliation of property, plant and equipment - 2018

	Opening balance	**Additions**	**Disposals**	**Change in useful life**	**Depreciation**	**Total**
Land	487 200	-	-	-	-	487 200
Buildings	1 320 504	-	-	-	(254 038)	1 066 466
Plant and machinery	965 870	-	(4 488)	668	(156 980)	805 070
Furniture and fixtures	3 881 884	2 614	(16 442)	46 157	(338 558)	3 575 655
Office equipment	1 584 638	171 806	(7 013)	45 807	(274 607)	1 520 631
IT equipment	5 320 479	1 076 795	(28 886)	2 892 662	(1 104 990)	8 156 060
Leasehold improvements	1 628 057	458 750	-	-	(242 066)	1 844 741
Finance lease assets	9 472 474	9 523 352	(24 688)	-	(6 417 493)	12 553 645
	24 661 106	**11 233 317**	**(81 517)**	**2 985 294**	**(8 788 732)**	**30 009 468**

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment are as follows:

Figures in Rand	2019	2018

9. Property, plant and equipment (continued)

Land	Straight line	Indefinite
Buildings	Straight line	25 years
Plant and machinery	Straight line	10 years
Furniture and fixtures	Straight line	16 years
Office equipment	Straight line	8 years
IT equipment	Straight line	7 years
Computer software	Straight line	7 years
Leasehold improvements	Straight line	term of lease
Leased equipment	Straight line	term of lease

Assets subject to finance lease (Net carrying amount)

	2019	2018
Leasehold improvements	1 592 749	1 844 741
Finance lease assets	13 045 160	12 553 645
	14 637 909	**14 398 386**

Details of properties

Erf 737 and Erf 1304, 18 Beford Road, Yeoville

	2019	2018
Land		
- Cost	487 200	487 200

Erf 737 and Erf 1304, 18 Bedford Road, Yeoville

	2019	2018
Buildings		
- Cost	6 350 957	6 350 957
- Accumulated depreciation	(5 538 530)	(5 284 491)
	812 427	**1 066 466**

10. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, internally generated	12 761 889	-	12 761 889	12 761 889	-	12 761 889
Computer software, other	2 346 577	(914 849)	1 431 728	2 033 634	(636 857)	1 396 777
Total	**15 108 466**	**(914 849)**	**14 193 617**	**14 795 523**	**(636 857)**	**14 158 666**

Reconciliation of intangible assets - 2019

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, internally generated	12 761 889	-	-	12 761 889
Computer software, other	1 396 777	325 289	(290 338)	1 431 728
	14 158 666	**325 289**	**(290 338)**	**14 193 617**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

10. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Disposals	Change in useful life	Amortisation	Total
Computer software, internally generated	12 761 889	-	-	-	12 761 889
Computer software, other	1 675 438	(5 698)	12 346	(285 309)	1 396 777
	14 437 327	**(5 698)**	**12 346**	**(285 309)**	**14 158 666**

No impairment is required for any intangible asset in the 2018/19 financial year.

11. Tax refunded

	2019	2018
Balance at beginning of the year	12 278 117	11 734 027
Interest received	277 042	544 090
Refunded - Current year	(5 861 738)	-
	6 693 421	**12 278 117**

12. Payables from exchange transactions

	2019	2018
Trade and other payables	15 511 948	5 076 621
Related parties	3 008 053	2 182 584
Accrued leave pay	16 631 406	15 713 380
Accrued 13th cheques	9 985 394	9 624 159
Accruals	132 445 225	216 190 228
	177 582 026	**248 786 972**

Accruals primarily relate to repairs and maintenance projects completed by the financial year end.

13. Finance lease obligation

	2019	2018
Minimum lease payments due		
- within one year	8 477 784	6 843 895
- in second to fifth year inclusive	5 008 336	6 268 733
	13 486 120	13 112 628
less: future finance charges	(1 354 942)	(1 753 370)
Present value of minimum lease payments	**12 131 178**	**11 359 258**

	2019	2018
Present value of minimum lease payments due		
- within one year	7 400 956	5 665 214
- in second to fifth year inclusive	4 730 222	5 694 044
	12 131 178	**11 359 258**

	2019	2018
Non-current liabilities	4 730 222	5 694 045
Current liabilities	7 400 956	5 665 213
	12 131 178	**11 359 258**

The company leases IT infrastructure and equipment under finance lease. These assets are leased over a period of two to five years at a fixed negotiated rate. Refer note 9.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Exco bonuses	2 461 185	2 412 991	(2 161 027)	(300 158)	2 412 991

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Exco bonuses	2 878 696	2 461 185	(2 245 682)	(633 014)	2 461 185

2018/19: The provision relates to bonuses due to EXCO members for the 2018/19 financial year.

2017/18: The provision relates to bonuses due to EXCO members for the 2017/18 financial year.

15. Deferred tax

Deferred tax liability

	2019	2018
Prepaid expenses	-	(21 951)
Property, plant, equipment and intangibles	(2 514 371)	(2 121 953)
Non-current asset - Finance leases	(3 645 685)	(3 508 061)
Total deferred tax liability	**(6 160 056)**	**(5 651 965)**

Deferred tax asset

	2019	2018
Post-retirement benefit obligation	230 720	217 000
Provision for leave pay	4 656 795	4 399 748
Provision for bonuses and 13th cheques	3 471 548	3 383 896
Non-current liability - Finance leases	3 396 730	3 180 592
Straightlining of operating leases	2 034 239	2 468 797
Losses brought forward	26 238 455	-
Total deferred tax asset	**40 028 487**	**13 650 033**

	2019	2018
Deferred tax liability	(6 160 056)	(5 651 965)
Deferred tax asset	40 028 487	13 650 033
Total net deferred tax asset	**33 868 431**	**7 998 068**

Management has reviewed future revenue forecasts and it is anticipated that there will be profits in the foreseeable future against which losses incurred in previous financial years can be offset. The entity will therefore recognise a deferred tax asset on assessed losses brought forward from previous financial years.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

16. Taxation

Major components of the tax income

Deferred		
Originating and reversing temporary differences	(25 870 363)	(1 263 581)

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus (deficit)	81 346 518	(70 547 953)
Tax at the applicable tax rate of 28% (2018: 28%)	22 777 025	(19 753 427)
Tax effect of adjustments on taxable income		
Accounting loss on disposal of assets	156 977	22 825
Accruals - Prior year	(2 694 765)	(2 633 500)
Accruals - Current year	2 795 910	2 694 765
Assessed loss carried forward	(52 817 289)	20 740 307
Depreciation	2 471 994	1 701 392
Donations received	(51 334)	(2 800)
Interest paid on capitalised leased assets	398 048	380 868
Lease payments on capitalised leased assets	1 849 955	1 067 335
Operating lease liability - Prior year	2 468 796	(217 783)
Operating lease liability - Current year	(2 034 239)	(2 468 796)
Penalties and interest	190 458	260 163
Provisions - Prior year	(5 305 879)	(5 540 203)
Provisions - Current year	5 563 152	5 305 878
Wear and tear allowances	(1 639 172)	(2 820 605)
	(25 870 363)	**(1 263 581)**

Figures in Rand	2019	2018

17. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Actuarial valuations are done at an interval of not more than one year using the projected credit method.

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

	2019	2018
Carrying value		
Present value of the defined benefit obligation	(775 000)	(846 863)
Net expense recognised in statement of financial performance	(49 000)	71 863
	(824 000)	**(775 000)**

Net expense recognised in the statement of financial performance

	2019	2018
Benefit paid	(54 000)	(51 000)
Interest cost	65 000	76 126
Actuarial (gains) losses	38 000	(96 989)
	49 000	**(71 863)**

Comparative figures

Carrying value	2018/19	2017/18	2016/17	2015/16	2014/15
Present value of the defined benefit obligation	(775 000)	(846 863)	(669 775)	(1 223 546)	(996 000)
Net expense recognised in the statement of financial performance	(49 000)	71 863	(177 088)	553 771	(227 546)
Subtotal	(824 000)	(775 000)	(846 863)	(669 775)	(1 223 546)
	(824 000)	**(775 000)**	**(846 863)**	**(669 775)**	**(1 223 546)**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.51 %	8.68 %
Medcial cost trend rates	6.05 %	6.89 %
Net discount rate - Health care cost inflation	1.37 %	1.67 %
Expected increase in salary costs	5.05 %	5.89 %

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

The valuation method and assumptions do not affect the ultimate cost of the long-term benefits – this is determined by actuarial experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

The projections assume that the entity's benefit and subsidy policies will remain consistent, and that all the actuarial assumptions made are borne out in practice.

In addition, it is assumed that no contributions are made by the entity towards prefunding its liability via an off-balance sheet vehicle.

Benefits paid refer to the Municipality's subsidy of current continuation members or beneficiaries.

There are no past service costs, curtailments or settlements to reflect.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

18. Operating lease asset/(accrual)

Current liabilities	(7 265 138)	(8 817 129)

Office accommodation leases were renewed in the 2019 financial year resulting in a operating lease liability. The liability will amortise over the term of the lease.

19. Share capital

Authorised		
1000 Ordinary shares of R1 each	1 000	1 000
Reconciliation of number of shares issued:		
Reported as at 01 July 2018	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

Cellmast services	9 207 907	11 389 998
Commissions and ad hoc fees	43 633 173	40 824 355
Management fees	44 826 333	48 601 695
Facilitation fees	24 813 103	1 362 263
City of Johannesburg Metropolitan Municipality - Subsidy	509 336 000	368 134 000
	631 816 516	**470 312 311**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Cellmast services	9 207 907	11 389 998
Commissions and ad hoc fees	43 633 173	40 824 355
Management fees	44 826 333	48 601 695
Facilitation fees	24 813 103	1 362 263
	122 480 516	**102 178 311**

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

City of Johannesburg Metropolitan Municipality - Subsidy	509 336 000	368 134 000

21. Other income

Donations	183 335	10 000

2019: Donations received relate to IT equipment donated from Infra-Sol.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

22. Interest revenue

Interest revenue		
Interest received on land acquisition	-	597 650
Interest received on deposits	8 753	9 934
Interest received on SARS refunds due	686 899	544 090
	695 652	**1 151 674**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

23. Employee related costs

Basic	202 489 732	187 722 886
Pension fund contributions	34 093 736	31 680 126
13th Cheques	15 127 755	14 347 149
Medical aid - company contributions	11 383 693	11 337 246
Overtime payments	4 801 236	4 524 496
Leave pay provision charge	4 244 481	3 480 776
Exco bonuses	2 211 360	1 828 171
SDL	2 139 651	2 068 875
Housing benefits and allowances	1 252 780	2 886 920
UIF	905 247	953 718
Payroll levies	53 051	170 578
Post-retirement medical aid benefits	49 000	(71 863)
	278 751 722	**260 929 078**

Remuneration of Executive Manager: Client Business Operations

Annual Remuneration	1 762 388	1 672 259
Performance Bonuses	282 880	267 120
Contributions to UIF, Medical and Pension Funds	387 145	366 863
	2 432 413	**2 306 242**

Remuneration of Executive Manager: Property Portfolio

Annual Remuneration	1 794 672	1 672 259
Performance Bonuses	216 201	267 120
Contributions to UIF, Medical and Pension Funds	387 145	366 863
	2 398 018	**2 306 242**

Remuneration of Executive Manager: Strategic Support

Annual Remuneration	1 273 430	1 143 560
Car Allowance	96 000	96 000
Performance Bonuses	207 119	192 900
Contributions to UIF, Medical and Pension Funds	268 552	253 449
	1 845 101	**1 685 909**

Remuneration of General Manager: Legal

Annual Remuneration	1 111 432	979 530
13th Cheque	93 127	80 546
Contributions to UIF, Medical and Pension Funds	245 332	220 565
	1 449 891	**1 280 641**

Remuneration of General Manager: Compliance and Secretarial

Annual Remuneration	1 186 813	1 111 926
Performance Bonuses	172 850	161 000
Contributions to UIF, Medical and Pension Funds	141 047	135 518
	1 500 710	**1 408 444**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

23. Employee related costs (continued)

Remuneration of Executive Manager: Information Technology

Annual Remuneration	1 006 496	938 250
Car Allowance	120 000	120 000
Performance Bonuses	175 255	118 822
Contributions to UIF, Medical and Pension Funds	218 244	193 568
	1 519 995	**1 370 640**

24. Directors' emoluments

The following emoluments were paid to the executive and non-executive directors during the year.

Executive

2019

	Basic salary	Performance bonuses	Travel allowance	Company contributions	Total
Ms H M Botes	2 241 729	330 970	250 000	26 202	2 848 901
Mr I Bhamjee	1 729 430	282 880	96 000	361 956	2 470 266
	3 971 159	**613 850**	**346 000**	**388 158**	**5 319 167**

2018

	Basic salary	Performance bonuses	Travel Allowance	Company contributions	Total
Ms H M Botes	2 114 069	312 530	250 000	24 925	2 701 524
Mr I Bhamjee	1 598 548	267 120	96 000	344 379	2 306 047
	3 712 617	**579 650**	**346 000**	**369 304**	**5 007 571**

Non-executive

2019

	Directors' fees	Total
Mr N Baloyi	77 855	77 855
Ms P Corbin	119 941	119 941
Ms N Hlatswayo	69 204	69 204
Ms M Hlobo	62 084	62 084
Prof A Karam	136 413	136 413
Prof H Kasan	52 174	52 174
Mr M Letsapa	46 957	46 957
Mr O Maseko	124 112	124 112
Ms M Mojapelo	186 273	186 273
Mr O Mongale	46 956	46 956
Mr T Motloung	84 867	84 867
Ms K Muthwa	59 130	59 130
Mr M Rabodila	67 035	67 035
Ms Y Pamla	36 522	36 522
Mr L Qina	20 870	20 870
	69 565	69 565
Mr N Tshindane	65 910	65 910
Prof K Wall	30 084	30 084
	1 355 952	**1 355 952**

2018

	Directors' fees	Total
Mr N Baloyi	197 736	197 736
Ms P Corbin	221 570	221 570
Ms M Hlobo	260 445	260 445
Prof A Karam	132 840	132 840
Mr O Kemp	107 482	107 482
Mr O Maseko	171 879	171 879
Ms M Mojapelo	179 988	179 988

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Directors' emoluments (continued)

Mr MM Morojele	42 420	42 420
	1 314 360	**1 314 360**

25. General expenses

Advertising	208 562	445 697
Assets expensed	58 430	2 851
Auditors remuneration	2 986 659	1 577 709
Bank charges	47 588	40 491
Board expenses	320 489	884 270
Cleaning	15 739 446	14 695 000
Computer expenses	3 080 479	4 565 087
Consulting and professional fees	2 697 071	8 222 513
Conferences and seminars	260 988	193 141
Document storage	243 073	173 258
Electricity	24 580 266	21 713 844
Fleet	7 114 868	6 585 601
Gas	302 044	300 400
Insurance	4 313 821	1 914 118
Operating costs - office accommodation	1 179 837	1 919 967
Parking	195 760	-
Pest control	675 462	224 892
Postage and courier	495	6 918
Printing and stationery	1 369 963	810 373
Promotions	91 450	-
Protective clothing	572 632	201 040
Rates and taxes	4 118 776	2 721 757
Refuse	456 153	485 871
Sanitation and sewerage	1 522 799	1 096 524
Security	2 679 100	23 187 661
Software expenses	589 146	1 564 446
Staff welfare	603 340	418 226
Subscriptions and membership fees	5 297 833	1 124 516
Telephone and fax	2 087 623	2 009 569
Training	1 422 681	555 326
Travel - local	1 504 625	530 264
	86 321 459	**98 171 330**

26. Lease rentals on operating lease

Premises		
Office accommodation	98 052 616	88 760 045
Parking	16 412 854	14 673 358
GRAP 13 - Straight-lining of operating leases	(1 552 092)	8 039 334
	112 913 378	**111 472 737**

27. Repairs and maintenance

Corporate buildings	32 651 385	62 995 779

JPC is mandated by the COJMM to undertake facilities management across the greater Johannesburg area to ensure that buildings that support and house COJ functions are adequately maintained to mitigate occupational health and safety risks.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

28. Finance costs

Finance leases	1 421 601	1 360 244
Sweeping account	28 758 478	-
Disputed supplier accounts	-	25 275
SARS	1 141 770	903 879
	31 321 849	**2 289 398**

29. Auditors' remuneration

Fees	2 986 659	1 577 709
Internal audit	1 383 001	219 847
External audit	1 435 958	1 357 862
Probity audits	167 700	-
	2 986 659	**1 577 709**

30. Cash generated from (used in) operations

Surplus (deficit)	107 216 881	(69 284 372)
Adjustments for:		
Depreciation and amortisation	8 828 561	6 076 401
Loss/(gain) on sale of assets and liabilities	560 631	87 215
Movements in operating lease assets and accruals	-	(3 869 387)
Movements in retirement benefit assets and liabilities	49 000	(71 863)
Movements in provisions	(48 194)	(417 511)
Annual charge for deferred tax	(25 870 363)	(1 263 581)
Non-cash flow interest received	(686 899)	(1 493 980)
Movement in straight-lining of operating leases	(1 551 994)	11 908 721
Non-cash donations received	(183 335)	(10 000)
Changes in working capital:		
Receivables from exchange transactions	125 472 787	(24 184 949)
Other receivables from non-exchange transactions	4 071 583	(4 081 565)
Prepayments	339 606	199 574
Payables from exchange transactions	(71 204 945)	(89 380 039)
Taxes and transfers payable (non exchange)	6 271 594	-
Deposits	(8 753)	(9 934)
	153 256 160	**(175 795 270)**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Commitments

Authorised capital expenditure

Not yet contracted for and authorised		
• Property, plant and equipment	2 000 000	2 000 000
Total capital commitments		
Not yet contracted for and authorised	2 000 000	2 000 000

Authorised operational expenditure

Already contracted for but not provided for		
• Cleaning	-	16 039 286
• Consulting fees	10 307	1 472 616
• Fleet	7 866 879	18 463 977
• IT services	46 575	-
• Temp Staff	5 168 851	945 412
	13 092 612	**36 921 291**
Total operational commitments		
Already contracted for but not provided for	13 092 612	36 921 291

Total commitments

Total commitments		
Authorised capital expenditure	2 000 000	2 000 000
Authorised operational expenditure	13 092 612	36 921 291
	15 092 612	**38 921 291**

This committed capital expenditure relates to plant and equipment and will be financed by a cash-backed capital expenditure budget provided by the City of Johannesburg Metropolitan Municipality. The entity has been allocated a capital expenditure budget of R2 000 000 for the 2019/20 financial year (2019: R2 000 000).

Operating leases - as lessee (Office accomodation)

Minimum lease payments due		
- within one year	101 015 202	60 491 952
- in second to fifth year inclusive	155 748 487	22 078 967
	256 763 689	**82 570 919**

Operating lease payments represent rentals payable by the entity for the JPC head office and office accommodation for 20 buildings for various City departments. Leases are negotiated for a term of 2 to 5 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.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

32. Related parties

Relationships

Controlling entity	The City of Johannesburg Metropolitan Municipality
Fellow subsidiaries	City Power Johannesburg SOC Ltd Johannesburg City Parks and Zoo SOC Ltd Johannesburg Development Agency SOC Ltd Johannesburg Fresh Produce Market SOC Ltd Johannesburg Metropolitan Bus Services SOC Ltd Johannesburg Metropolitan Police Department Johannesburg Roads Agency SOC Ltd Johannesburg Social Housing Company SOC Ltd Johannesburg Theatre SOC Ltd Johannesburg Water SOC Ltd Metropolitan Trading Company SOC Ltd Pikitup SOC Ltd
Members of key management	Ms HM Botes - Chief Executive Officer Mr IM Bhamjee - Chief Financial Officer Mr MM Makhunga - EM: Strategic Support Mr C Matthews - Company Secretary Mr TF Mokataka - SM: Legal Mr SZ Mntungwa - EM: Property Portfolio Ms K Padayachee - EM: Information Technology Mr F Sardianos - EM: Client Business Operations

Related party balances

	2019	2018
Loan accounts - Owing by related parties		
City of Johannesburg Metropolitan Municipality - Portfolio	10 660 919	20 198 667
Loan accounts - Owing to related parties		
City of Johannesburg Metropolitan Municipality - Group Finance	(19 589 666)	(60 211 351)
City of Johannesburg Metropolitan Municipality - Group Corporate Shared Services	(34 636 379)	(34 636 379)
City of Johannesburg Metropolitan Municipality - Group Treasury	(273 228 606)	(402 676 782)
City of Johannesburg Metropolitan Municipality - Housing	(14 319 219)	-
City of Johannesburg Metropolitan Municipality - Revenue Services	(3 118 360)	(1 628 336)
	(344 892 230)	**(499 152 848)**
Services rendered to related parties		
City of Johannesburg Metropolitan Municipality - Commission received	43 190 208	40 824 355
City of Johannesburg Metropolitan Municipality - Management fees	42 708 703	48 601 695
City of Johannesburg Metropolitan Municipality - Subsidies received	509 336 000	368 134 000
City Power Johannesburg SOC Ltd	61 752	175 447
Johannesburg Fresh Produce Market SOC Ltd	329 632	-
Johannesburg Metropolitan Bus Services SOC Ltd	1 775 366	1 280 282
Johannesburg Water SOC Ltd	145 493	1 438 959
Johannesburg Roads Agency SOC Ltd	235 721	-
Metropolitan Trading Company SOC Ltd	12 631	9 474
Pikitup SOC Ltd	-	290 000
	597 795 506	**460 754 212**
Balance included in trade receivables		
City of Johannesburg Metropolitan Municipality	379 825 960	555 628 402
City Power Johannesburg SOC Ltd	73 002	207 734
Johannesburg Fresh Produce Market SOC Ltd	4 169 846	-
Johannesburg Roads Agency SOC Ltd	271 079	28 997
Johannesburg Metropolitan Bus Services SOC Ltd	18 853 497	9 548 963
Johannesburg Water SOC Ltd	298 029	1 683 845

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
32. Related parties (continued)		
Metropolitan Trading Company SOC Ltd	32 554	70 307
	403 523 967	**567 168 248**

Balances included in trade payables		
Johannesburg City Parks and Zoo SOC Ltd	680 848	-
City of Johannesburg Metropolitan Municipality - Development Planning	55 195	-
City of Johannesburg Metropolitan Municipality - Group Corporate Shared Services	-	2 182 584
City of Johannesburg Metropolitan Municipality - Office of the Mayor	2 272 010	-
	3 008 053	**2 182 584**

Services rendered from related parties		
Johannesburg City Parks and Zoo SOC Ltd	706 163	-
Johannesburg Metropolitan Bus Services SOC Ltd	6 820	-
City of Johannesburg Metropolitan Municipality - Development Planning	51 000	48 000
City of Johannesburg Metropolitan Municipality - Group Corporate Shared Services	2 210 662	2 057 547
City of Johannesburg Metropolitan Municipality - Office of the Mayor	1 977 400	-
City of Johannesburg Metropolitan Municipality - Revenue Services	1 490 024	-
Johannesburg Metropolitan Police Department	1 730 588	-
Johannesburg Theatre SOC Ltd	4 232	-
	8 176 889	**2 105 547**

Interest paid to related parties		
City of Johannesburg Metropolitan Municipality - Group Treasury	28 758 475	-

Balances included in non-current liabilities		
City of Johannesburg Metropolitan Municipality - Group Finance	824 000	775 000

Remuneration of management

Executive management

2019

Name	Basic salary	Bonuses and performance related payments	Travel allowance	Company contributions	Total
Ms HM Botes	2 241 729	330 970	250 000	26 202	2 848 901
Mr IM Bhamjee	1 729 430	282 880	96 000	361 956	2 470 266
Mr MM Makhunga	1 273 430	207 119	96 000	268 552	1 845 101
Mr CL Matthews	1 186 813	172 850	-	141 047	1 500 710
Mr SZ Mntungwa	1 794 672	216 201	-	387 145	2 398 018
Mr TF Mokataka	1 111 432	93 127	-	245 332	1 449 891
Ms K Padayachee	1 006 496	175 255	120 000	218 244	1 519 995
Mr F Sardianos	1 762 388	282 880	-	387 145	2 432 413
	12 106 390	**1 761 282**	**562 000**	**2 035 623**	**16 465 295**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

32. Related parties (continued)

2018

Name	Basic salary	Bonuses and performance related payments	Travel allowance	Company contributions	Total
Ms HM Botes	2 114 069	312 530	250 000	24 925	2 701 524
Mr IM Bhamjee	1 598 548	267 120	96 000	344 379	2 306 047
Mr MM Makhunga	1 143 560	192 900	96 000	253 449	1 685 909
Mr CL Matthews	1 111 926	161 000	-	135 518	1 408 444
Mr SZ Mntungwa	1 672 259	267 120	-	366 863	2 306 242
Mr TF Mokataka	979 529	80 546	-	220 565	1 280 640
Ms K Padayachee	938 250	118 822	120 000	193 568	1 370 640
Mr F Sardianos	1 672 259	267 120	-	366 863	2 306 242
	11 230 400	**1 667 158**	**562 000**	**1 906 130**	**15 365 688**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

33. Prior period adjustments

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Property, plant and equipment	-	2 997 640
Intangible assets	-	(5 698)
Trade and other payables - Accruals	-	(2 634 625)
Loans from shareholders - Group Treasury	-	(949 898)
Loan Account - Revenue Services	-	(1 628 336)
Accumulated (surplus)/loss	-	949 898
Trade and other receivables	-	(24 488 244)
Straight-lining asset	-	(11 908 721)
Deferred Tax	-	2 496 698
	-	**(35 171 286)**

Statement of financial performance		
Audit fees	-	(144 900)
Staff training and bursaries	-	(35 924)
Cleaning services	-	146 850
Land acquisitions	-	1 421 997
Software licensing	-	13 230
Printing and stationery	-	1 763
Repairs and maintenance	-	21 597 887
Salaries	-	1 628 336
Security	-	3 308 724
Depreciation	-	(2 997 640)
Straight-lining expense	-	11 908 721
JPC R&M fees	-	4 088 190
Cellmast services	-	(3 274 948)
Deferred tax expense	-	(2 496 698)
Profit and loss on disposals	-	5 698
	-	**35 171 286**

Property, plant and equipment - During the 2019 financial year, a group of assets with a residual value of R1 were assessed and reviewed. The useful lives of these fixed assets were extended in line with the assessment performed.

Intangible assets - Disposal of intangible assets relating to prior periods.

Trade and other payables: Accruals - Additional expenditure and reversals relating to accruals for 2018 was adjusted for in the 2019 financial year.

Loans from shareholders: Group Treasury - Interest received for the sweeping acccount in 2017 has been reversed to align to the opening loan account balance of the COJ. The transaction follows from the approval of the reversal of interest charges payable in the prior financial year.

Loans from shareholders: Revenue Services - During the year it was brought to the attention of JPC that a liability exists with the COJ for the accounting and deduction of monies owed by employees.

Trade and other receivables - Upon investigation of the final completion of the R&M projects and prior to payment. The final bill of quantities revealed savings that required a reversal to correct the original billing to the COJ . However, there were also items that were incorrectly billed to COJ departments that related to common areas and corporate buildings which are required to be absorbed by JPC as they are in the domain of JPC's operations.

Straight-lining asset - Prior period error on the calculation of straight-lining on operating leases.

Deferred Tax - A deferred tax liability was raised on the extension in useful life of the fixed assets and a deferred tax asset was recognised on the straight-lining of operating leases.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

34. Risk management

Financial risk management

Due to the entity's solvency position, the entity's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The companies cash is swept on a daily basis to The City of Johannesburg Metropolitan Municipality main account.The COJ releases money for use by the JPC as and when funds are needed. Any over expenditure in which the current cash swept cannot cover is covered by the COJ.

The liquidity risk of the entity is represented by the following items:

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	7 400 956	4 730 223	-	-
Trade and other payables	177 582 026	-	-	-
Loan Account - COJ Group Treasury	273 228 606	-	-	-
	458 211 588	**4 730 223**	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	5 665 213	5 694 045	-	-
Trade and other payables	248 786 972	-	-	-
Loan Account - COJ Group Treasury	402 676 782	-	-	-
	657 128 967	**5 694 045**	-	-

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, however interest rates on finance lease assets are fixed over the duration of the lease term.

Credit risk

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

Trade receivables comprise of related parties with little to no risk of default. Management evaluates the credit risk relating to customers on an ongoing basis. Customer credit limits are set for each individual department within the COJ based on internal arrangements and enforced through a service level agreement The utilisation of credit limits is regularly monitored and upheld.

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

Financial instrument	2019	2018
Trade and other receivables	442 595 760	568 068 547
Cash and cash equivalents	2 000	2 000

Notes to the Annual Financial Statements

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35. 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 ability of the entity to continue as a going concern is dependent on a number of factors.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 commisions and management fees paid each year in terms of a service delivery agreement entered into; as well as a non-conditional subsidy

To support the continuous collection of management fees, JPC has a 30 year agreement with the COJ, of which 12 years are remaining. The surplus of the company before taxation is R81 346 518 (2018: deficit R70 547 953), after taxation it is a surplus of R107 216 882 (2018: deficit R69 284 372). The substantial increase in profitability in 2019 has improved the financial position of JPC; further to this it is anticipated that the entity will return to solvency in the 2019/20 financial year. In lieu of the current financial position, the City of Johannesburg Metropolitan Municipality has issued a letter of surety for the debt and loans of the entity.

36. Fruitless and wasteful expenditure

	2019	2018
Opening balance	971 422	42 268
Supplier dispute penalties and interest	-	25 275
SARS	1 141 770	903 879
Office accommodation	3 248 537	-
	5 361 729	**971 422**

2019: **SARS -** During the financial year SARS concluded a payroll audit for the 2014 and 2015 financial years. SARS reconciled and recalculated PAYE and other payroll items across these financial years against the annual financial statements (AFS) for those respective years and raised penalties and interest based on their reassessment amounting to R680 206.

Payment was made to SARS to mitigate the raising of additional penalties and interest for any late payments of the reassessment with the intention of contesting the findings of SARS.

Management subsequently requested that the matter be reviewed by a tax consultant to determine the best course of action to have the reassessment reversed. Discussions with the tax consultant have indicated that there are sufficient grounds for JPC to contest the findings made by SARS.

Office accommodation - During the financial year JPC leased Forum 1 in Braampark Office Park as additional office space was required by JPC and the COJ. The building is required to allow JPC to reallocate COJ departments from the Metro Centre in order address occupational health and safety challenges at the Metro Centre. Forum 1 is ideal as it is within a close proximity to Metro Centre and poses minimal disruption to the operations of the COJ.

2018: Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts in the 2017/18 financial year amounting to R25 275.

Due to technical challenges with JPC's internet across the February month end, JPC was unable to pay SARS on the last day of February 2018 for the January 2018 VAT return. The payment was made five (5) days late as a result of the connectivity challenges and SARS levied late submission penatlies and interest. An application to have the penalties and interest remitted was unsuccessful. VAT for June 2017 was paid over two days on the last day of July 2017 and the 1st of August 2017. This was due to cash flow limitations that resulted in the split payment. Consequently, SARS levied penalties and interest of R44 848.

Figures in Rand	2019	2018

37. Irregular expenditure

Opening balance	6 588 601	-
Fleet services	7 114 868	6 588 601
Panel of professionals	792 854	-
	14 496 323	**6 588 601**

2019: Fleet - JPC incurred R7 114 868 for fleet services. Fleet services are an essential requirement for the operations of JPC and could not be discontinued under the existing contract that was entered into by the COJ.

Panel of professionals - JPC incorporated a panel of professionals consisting of 46 categories and utilised the service providers on an ad hoc basis. The Auditor General of South Africa deemed the scoring of functionality to be generic and declared the panel to be irregular and not in compliance with SCM regulations. The utilisation of the panel for 2019 totalled to R792 854.

2018: During the 2017/18 financial year the COJ appointed service providers for fleet services for the entire group. The contract is centrally held by the COJ and an allocation of motor vehicles is given to each department and entities, including JPC. Upon review by the Auditor General, the appointment by the COJ has been deemed to be irregular. JPC has therefore incured R6 588 601 in irregular expenditure as a result. JPC did not play any role in the procurement process for the awarding of this contract. As the incident is not within JPC's control, the matter is being handled by the COJ and corrective action will be taken exclusively by the COJ. JPC will await the outcome of this investigation.

38. Reconciliation between budget and statement of financial performance

Reconciliation of the budget with the surplus/(deficit) in the statement of financial performance:

Net surplus (deficit) per the statement of financial performance	107 216 881	(69 284 372)
Adjusted for:		
Revenue	(45 295 511)	38 418 381
Operating expenses	(36 612 638)	32 042 357
Loss on disposal of fixed assets	561 631	87 215
Taxation	(25 870 363)	(1 263 581)
Net surplus per approved budget	-	-

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 and includes a note to the annual financial statements.

Leases on office accomodation and printing equipment 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 board of directors.

Additional deviations that have transpired during the 2018/19 financial year have been listed below. The deviations listed below are a continuation of those listed in the 2017/18 financial year. The deviations are are as follows:

	2019	2018
Extensions - Operating leases		
6 Plein Street CC	10 101 109	7 595 592
Abzubix	17 652 826	15 725 592
Accelerate	190 159	296 820
Alchemy	1 246 606	-
Blend Property	1 062 747	632 143
CEZ Investments	3 789 639	2 262 897
City Property	878 404	660 134
Eurefin	8 139 944	5 541 337
Hermans and Romans	12 313 878	9 283 021
Investec Ltd	-	9 182 730
Malvern Plaza	270 407	242 807
Mutodo	29 492 834	23 132 176
Nesher	3 003 171	-
Nthwese Developments	12 323 282	-
Orion Property Management	6 007 063	4 810 244
Redefine Properties	45 476 692	31 574 230
Sanlam/JHI	16 045 467	8 234 352
Sizanai	940 715	907 140
	168 934 943	**120 081 215**

	2019	2018
Extensions - General expenditure		
Dalitso	3 572 082	-
Document Warehouse	277 379	234 955
Nicor Propsys	763 693	739 323
Schindler lifts	2 578 440	-
Telkom	1 346 297	1 614 589
	8 537 891	**2 588 867**

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Figures in Rand	2019	2018

40. Sponsored skills development

During the 2018/19 financial year the trust account earned interest of R61 241.
The pledge is held in trust by Cliff Dekker Hofmeyer Attorneys on the pledgees' behalf.

As at 30 June 2018, R2 331 824 of this fund has been utilised to identify the best international practices and standards for property and facilities management.

Sponsored skills development		
Opening balance	1 410 642	1 329 094
Additions - Current year	61 241	81 548
Utilised	(830 453)	-
	641 430	**1 410 642**

APPENDIX E(1)

	Current Year Actual Balance (000's)	Current Year Revised Budget (000's)	Variance (000's)	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Cellmast services	9 208	8 529	679	8.0	Collections are in line with the contract. revenue exceeded budgeted due to greater than anticipated quarterly upliftment fees
Commissions and ad hoc fees received	43 633	34 480	9 153	26.5	Commissions trail budgeted objectives due to leases currenlty under review at EAC.
Interest received	696	3 004	(2 308)	(76.8)	Interest income was not generated from the sweeping account as the account is in overdraft. Interest received is due to SARS refunds outstanding.
Management fees	44 826	13 051	31 775	243.5	JPC undertook more R&M and CAPEX work than originally budgeted for and anticipated.
Subsidy	509 336	509 336	-	-	
Third party facilitation fees	24 813	19 000	5 813	30.6	The value of awarded projects exceeds original estimates for facilitation fees due to the awarding of developments for the inner rejuvenation project.
Other	183	-	183	-	
	632 695	587 400	45 295	7.7	
Expenses					
Personnel	(278 752)	(282 033)	3 281	(1.2)	In-line with budget and statutory increases
Depreciation	(8 829)	(9 335)	506	(5.4)	Expense lower than budget due to review and change of useful lives of assets
General expenditure	(118 972)	(135 041)	16 069	(11.9)	Savings in budget occured from the reduction in consulting and security expenses.
Finance costs	(31 322)	(39 719)	8 397	(21.1)	JPC reduced the overdraft during the 2019 year resulting in saving on interest costs
Lease rentals	(112 913)	(121 272)	8 359	(6.9)	Lease payments in line with contractual obligations
	(550 788)	(587 400)	36 612	(6.2)	
Operating profit					
	81 907	-	81 907	-	
Other revenue and costs					
Gain or loss on disposal of fixed assets	(561)	-	(561)	-	
Net surplus/ (deficit) for the year	81 346	-	81 346	-	
Taxation					
Deferred tax	25 870	-	25 870	-	Deferred tax gain for 2018/19 due to recognition of deferred tax assets
Profit/(Loss) for the year	107 216	-	107 216	-	