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**City of Joburg Property Company (SOC) Limited
(Registration number 2000/017147/07)
Financial statements
for the year ended 30 June 2014**

**The Auditor-General:Gauteng
These annual financial statements have been audited in compliance with the applicable requirements of the
Companies Act 71 of 2008.**

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Property Management & facilities management functions and, where appropriate, to provide property services in respect of the City of Johannesburg Metropolitan Municipality and the Municipal Owned Entities
DIRECTORS	Ms HM Botes - Managing Director Mr A Mabizela - Chairperson Mr IM Bhamjee - Financial Director Mr T Hickman Mr J Mabaso Mr N Rau Mr MJ Rabodila Mr MJ Morojele Ms P Msweli Mr FD Ntombela Prof A Nevhutanda
REGISTERED OFFICE	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
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	The Auditor-General:Gauteng
SECRETARY	Ms S Ramoetlo (Acting)
CHIEF FINANCE OFFICER (CFO)	Imraan Bhamjee
COMPANY REGISTRATION NUMBER	2000/017147/07
TAX REFERENCE NUMBER	9292/129/14
PREPARER	The financial statements were internally compiled by: Imraan Bhamjee City of Joburg Property Company (SOC) Ltd

Handwritten initials and signature:
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JAM

City of Joburg Property Company (SOC) Limited

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Financial Statements for the year ended 30 June 2014

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ABBREVIATIONS

FMMU	Facilities Maintenance Management Unit
GCSS	CoJ: Group Corporate Shared Services
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
JPC	City of Joburg Property Company (SOC) Ltd
ME's	Municipal Entities
MFMA	Municipal Finance Management Act No 56 of 2003
MTC	Metropolitan Trading Company (SOC) Ltd

PANEL OF ATTORNEYS

A.F van Wyk Attorneys, Bibi Rikhotso Attorneys, Bowman Gilfillian, Brink Cohen Le Roux, Collin Nciki Inc, Edward Nathan Sonnenberg Inc, Koikanyang Inc, Kunene Ramaphala Botha, Lennon Moleele & Partners Inc, Madlanga and Partners Inc, Malebye Motaung Mtembu, Mchunu Attorneys, Mdlulwa Nkhuulu, Mkhabela Huntley Adekeye Inc, Mncedisi Ndlovu and Sedumedi Attorneys, Mogaswa Attorneys, Mojela Hlazo, Moodie and Robertson, Norton Rose Fulbright, Nozuko Nxusani, Padi Inc, Poswa Inc, Prince Madau and Associates, Ramushu Mashile Twala Inc, Ranamane Mokalanane Inc, Saljee Du Plessis Van der Merwe, SM Nkadimeng, Webber Wentzel and Werkmans

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Board of Directors' Responsibilities and Approval

The Directors are required by the Municipal Finance Management Act (Act 56 of 2003) and Companies Act, 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Directors to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended. The External Auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

The Directors have reviewed the company's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, they are satisfied that the company has or will have access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the Board of Directors are primarily responsible for the financial affairs of the company, they are supported by the company's external auditors.

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

The financial statements set out on pages 11 to 55, which have been prepared on the going concern basis, were approved by the Board of Directors on and were signed on its behalf by:



Ms H M Botes - Managing Director



Mr A Mabizela - Chairperson



City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed below, who are required to meet a minimum of 4 times per annum as per its approved terms of reference. During the current financial year the committee of JPC met 7 times.

Name of member	Number of meetings attended
Mr T Hickman (Chairperson)	6
Mr N Rau (Non executive director)	7
Ms T Molala (Independent member)	6
Mr V Mokwena (Independent Member)	6
Mr G Mufana (Independent Member) appointed 25/02/2014	2
Mr G Dunnington (Independent Member) retired 25/02/2014	4

Audit and Risk Committee responsibility

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

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

The effectiveness of internal control

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

The Audit and Risk Committee is satisfied with the content and quality of quarterly reports prepared and issued by the management of the company during the year under review.

Evaluation of financial statements

The Audit and Risk Committee has:

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

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

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Audit and Risk Committee Report

Internal Audit

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

Auditor-General of South Africa

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



Chairperson of the Audit and Risk Committee

Date: _____

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

Report on the financial statements

Introduction

1. I have audited the financial statements of the City of Joburg Property Company SOC Limited set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and appropriation statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of Joburg Property Company SOC Limited as at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and Companies Act.

Emphasis of matters

7. The following emphasis of matter paragraphs will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

Restatement of corresponding figures

8. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered in the financial statements of City of Joburg Property Company (SOC) Ltd at, and for the year ended 30 June 2014.

Material impairment

9. As disclosed in note 6 to the financial statements, the receivables balance has been significantly impaired. The impairment of this balance amounted to R20 212 144 (2013: R4 072 319), which relate to facilitation fee earned on development project which has been deemed irrecoverable.

Additional matters

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

Other reports required by the Companies Act

11. As part of our audit of the financial statements for the year ended 30 June 2014, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

Unaudited disclosure notes

12. In terms of section 125(2) (e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

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Unaudited supplementary schedules

13. The supplementary information set out on page xx does not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly do not express an opinion thereon.

Report on other legal and regulatory requirements

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

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2014:
- Entrepreneurial Development and Support pp. x - x
 - Revitalization of Central Business Districts and Strategic Utilization of underutilised Inner City Economic Assets pp. x - x
 - Investment Promotion pp. x - x
16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
17. I evaluated the usefulness of the reported performance information to determine whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. I did not raise any material findings on the usefulness and reliability of the information for the selected objectives.

Additional matter

20. Although I raised no material findings on usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matter:

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Achievement of planned targets

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

Compliance with legislation

22. I performed procedures to obtain evidence that the entity has complied with applicable legislation regarding financial matters, financial management and other related matters.
23. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

Annual financial statements

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors and management were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal control

25. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

Financial and performance management

26. The financial statements submitted for audit were reviewed for completeness and accuracy, however certain material adjustments were made after submission.

Auditor - General

Johannesburg

30 November 2014



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Board of Directors' Report

The Directors have pleasure in submitting to the Shareholders their report together with the annual financial statements for the year ended 30 June 2014.

1. INCORPORATION

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

2. REVIEW OF ACTIVITIES

Main business and operations

The company is a Municipal Entity. The principal activity of the company is the property management functions and, where appropriate, to provide property services in respect of the City of Johannesburg Metropolitan Municipality and its entities. The company operates principally in South Africa.

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

Net deficit of the company before taxation was R 10,712,098 (2013: surplus R 27,534,372), after taxation it was a net deficit of R (11,836,435) (2013: surplus R 22,201,383).

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 to the date of this report in respect of matters which would require adjustments to or disclosure in the annual financial statements.

5. DIRECTORS' PERSONAL FINANCIAL INTEREST

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

6. SHARE CAPITAL

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

7. BORROWING LIMITATIONS


In terms of the sale of business agreement, the City of Joburg Property Company (SOC) 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 changes in the nature of non-current assets of the company during the year. On 01 July 2013 JPC inherited machinery from the integration of FMMU. The fixed asset policy of the company was amended accordingly to accommodate this.

9. DIVIDENDS

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

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Board of Directors' Report

10. DIRECTORS

The directors of the company during the year ended to 30 June 2014 were as follows:

Name	Nationality	Changes in appointment
Ms HM Botes - Managing Director	South African	
Mr A Mabizela - Chairperson	South African	
Mr IM Bhamjee - Financial Director	South African	Appointed 25 February 2014
Prof AN Nevhutanda	South African	
Mr FD Ntombela	South African	Appointed 25 February 2014
Mr J Mabaso	South African	
Mr T Hickman	South African	
Ms PP Msweli	South African	Appointed 25 February 2014
Ms S Childs	South African	Retired 25 February 2014
Mr MJ Rabodila	South African	Appointed 25 February 2014
Dr D Sekhukhune	South African	Retired 25 February 2014
Mr MM Morojele	South African	Appointed 25 February 2014
Mr N Rau	South African	

11. SECRETARY

On 23 May 2014 Ms. Sharon Ramoetlo was appointed as acting company secretary.

Business address

33 Hoofd Street
Forum II
Braampark Building
Braamfontein
2000

Postal address

P O Box 31565
Braamfontein
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12. CORPORATE GOVERNANCE

12.1 General

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

The City of Joburg Property Company confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King III Report on Corporate Governance for South Africa 2010. 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 yearly basis.

12.2 Board of Directors

The Board:

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

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Board of Directors' Report

12.3 Chairperson and chief executive

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

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

12.4 Remuneration

The upper limits of the remuneration of the senior managers including the Managing Director, are determined by the Shareholder and ratified by the Board of Directors. The members of the HR Sub-committee are Mr M Rabodila (Chairperson - appointed 25 February 2014), Prof A Nevhutanda, Mr F Ntombela (appointed 25 February 2014) and Mr N Rau. The committee advises the Board on human resources policies, remuneration and other conditions of employment.

12.5 Board of Directors' meetings

The Board of Directors is required to meet a minimum of 4 times per annum. During the current financial year the Board of Directors of JPC met on 10 separate occasions.

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

Name	Board Meeting	Audit and Risk committee	Transformation committee	Transaction Committee	Remuneration and HR Committee	Social and Ethics Committee
Mr A Mabizela (Chairperson)	9					
Mr J Mabaso	10		3	4		2
Mr FD Ntombela	3		1	1	3	
Ms S Childs (retired 25 February 2014)	4		3	3	4	1
Mr A Nevhutanda	5			4	4	
Mr T Hickman	10	6		1		
Mr N Rau	9	7			8	2
Ms PP Msweli	5		1	1		
Dr D Sekhukhune (retired 25 February 2014)	3		3	2	3	
Mr MM Morojele	4					1
Mr MJ Rabodila	5		1	1	5	
Total number of meetings held	10	7	4	4	8	2

12.6 Audit and Risk Committee

The chairperson of the Audit and Risk Committee for JPC is Mr T Hickman, who is a non-executive director. The Audit and Risk Committee's of JPC met 7 times during the 2014 financial year to review matters necessary to fulfil its role.

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 Ms T Molala, Mr V Mokwena and Mr G Mufana (appointed 25 February 2014). The Audit and Risk Committee has fulfilled its responsibilities as provided for in Section 166 of the Municipal Finance Management Act.

City of Joburg Property Company (SOC) Limited

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Financial Statements for the year ended 30 June 2014

Board of Directors' Report

12.7 Social and Ethics committee

The Social and Ethics Committee is a committee consisting of the following three (3) members prior to the Annual General Meeting on 25 February 2014: Mr N Rau (Chairperson), Mr J Mabaso and Ms S Childs. The Committee is currently constituted as follows: Mr N Rau (Chairperson), Mr J Mabaso and Mr MM Morojele. The function of the Committee is to monitor the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice. It looks into the Company's social and economic development, including the organisation's standing in terms of the goals and purposes; good corporate citizenship; the environment; health and public safety; consumer relationships including the Company's advertising, public relations and compliance with consumer protection laws; and labour and employment in terms of section 43(5) of the Companies Act. This Committee was established on 19 April 2012.

12.8 Transformation Committee

The Transformation Committee is a committee consisting of three (3) Non-Executive Directors, Ms S Childs (Chairperson), Dr D Sekhukhune and Mr J Mabaso prior to the Annual General Meeting. The intention of creating this committee was to produce a groundbreaking intervention in transformative programmes led by JPC to ensure the alignment of transformation with the proposed corporate strategy. The committee will support the Transformation Strategic Framework through monitoring the development of detailed plans that ensures each department within the company delivers on transformation. The Committee was initially set up as an adhoc Committee of the Board, the Committee's mandate has since been reviewed with a view to make it a standing Board sub-committee. The Committee currently consists of four (4) members, Mr J Mabaso (Chairperson), Mr M Rabodila, Mr F Ntombela and Ms P Msweli.

12.9 Transactions Committee

The Transactions Committee preceding the 25 February 2014 Annual General Meeting consisted of five (5) Non-Executive Directors, Prof A Nevhutanda (Chairperson), Dr D Sekhukhune, Ms S Childs, Mr J Mabaso and Mr T Hickman. The Committee currently consists of seven (7) members Prof A Nevhutanda (Chairperson), Mr J Mabaso, Mr T Hickman, Mr MM Morojele, Mr M Rabodila, Ms P Msweli and Mr F Ntombela.

All property transactions are considered by the Transactions Committee which makes recommendations to the Board or the shareholder. 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 references approved by the Board.

12.10 Internal Audit

The company's internal audit function is performed by Nexia SAB&T. This is in compliance with the Municipal Finance Management Act No.56 of 2003.

13. CONTROLLING ENTITY

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

14. AUDITORS

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

City of Joburg Property Company (SOC) Limited

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Financial Statements for the year ended 30 June 2014

Company Secretary's Certification

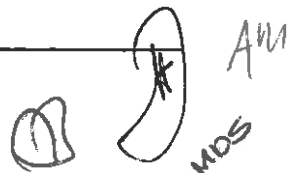
Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of section 268G(d) of the Companies Act, Act 61 of 1973 (as amended), section 88(2)(e) of the Companies Act 71 of 2008, and the Municipal Finance Management Act, Act 56 of 2003. I, Sharon Ramoetlo, certify that, to the best of my knowledge and belief, the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



Ms S Ramoetlo
Acting Company Secretary

City of Joburg Property Company (SOC) Ltd



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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
ASSETS			
Current Assets			
Loans to shareholders	3	17,061,282	61,040,267
Current tax receivable	5	10,728,931	6,348,723
Receivables from exchange transactions	6	389,770,938	116,261,588
Receivables from non-exchange transactions	7	2,479,370	2,421,858
Prepayments	8	692,455	286,127
Cash and cash equivalents	9	2,000	2,000
		420,734,976	186,360,563
Non-Current Assets			
Property, plant and equipment	11	12,855,183	11,039,330
Intangible assets	12	9,165,391	9,038,365
Deferred tax	13	12,908,739	10,580,934
Prepayments	8	904,532	1,051,213
		35,833,845	31,709,842
Total Assets		456,568,821	218,070,405
LIABILITIES			
Current Liabilities			
Loans from shareholders	3	303,905,243	2,990,375
Finance lease obligation	14	1,454,282	2,154,695
Operating lease liability	4	836,456	415,913
Payables from exchange transactions	15	36,998,694	74,364,244
Deferred income	16	6,364,000	6,364,000
Provisions	17	2,156,467	10,719,879
		351,715,142	97,009,106
Non-Current Liabilities			
Finance lease obligation	14	1,416,230	2,200,230
Employee benefit obligation	10	996,000	879,000
Deferred income	16	4,701,750	11,065,750
Deferred tax	13	2,604,291	2,209,484
		9,718,271	16,354,464
Total Liabilities		361,433,413	113,363,570
Net Assets		95,135,408	104,706,835
NET ASSETS			
Share Capital	18	5,142,721	5,142,721
Accumulated Surplus		89,992,687	99,564,114
Total Net Assets		95,135,408	104,706,835

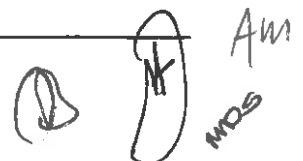
City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue	19	377,993,012	251,056,694
Other income	20	95,837	70,177
Operating expenses		(383,867,483)	(226,993,276)
Operating (deficit) surplus		(5,778,634)	24,133,595
Investment revenue	23	81,371	4,117,202
Finance costs	25	(5,014,835)	(716,425)
(Deficit) surplus before taxation		(10,712,098)	27,534,372
Taxation	24	(1,124,337)	(5,332,989)
(Deficit) surplus for the year		(11,836,435)	22,201,383

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City of Joburg Property Company (SOC) Limited

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Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Share premium	Total share capital	Accumulated Surplus	Total equity
Opening balance as previously reported		1,000	5,141,721	5,142,721	62,653,313	67,796,034
Adjustments						
Prior year adjustments	37	-	-	-	2,703,540	2,703,540
Balance at 01 July 2012 as restated		1,000	5,141,721	5,142,721	65,356,853	70,499,574
Changes in net assets						
Surplus for the year		-	-	-	22,201,383	22,201,383
Gains from transfer of functions of entities under common control	37	-	-	-	12,005,878	12,005,878
Total changes		-	-	-	34,207,261	34,207,261
Opening balance as previously reported		1,000	5,141,721	5,142,721	113,271,019	118,413,740
Adjustments						
Prior year adjustments	37	-	-	-	(13,706,905)	(13,706,905)
Balance at 01 July 2013 as restated		1,000	5,141,721	5,142,721	99,564,114	104,706,835
Changes in net assets						
Deficit for the year		-	-	-	(11,836,435)	(11,836,435)
Gains from transfer of functions of entities under common control	38	-	-	-	2,265,008	2,265,008
Total changes		-	-	-	(9,571,427)	(9,571,427)
Balance at 30 June 2014		1,000	5,141,721	5,142,721	89,992,687	95,135,408
Note(s)		18	18	18		

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Rendering of services		78,799,683	103,974,053
Grants		25,282,000	49,548,000
Interest income		81,371	4,117,202
		<u>104,163,054</u>	<u>157,639,255</u>
Payments			
Employee costs		(181,755,586)	(133,171,841)
Suppliers		(238,360,037)	(25,124,661)
Finance costs		(5,014,835)	(716,425)
Taxes on surpluses	5	(7,431,283)	(13,783,838)
		<u>(432,561,741)</u>	<u>(172,796,765)</u>
Net cash flows from operating activities	27	<u>(328,398,687)</u>	<u>(15,157,510)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(3,611,420)	(951,870)
Proceeds from sale of property, plant and equipment	11	95,837	-
Purchase of other intangible assets	12	(271,393)	-
Net cash flows from investing activities		<u>(3,786,976)</u>	<u>(951,870)</u>
Cash flows from financing activities			
Net movement of shareholders loan		334,613,981	18,590,153
Finance lease payments		(2,428,318)	(2,480,773)
Net cash flows from financing activities		<u>332,185,663</u>	<u>16,109,380</u>
Cash and cash equivalents at the beginning of the year		2,000	2,000
Cash and cash equivalents at the end of the year	9	<u>2,000</u>	<u>2,000</u>

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Rendering of services	54,340,000	-	54,340,000	76,763,648	22,423,648	Appendix E (1)
Rental facilities and equipment	253,803,000	17,434,000	271,237,000	258,144,713	(13,092,287)	Appendix E (1)
Municipal Revenue	25,282,000	-	25,282,000	25,282,000	-	Appendix E (1)
Third party development fees	66,000,000	-	66,000,000	16,401,819	(49,598,181)	Appendix E (1)
Cell masts	-	4,000,000	4,000,000	1,400,832	(2,599,168)	Appendix E (1)
Profit and loss on disposal assets	-	-	-	95,837	95,837	Appendix E (1)
Interest received	2,293,000	-	2,293,000	81,371	(2,211,629)	Appendix E (1)
Total revenue from exchange transactions	401,718,000	21,434,000	423,152,000	378,170,220	(44,981,780)	
EXPENDITURE						
Personnel	(212,039,000)	-	(212,039,000)	(177,939,810)	34,099,190	Appendix E (1)
Depreciation and amortisation	(4,288,000)	-	(4,288,000)	(3,853,930)	434,070	Appendix E (1)
Finance costs	(613,000)	-	(613,000)	(5,014,835)	(4,401,835)	Appendix E (1)
Bad debts	(1,940,000)	-	(1,940,000)	(20,212,144)	(18,272,144)	Appendix E (1)
Repairs and maintenance	(26,085,000)	-	(26,085,000)	(28,237,364)	(2,152,364)	Appendix E (1)
General Expenses	(156,753,000)	(17,434,000)	(174,187,000)	(153,283,210)	20,903,790	Appendix E (1)
Total expenditure	(401,718,000)	(17,434,000)	(419,152,000)	(388,541,293)	30,610,707	
Operating deficit	-	4,000,000	4,000,000	(10,371,073)	(14,371,073)	
Loss on disposal of assets and liabilities	-	-	-	(341,025)	(341,025)	Appendix E (1)
Deficit before taxation	-	4,000,000	4,000,000	(10,712,098)	(14,712,098)	
Taxation	-	-	-	1,124,337	1,124,337	Appendix E (1)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	4,000,000	4,000,000	(11,836,435)	(15,836,435)	

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City of Joburg Property Company (SOC) Limited

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Financial Statements

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

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

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

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

GRAP 105 has been early adopted, on 01 July 2013, by the City of Johannesburg Metropolitan Municipality.

These accounting policies are consistent with the previous period.

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.1 Transfer of functions between entities under common control

Definitions

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

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

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

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

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

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

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

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

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

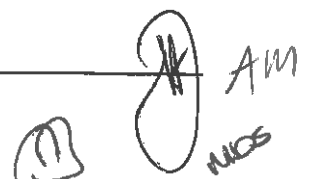
A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create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

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

Determining the transfer date

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

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

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.1 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

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

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

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

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

Measurement period

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

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

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

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

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

Subsequent measurement

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

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

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.1 Transfer of functions between entities under common control (continued)

- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

1.2 Significant judgements and sources of estimation uncertainty

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

Provisions

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

Expected manner of realisation for deferred tax

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

Taxation

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

Post retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Effective interest rate

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

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Average useful life
Land	Indefinite
Buildings	25 years
Plant and machinery	10 years
Furniture and fixtures	16 years
Motor vehicles	5 years
Office equipment	8 years
IT equipment	7 years
Leasehold improvements	3 years

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

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

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

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

Assets held under finance lease agreement are depreciated over the term of lease. Refer to Note 9.

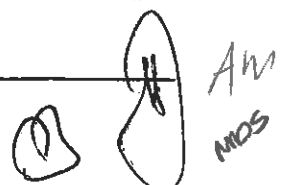
1.4 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Intangible assets (continued)

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

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

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

Intangible assets are derecognised:

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

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

1.5 Financial instruments

Initial recognition and measurement

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

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

Loans to (from) Group Companies

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

City of Joburg Property Company (SOC) Limited

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Financial instruments (continued)

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

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

Trade and other receivables are classified as loans and receivables.

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

Payables from exchange transactions

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

Cash and cash equivalents

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

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Financial instruments (continued)

Bank overdraft and borrowings

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

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

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

Derecognition

Financial assets

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

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

Financial liabilities

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

1.6 Current and Deferred Tax

Current tax assets and liabilities

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

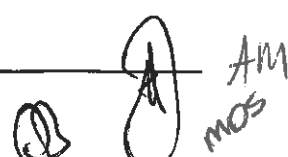
Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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

Deferred tax assets and liabilities

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

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

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Current and Deferred Tax (continued)

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

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

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

Tax expenses

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

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

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

1.7 Leases

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

Finance leases - lessee

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

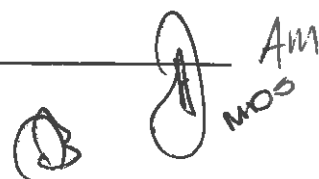
The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate 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. Payments made in entering into or acquiring leasehold that is accounted for as an operating lease are amortised over the lease term.

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Impairment of assets

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

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

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

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

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

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

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

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

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

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

1.9 Share Capital

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

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

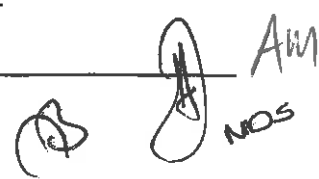
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.10 Employee benefits

Short-term employee benefits

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

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

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Accounting Policies

1.10 Employee benefits (continued)

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

Defined contribution plans

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

The company has no further payment obligations once the contributions have been paid.

Defined benefit plans

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

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

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

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

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

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

Other post retirement obligations

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

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

1.12 Revenue

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

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Accounting Policies

1.12 Revenue (continued)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

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

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

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

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

1.13 Revenue from non-exchange transactions

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

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.14 Borrowing costs

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

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

1.15 Comparative figures

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

1.16 Deferred Income

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

1.17 Budget information

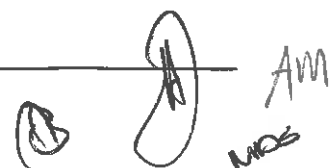
Budget information is prepared in conformity with the accounting policies for preparing and presenting the financial statements.

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2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and Interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations:

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The entity has early adopted the standard for the first time in the 2014 financial statements.

2.2 Standards and Interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

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

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

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

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

The effective date of the standard is for years beginning on or after 01 April 2016.

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

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Notes to the Financial Statements

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3. LOANS TO/(FROM) SHAREHOLDERS		
City of Johannesburg Metropolitan Municipality - No interest bearing The loan relates to subsidy amount owed to the City of Johannesburg by JPC.	-	3,230,952
City of Johannesburg Metropolitan Municipality - Unsecured (Portfolio) The City of Johannesburg Metropolitan Municipality Portfolio Loan Account includes commissions accrued. The loan does not bear any interest and is repayable within 12 months.	11,919,261	28,329,828
City of Johannesburg Metropolitan Municipality - Unsecured loan - CoJ Housing The loan was raised at year end to account for transfer of properties over the financial year end.	5,142,021	25,768,560
Sweeping account The Sweeping Account bears interest at an average call rate of 5.7% p.a irrespective of the balance being favourable or not.	(207,740,608)	3,710,927
City of Johannesburg - Group Corporate Shared Services Loan payable to Group Corporate Shared Services for the FMMU payroll	(96,164,635)	(2,990,375)
	(286,843,961)	58,049,892
Current assets	17,061,282	61,040,267
Current liabilities	(303,905,243)	(2,990,375)
	(286,843,961)	58,049,892
4. OPERATING LEASE LIABILITY		
Current liabilities	(836,456)	(415,913)
The operating lease liability was as a result of an office rental agreement for head office accommodation. (Refer to note 28)		
5. TAX PAID		
Balance at beginning of the year	6,348,723	203,502
Current tax for the year recognised in surplus or deficit	(3,051,075)	(7,638,617)
Balance at end of the year	(10,728,931)	(6,348,723)
	(7,431,283)	(13,783,838)
6. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Trade debtors	3,536,192	28,049,563
Rental deposit	480,628	480,628
Provision for bad debts	(70,894)	-
Related party debtors	385,825,012	87,731,397
	389,770,938	116,261,588
6.1 Trade and other receivables due but not impaired		
As at 30 June 2014 trade receivables amounting to R3 536 192 were due of which R70 984 has been provided for as irrecoverable. The amounts outstanding relate of SARS refunds for VAT and a provision has been raised against the Union Finance debtor.		
The ageing of these debtors are as follows:		
Over 6 months	3,536,192	28,049,563

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City of Joburg Property Company (SOC) Limited

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Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Staff Debtors	57,512	-
SARS VAT Debtor	2,421,858	2,421,858
	2,479,370	2,421,858

8. PREPAYMENTS

Current Assets	692,455	286,127
Non-current Assets	904,532	1,051,213
	1,596,987	1,337,340

Current Assets

Prepayments of expenditure to be amortised over the 2014/15 financial year and IT infrastructure for the FMMU depots and MTC facilities that is currently in international transit.

Non-current Assets

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

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	2,000	2,000
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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 an entity wide basis. Cash is readily available at all times and the sweeping has no effect on its availability.

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Financial Statements for the year ended 30 June 2014

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10. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit plan

Post retirement medical aid plan

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

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(879,000)	(697,000)
Net expense recognised in the statement of financial performance	(117,000)	(182,000)
	(996,000)	(879,000)

Net expense recognised in the statement of financial performance

Current service cost	(82,000)	(32,000)
Interest cost	(72,000)	(60,000)
Actuarial gains/(losses)	37,000	(90,000)
	(117,000)	(182,000)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.89 %	7.89 %
Medical cost trend rates	6.67 %	6.67 %
Rate of increase in employer post-retirement medical contribution subsidy payments	7.89 %	7.89 %

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

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

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11. PROPERTY, PLANT AND EQUIPMENT



	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	487,200	-	487,200	487,200	-	487,200
Buildings	6,350,957	(4,267,642)	2,083,315	6,350,957	(4,013,604)	2,337,353
Plant and machinery	1,687,636	(166,532)	1,521,104	-	-	-
Furniture and fixtures	4,712,735	(1,366,780)	3,345,955	2,316,304	(641,301)	1,675,003
Motor vehicles	315,664	(315,664)	-	315,664	(315,664)	-
Office equipment	1,528,670	(589,741)	938,929	832,926	(199,817)	633,109
IT equipment	1,751,461	(1,036,038)	715,423	1,070,290	(598,182)	472,108
Leasehold improvements	965,290	(216,124)	749,166	957,190	(120,321)	836,869
Capitalised leased office equipment	9,607,352	(6,593,261)	3,014,091	8,584,214	(3,986,526)	4,597,688
Total	27,406,965	(14,551,782)	12,855,183	20,914,745	(9,875,415)	11,039,330

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	487,200	-	-	-	-	487,200
Buildings	2,337,353	-	-	-	(254,038)	2,083,315
Plant and machinery	-	51,836	-	1,635,800	(166,532)	1,521,104
Furniture and fixtures	1,675,003	1,837,494	(232,697)	265,375	(199,220)	3,345,955
Office equipment	633,109	432,195	(104,359)	142,178	(164,194)	938,929
IT equipment	472,108	258,657	(2,790)	218,395	(230,947)	715,423
Leasehold improvements	836,869	8,100	-	-	(95,803)	749,166
Capitalised leased office equipment	4,597,688	1,023,138	(9,986)	-	(2,596,749)	3,014,091
Total	11,039,330	3,611,420	(349,832)	2,261,748	(3,707,483)	12,855,183

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	-	-	-	487,200	-	487,200
Buildings	-	-	-	2,591,391	(254,038)	2,337,353
Furniture and fixtures	948,104	561,402	(4,428)	289,035	(119,110)	1,675,003
Motor vehicles	-	-	(73,978)	110,839	(36,861)	-
Office equipment	128,987	390,468	(25,927)	208,527	(68,946)	633,109
IT equipment	330,352	-	(18,443)	319,590	(159,391)	472,108
Leasehold improvements	932,587	-	-	-	(95,718)	836,869
Capitalised leased office equipment	7,040,955	-	(20,540)	-	(2,422,727)	4,597,688
Total	9,380,985	951,870	(143,316)	4,006,582	(3,156,791)	11,039,330

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2014			2013		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold improvements	965,290	(216,124)	749,166	957,190	(120,321)	836,869
Leased office equipment	9,607,352	(6,593,261)	3,014,091	8,584,214	(3,986,526)	4,597,688
Total	10,572,642	(6,809,385)	3,763,257	9,541,404	(4,106,847)	5,434,557

Details of properties

Erf 737 and Erf 1304, 18 Bedford Road, Yeoville

Land

- Cost

487,000

487,000

Erf 737 and Erf 1304, 18 Bedford Road, Yeoville

Buildings

- Cost

6,350,957

6,350,957

- Accumulated depreciation

(4,267,642)



(4,013,604)

2,083,315

2,337,353

12. INTANGIBLE ASSETS

	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	8,689,570	-	8,689,570	12,761,889	(4,072,319)	8,689,570
Computer software	1,277,073	(801,252)	475,821	976,337	(627,542)	348,795
Total	9,966,643	(801,252)	9,165,391	13,738,226	(4,699,861)	9,038,365

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12. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software, internally generated	8,689,570	-	-	-	-	8,689,570
Computer software	348,795	271,393	(1,176)	3,260	(146,451)	475,821
	9,038,365	271,393	(1,176)	3,260	(146,451)	9,165,391

Reconciliation of intangible assets - 2013

	Opening balance	Disposals	Amortisation	Impairment loss	Total
Computer software, internally generated	12,761,889	-	-	(4,072,319)	8,689,570
Computer software	488,436	(165)	(139,476)	-	348,795
	13,250,325	(165)	(139,476)	(4,072,319)	9,038,365

13. DEFERRED TAX

Deferred tax liability

Prepaid Expenses	(152,817)	(39,045)
Property, Plant, Equipment and Intangibles	(2,403,286)	(2,170,439)
Finance Lease Liability	(48,188)	-
Total deferred tax liability	(2,604,291)	(2,209,484)

Deferred tax asset

Provision for Post Retirement Medical Aid	278,880	246,120
Provision for Leave Pay	2,919,074	2,225,554
Provision for 13th Cheques and Bonuses	-	3,001,566
Trade and other receivables	14,887	11,342
Income Received in Advance	3,098,410	4,880,330
Straightlining of Operating Leases	234,208	116,456
Finance Lease Liability	-	99,566
Provision for Pension Fund	603,811	-
Losses	5,759,469	-
Total deferred tax asset	12,908,739	10,580,934

Deferred tax liability	(2,604,291)	(2,209,484)
Deferred tax asset	12,908,739	10,580,934
Total net deferred tax asset	10,304,448	8,371,450

Reconciliation of deferred tax asset \ (liability)

At beginning of year	8,371,450	6,065,822
Increases (decrease) in tax loss available for set off against future taxable income	1,932,998	2,305,628
	10,304,448	8,371,450

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14. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- Not later than one year	1,501,782	2,471,137
- Later than one year and not later than 5 years	1,654,018	2,423,829
	<u>3,155,800</u>	<u>4,894,966</u>
Less: future finance charges	(285,288)	(540,041)
Present value of minimum lease payments	<u>2,870,512</u>	<u>4,354,925</u>
Present value of minimum lease payments due		
- Not later than one year	1,223,486	2,154,695
- Later than one year and not later than 5 years	1,647,026	2,200,230
	<u>2,870,512</u>	<u>4,354,925</u>
Non-current liabilities	1,416,230	2,200,230
Current liabilities	1,454,282	2,154,695
	<u>2,870,512</u>	<u>4,354,925</u>

It is company policy to lease certain equipment under finance leases; These assets are leased over a period of 2 to 5 years at a prime rate of 9.5%, and are secured by the assets financed (refer to Note 11).

15. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade and other payables	1	17,774,074
Accrued leave pay	10,425,262	7,948,408
Accruals	26,573,431	47,379,040
Related parties	-	1,262,722
	<u>36,998,694</u>	<u>74,364,244</u>

16. DEFERRED INCOME

Movement during the year

Balance at the beginning of the year	17,429,750	24,084,481
Income recognition during the year	(6,364,000)	(6,654,731)
	<u>11,065,750</u>	<u>17,429,750</u>
Non-current liabilities	4,701,750	11,065,750
Current liabilities	6,364,000	6,364,000
	<u>11,065,750</u>	<u>17,429,750</u>

The above deferred income relate to commission received on the conclusion of the 5 year lease agreement relating to outdoor advertising. The remaining period is 1 year and 9 months.

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17. PROVISIONS

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Provision for Pension Fund Contributions	-	2,156,467	-	2,156,467
Provision for 13th cheques	10,719,879	-	(10,719,879)	-
	10,719,879	2,156,467	(10,719,879)	2,156,467

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Provision for 13th cheques	-	10,719,879	10,719,879

The provision related to pension fund contributions is for an additional 3% backpay that requires final approval from the City Manager's office.

18. SHARE CAPITAL

Authorised

1,000 Ordinary shares of R1 each	1,000	1,000
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Reconciliation of number of shares issued:

Reported as at 01 July 2013	1,000	1,000
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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

19. REVENUE

Commission received	78,164,480	67,289,579
Internal recoveries	258,144,713	126,527,865
Subsidy received - City of Joburg Metropolitan Municipality	25,282,000	49,548,000
Third party development fees	16,401,819	7,691,250
	377,993,012	251,056,694

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

Rendering of services	78,164,480	67,289,579
Internal recoveries	258,144,713	126,527,865
Subsidy received - City of Joburg Metropolitan Municipality	25,282,000	49,548,000
Third party development fees	16,401,819	7,691,250
	377,993,012	251,056,694

20. OTHER INCOME

Profit & loss on disposal of assets	95,837	-
Donations received	-	351
Recoveries - Sewerage	-	69,826
	95,837	70,177

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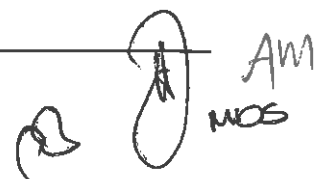
City of Joburg Property Company (SOC) Limited

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Figures in Rand	2014	2013
21. GENERAL EXPENSES		
Advertising	1,030,534	526,593
Assets expensed	151,877	5,139
Auditors remuneration	3,131,644	3,868,921
Bank charges	62,918	161,135
Board Expenses	351,994	357,024
Cleaning	9,256,238	3,786,495
Commission paid	-	255,398
Computer expenses	1,191,260	2,545,144
Conferences and seminars	220,874	497,902
Consulting and professional fees	7,638,538	5,028,059
Donations	50,000	-
Electricity	10,831,284	1,284,387
Entertainment	-	7,753
Fuel and oil	5,182	39,169
Gas	26,239	2,442
Insurance	2,140,789	2,435,440
Irregular, fruitless and wasteful expenditure (Note 34)	587,299	1,794,165
Computer Consumables	820,555	904,728
Lease rentals on operating lease	57,069,902	22,261,537
Marketing and promotions	331,400	70,300
Fleet	8,009,010	3,969,674
Other expenses	-	159,862
Pest control	156,298	21,783
Placement fees	513,433	100,000
Postage and courier	49,920	48,201
Printing and stationery	1,918,937	1,458,547
Refuse	427,147	331,274
Protective clothing	570,131	1,301,344
Sanitation and sewerage	2,924,558	8,676,499
Security	11,146,315	8,375,368
Software expenses	271,945	922,944
Staff welfare	1,932,852	656,133
Storage	175,561	91,360
Subscriptions and membership fees	1,337,704	1,222,002
Telephone and fax	1,869,584	4,205,107
Training	2,023,897	1,147,887
Travel - local	416,045	411,966
Travel - overseas	1,258,128	111,286
Water	355,361	234,021
Rates and taxes	3,656,448	1,851,607
Rental - Parking	6,752,183	1,689,273
Rental - Office Accommodation	12,619,226	-
	153,283,210	82,817,869

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22. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages		109,810,149	83,278,902
Post-retirement medical aid benefits-Defined contribution plan	10	117,000	182,000
SARS, SITE and PAYE		18,777,742	14,743,959
Housing benefits and allowances		2,151,367	558,099
Overtime payments		4,350,939	-
Bonus		-	3,549,162
UIF		1,382,567	851,722
SDL		1,604,263	827,763
Payroll levies		254,604	595,164
Leave pay provision charge		4,494,440	4,148,388
Pension costs		26,756,308	13,760,379
13th Cheque's		8,240,431	10,719,879
		177,939,810	133,215,417

Key Personnel

Remuneration of General Manager : Property Management

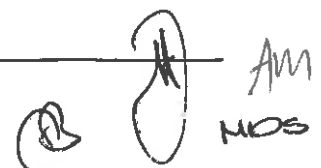
Annual Remuneration		991,702	927,108
Performance Bonuses		-	64,096
Contributions to UIF, Medical and Pension Funds		175,501	149,996
13th Cheque		82,544	-
		1,249,747	1,141,200

Remuneration of General Manager : Property Development

Annual Remuneration		1,037,219	970,815
Performance Bonuses		-	67,118
Contributions to Pension Funds		183,091	157,067
Acting Allowance		11,487	8,064
13th Cheque		86,435	-
Subsistence Allowance		1,340	-
		1,319,572	1,203,064

Remuneration of General Manager: Human Resources

Annual Remuneration		908,140	848,239
Performance Bonuses		-	57,304
Contributions to UIF, Medical and Pension Funds		160,080	137,356
13th Cheque		75,678	-
		1,143,898	1,042,899



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22. EMPLOYEE RELATED COSTS (continued)

Remuneration of General Manager : Operations

Annual Remuneration	973,842	913,368
Performance Bonuses	-	57,981
Contributions to UIF, Medical and Pension Funds	173,168	146,561
13th Cheque	81,154	-
Leave Pay	33,705	-
Subsistence Allowance	1,340	-
	1,263,209	1,117,910

Remuneration of General Manager : Strategic Support

Annual Remuneration	746,749	592,025
Car Allowance	-	85,000
Contributions to UIF, Medical and Pension Funds	70,712	96,423
13th Cheque	51,019	-
	868,480	773,448

Remuneration of General Manager : Stakeholder Management

Annual Remuneration	484,810	844,720
Contributions to UIF, Medical and Pension Funds	5,740	10,160
	490,550	854,880

Remuneration of General Manager : Compliance and Secretarial

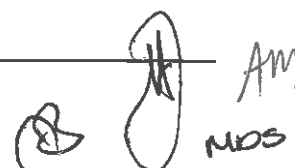
Annual Remuneration	846,145	791,974
Performance Bonuses	49,393	-
Contributions to UIF, Medical and Pension Funds	145,180	127,835
Acting Allowance	26,294	-
13th Cheque	70,512	-
	1,137,524	919,809

Remuneration of General Manager : Informal Trading and Public Transport

Annual Remuneration	858,822	643,072
Car Allowance	-	13,397
Acting Allowance	-	40,192
Contributions to UIF, Medical and Pension Funds	54,045	8,156
13th Cheque	71,568	-
	984,435	704,817

Remuneration of General Manager : Facilities Maintenance

Annual Remuneration	813,920	406,544
Car Allowance	92,916	-
Performance Bonuses	-	76,913
Contributions to UIF, Medical and Pension Funds	226,399	89,440
	1,133,235	572,897



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Figures in Rand	2014	2013
22. EMPLOYEE RELATED COSTS (continued)		
Remuneration of General Manager : Asset Management		
Annual Remuneration	744,149	927,108
Performance Bonuses	-	55,757
Contributions to UIF, Medical and Pension Funds	108,162	149,912
13th Cheque	82,544	-
	934,855	1,132,777
23. INVESTMENT REVENUE		
Interest revenue		
Bank	-	4,215
Interest charged on trade and other receivables	-	2,652,773
Interest income on CoJ Sweeping	81,371	1,460,214
	81,371	4,117,202
24. TAXATION		
Major components of the tax expense (Income)		
Current		
Local income tax - current period	-	13,163,931
Local income tax - recognised in current tax for prior period	3,051,075	(5,525,314)
	3,051,075	7,638,617
Deferred		
Originating and reversing temporary differences	(1,926,738)	(2,305,628)
	1,124,337	5,332,989
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting (deficit) surplus	(10,712,098)	27,534,372
Tax at the applicable tax rate of 28% (2012: 28%)	(2,999,387)	7,709,624
Tax effect of adjustments on taxable income		
Non taxable income (100% Capital Gains)	-	(135,547)
Non taxable/non-deductible expenses	706,148	2,155,507
Prior year tax adjustment	3,051,075	(205,980)
Deffered tax - prior year adjustment	366,501	(4,190,615)
	1,124,337	5,332,989
25. FINANCE COSTS		
Finance leases	373,618	560,674
Bank	4,641,217	136,947
Other interest paid	-	18,804
	5,014,835	716,425

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Figures in Rand	2014	2013
26. AUDITORS' REMUNERATION		
Fees	3,131,644	3,868,921
Reconciliation of audit fees		
Audit Fees - External	1,198,765	2,206,533
Audit Fees - Internal	1,932,879	1,662,388
	3,131,644	3,868,921
27. CASH GENERATED FROM OPERATIONS		
(Deficit) surplus	(11,836,435)	22,201,383
Adjustments for:		
Depreciation and amortisation	3,853,930	3,303,006
Loss on sale of assets and liabilities	341,025	128,775
Finance costs - Finance leases	373,618	560,674
Impairment loss	-	4,072,319
Debt impairment	20,212,144	54,009
Movements in operating lease assets and accruals	420,543	(581,423)
Movements in retirement benefit assets and liabilities	117,000	182,000
Movements in provisions	(8,563,412)	10,719,879
Movement in tax receivable and payable	(4,380,208)	(6,348,723)
Annual charge for deferred tax	(1,926,738)	(2,305,628)
Other non-cash items	10,758,046	(3,999,667)
Changes in working capital:		
Receivables from exchange transactions	(273,509,350)	(95,047,267)
Consumer debtors	(20,212,144)	(54,009)
Other receivables from non-exchange transactions	(57,512)	(2,421,858)
Prepayments	(259,647)	81,165
Payables from exchange transactions	(37,365,547)	60,952,586
Deferred income	(6,364,000)	(6,654,731)
	(328,398,687)	(15,157,510)
28. COMMITMENTS		
Commitments in respect of capital expenditure:		
Authorised		
• Property, plant and equipment	-	3,500,000
This expenditure will be financed from:		
Internal cash	-	3,500,000
Operating leases – as lessee (Buildings)		
Minimum lease payments due		
- Not later than one year	28,435,323	5,660,410
- Later than one year and not later than five years	40,834,455	27,546,977
- Later than five years	17,299,369	18,824,677
	86,569,147	52,032,064

Operating lease payments represent rentals payable by the entity for the JPC head office and office accommodation for 8 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.

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29. RELATED PARTIES

Relationships

The company adheres to Section 45 of The Municipal Supply Chain Management Regulation:

Contracts are entered into in terms of Services Delivery

Agreements

As all related parties are current no provision has been made in respect of bad debts.

Controlling entity

Fellow subsidiaries

The City of Johannesburg Metropolitan Municipality
Johannesburg Social Housing Company (SOC) Ltd
City Power Johannesburg (SOC) Ltd
Johannesburg City Parks (NPC)
Johannesburg Development Agency (SOC) Ltd
Johannesburg Roads Agency (SOC) Ltd
Johannesburg Fresh Produce Market (SOC) Ltd
Johannesburg Water (SOC) Ltd
Pikitup (SOC) Ltd
Johannesburg Theatre (SOC) Ltd

Related party balances

Loan Accounts - Owing from related parties

City of Johannesburg Metropolitan Municipality 16,938,782 61,040,267

Loan accounts - Owing to related parties

City of Johannesburg Metropolitan Municipality (303,905,243) (17,339,049)

Interest paid to related parties

City of Johannesburg Metropolitan Municipality 4,640,832 133,504

Services rendered to related parties

The City of Johannesburg Metropolitan Municipality - Commission received 34,564,752 67,289,579

The City of Johannesburg Metropolitan Municipality - CAPEX Commission received 36,793,000 -

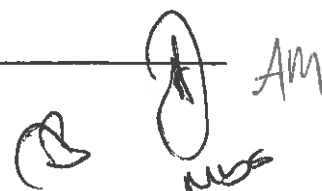
The City of Johannesburg Metropolitan Municipality - Management fees 669,103 -

The City of Johannesburg Metropolitan Municipality - Internal recoveries 258,144,713 126,527,865

330,171,568 193,817,444

30. DIRECTORS' EMOLUMENTS

The following emoluments were paid to the executive and non-executive directors during the year.

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30. DIRECTORS' EMOLUMENTS (continued)

Executive	Emoluments	Travel Allowance	Company Contributions	Performance Bonus	13th Cheque	Total
2014						
Ms H M Botes - Managing Director	1,169,372	250,000	16,086	90,992	-	1,526,450
Mr I M Bhamjee - Financial Director	968,986	96,000	166,308	-	88,749	1,320,043
	2,138,358	346,000	182,394	90,992	88,749	2,846,493

Executive	Emoluments	Travel allowance	Company Contributions	Performance Bonus	Total
2013					
Ms H M Botes - Managing Director	1,066,138	250,000	16,086	-	1,332,224

Non-Executive	Emoluments	Retainer fees	Total
2014			
Mr A Mabizela - Chairperson	148,804	39,675	188,479
Dr D Sekhukhune (retired 25 February 2014)	51,594	-	51,594
Mr T Hickman	123,010	19,840	142,850
Mr J Mabaso	100,212	19,840	120,052
Ms S Childs (retired 25 February 2014)	74,416	-	74,416
Prof AN Ntshengedzeni	70,440	-	70,440
Mr N Rau	128,974	19,840	148,814
Mr M Moavodi	4,960	-	4,960
Ms P Msweli	40,680	-	40,680
Mr J Rabodila	68,458	-	68,458
Mr FD Ntombela	34,730	-	34,730
Mr MM Morojele	23,810	-	23,810
	870,088	99,195	969,283

Non-Executive	Emoluments	Retainer fees	Total
2013			
Mr A Mabizela - Chairperson	109,120	39,675	148,795
Dr D Sekhukhune	116,074	19,840	135,914
Mr H Mashele (retired 11 March 2013)	92,260	19,840	112,100
Mr L Itholeng (resigned 31 May 2013)	79,372	19,840	99,212
Ms L Msengana-Ndlela (retired 11 March 2013)	14,880	-	14,880
Mr M Vuso (retired 11 March 2013)	19,840	19,840	39,680
Mr T Hickman	89,290	19,840	109,130
Mr J Mabaso	82,350	19,840	102,190
Ms S Childs	82,352	19,840	102,192
Prof AN Ntshengedzeni	76,390	19,840	96,230
Mr M Moavodi	8,930	-	8,930
Mr N Rau	9,920	-	9,920
	780,778	198,395	979,173

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31. RISK MANAGEMENT

Financial risk management

Liquidity risk

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

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

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease liabilities	1,416,230	1,647,026	-	-
Trade and other payables	36,998,693	-	-	-
At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease liabilities	2,154,695	2,200,230	-	-
Trade and other payables	74,364,240	-	-	-

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). The company's interest rate risk arises from financial service assets. Fixed rate borrowings expose the company to fair value interest rate risk.

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

Credit risk

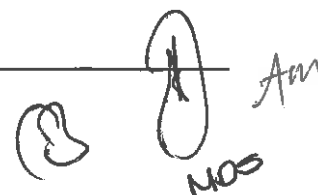
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade debtors are comprised of development fees on contracts awarded to a developer who has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

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

Financial instrument

Financial assets measured at amortised cost:

-Trade and other receivables	392,250,308	118,946,489
-Cash and cash equivalents	2,000	2,000
	392,252,308	117,541,947



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32. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The existence of the company is dependent on the continued support of its sole shareholder being the City of Johannesburg Metropolitan Municipality by way of management fees paid each year in terms of a service delivery agreement entered into. Development fees received from external parties further support the going concern of the company. To support the continuous collection of management fees, JPC has a 30 year agreement with the Shareholder, of which 17 years are remaining.

33. UNAUTHORISED EXPENDITURE

There was no unauthorised expenditure during the 2014 financial year.

34. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	1,794,165	-
SARS penalties and interest	345,980	1,794,165
Penalties and interest	248,527	-
Interest recovered	(215,259)	-
	2,173,413	1,794,165

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

2013: The penalties reflected relates to the VAT Voluntary Disclosure repayment made by MTC. This was due to restatement of the VAT treatment on Operating Grants given to MTC between 2002 and 2006.

35. IRREGULAR EXPENDITURE



Opening balance	3,513,933	-
Irregular expenditure current year	-	11,133,421
Documentation found during investigation (Refer to Note 37)	-	(7,619,488)
	3,513,933	3,513,933

No irregular expenditure has been incurred in the 2013/14 financial year.

36. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

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

Net surplus per the statement of financial performance	(11,836,435)	33,209,649
Adjusted for:		
Revenue	44,981,780	-
Impairments reversed/(recognised)	-	(4,072,319)
Operating expenses	(28,021,008)	(135,547)
Taxation	(1,124,337)	(10,646,063)
Net surplus per approved budget	4,000,000	18,355,720

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37. PRIOR PERIOD ERRORS

Irregular expenditure incurred in the 2012/13 financial year has been investigated by Nexia SAB&T. Supporting documents totaling R7 619 488 has been presented and the subsequent recommendation by Nexia SAB&T is to reduce irregular expenditure from R11 133 421 to R3 513 933.

Statement of financial position

Property, Plant and Equipment (Note 1)	-	(19,564)
Intangible Assets (Note 1)	-	(2,793)
Loan Account - GCSS (Note 2)	-	(18,997,623)
Current Tax Receivable (Note 3)	-	5,313,075
Loan Account - MTC (Note 4)	-	12,005,878
Accumulated Surplus (Note 4)	-	(12,005,878)
	-	(13,706,905)

1. Non-current assets

- Assets were incorrectly depreciated in the prior year. This was discovered upon recalculation using the new fixed asset module on the Nicor accounting software currently in use by the finance department.

2. Loan Account - GCSS

- As per GRAP 105, JPC has 2 years to account for all transactions affecting the integration of FMMU into JPC. Expenditure was incurred by the City on behalf of FMMU post integration and has subsequently transferred the expenses to JPC. The movement has been accounted for against the Group Corporate Shared Services loan account and has resulted in the loan account moving from R16 007 227 receivable to R2 990 375 payable (Refer to Note 3 - Loans to/from shareholders).

3. Current Tax Receivable

- Tax deduction receivable from the accounting of the expenditure transferred from GCSS.

4. Loan Account - MTC

- The net asset value for the transfer from MTC has been reclassified to accumulated surpluses in the 2013/14 financial year in line with the early adoption of the GRAP 105 standard.

Statement of financial performance

Depreciation	-	22,357
Cleaning	-	994,951
Consulting fees	-	10,500
Electricity	-	5,297,058
Fleet leases	-	484,142
Fleet fuel	-	134,869
Gas	-	1,352
Hostel charges	-	33,077
Postages	-	320
Printing and stationery	-	47,865
Rates	-	77,430
Refuse	-	258,013
Repairs and maintenance	-	1,338,515
Refreshments	-	1,927
Rental - Office accommodation	-	4,514,920
Salaries	-	1,050,966
Security	-	2,275,422
Sewerage	-	1,619,572
Subscriptions	-	1,836
Staff training	-	25,557
Telephone	-	79,466
Water	-	749,865
Taxation	-	(5,313,075)
	-	13,706,905

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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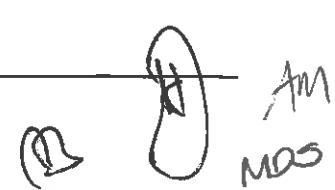
38. TRANSFER OF FUNCTIONS OF ENTITIES UNDER COMMON CONTROL (GRAP 105)

The transfer of functions of MTC and FMMU were transferred on 01 July 2012 and 01 January 2013, respectively, as per their transfer agreements.

On 01 July 2013 the fixed assets of FMMU were transferred to JPC for no consideration. As per the transfer agreement this is the only balance sheet transfer as only the operations of FMMU were transferred on 01 January 2013.

The net asset value of assets from the transfer of functions from GCSS for FMMU are the following:

FMMU		
Property, Plant and Equipment	2,261,748	-
Intangible Assets	3,260	-
	2,265,008	-

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City of Joburg Property Company (SOC) Limited

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Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

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2014

2013

39. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

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

The deviations for the 2013/14 financial year are as follows:

Emergencies

Superb Remedial Contractors - One quotation solicited

2,343

-

Sole service provider

Innate Investment Solutions - One quotation solicited

50,160

-

Schindler Lifts - Sole service provider for lifts at Metro Centre

1,758,137

-

1,808,297

-

Extensions - Operating Lease Rentals

Germiston Bronze - Lease extended to finalise the Office Space Optimisation programme between COJ and JPC

4,290,000

-

66 Plein Street - Lease extended to finalise the Office Space Optimisation programme between COJ and JPC

4,173,348

-

Liberty Group - Lease extended to finalise the Office Space Optimisation programme between COJ and JPC

11,792,759

-

Zenprop - Lease extended to finalise the Office Space Optimisation programme between COJ and JPC

15,534,123

-

Orion Property - Lease extended to finalise the Office Space Optimisation programme between COJ and JPC

3,288,782

-

39,079,012

-

Extensions - Contracted Cleaning

Green Sweep - Contract extended to allow for finalisation of the tender processes

263,979

-

Khulu Cleaning - Contract extended to allow for finalisation of the tender processes

4,527,918

-

Masana Hygiene - Contract extended to allow for finalisation of the tender processes

486,420

-

Vexma Trading - Contract extended to allow for finalisation of the tender processes

216,507

-

Tiney Cleaning - Contract extended to allow for finalisation of the tender processes

589,332

-

Tshipota Cleaning - Contract extended to allow for finalisation of the tender processes

102,392

-

Thembane Cleaning - Contract extended to allow for finalisation of the tender processes

432,001

-

SJR Cleaning - Contract extended to allow for finalisation of the tender processes

2,274,943

-

Afrizm Cleaning - Contract extended to allow for finalisation of the tender processes



299,969

-

Pulamohlo Cleaning - Contract extended to allow for finalisation of the tender processes

288,000

-

Handwritten signatures and initials:


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City of Joburg Property Company (SOC) Limited

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Financial Statements for the year ended 30 June 2014

Detailed Income statement

Figures in Rand	Note(s)	2014	2013
Revenue			
Commission received		78,164,480	67,289,579
Internal recoveries		258,144,713	126,527,865
Subsidy received - City of Joburg Metropolitan Municipality		25,282,000	49,548,000
Third party development fees		16,401,819	7,691,250
Profit on disposal of assets	20	95,837	70,177
Interest received		81,371	4,117,202
Total revenue		378,170,220	255,244,073
Expenditure			
Personnel	22	(177,939,810)	(133,215,417)
Depreciation and amortisation		(3,853,930)	(3,303,006)
Impairment loss		-	(4,072,319)
Finance costs	25	(5,014,835)	(716,425)
Bad debts		(20,212,144)	(54,009)
Repairs and maintenance		(28,237,364)	(3,401,881)
General expenses	21	(153,283,210)	(82,817,869)
Total expenditure		(388,541,293)	(227,580,926)
Operating (deficit) surplus		(10,371,073)	27,663,147
Loss on disposal of assets and liabilities		(341,025)	(128,775)
(Deficit) surplus before taxation		(10,712,098)	27,534,372
Taxation	24	1,124,337	5,332,989
(Deficit) surplus for the year		(11,836,435)	22,201,383

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City of Joburg Property Company (SOC) Limited
APPENDIX E(1) for the ended 30 June 2014
Statement of Financial Performance

	Actual Balance (000's)	Original Budget (000's)	Variance (000's)	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Rental facilities and equipment	258,144,713	270,962,000	(12,817,287)	(4.7)	
Municipal Revenue	25,282,000	25,282,000			
Commission received	78,164,480	58,340,000	19,824,480	34.0	The Commission received from CoJ Portfolio is above the allocated budget due to the inclusion of completion commission from capital projects.
Third Party Development fees	16,401,819	65,997,000	(49,595,181)	(75.1)	Reduction and reallocation in the midterm budget for CAPEX has affected the ability to generate third party facilitation fees. The CAPEX budget was reduced by the City but not the income that it would generate.
	377,993,012	420,581,000	(42,587,988)	(10.1)	
Other income					
Interest received	81,371	2,571,000	(2,489,629)	(96.8)	Interest was earned on the bank sweeping account upto October 2013 when the account went into overdraft.
Profit on disposal of assets	95,837	-	95,837	-	No budget is allocated for this item in the 2013/14 financial year.
	177,208	2,571,000	(2,393,792)	(93.1)	
Gross Profit	378,170,220	423,152,000	(44,981,780)	(10.6)	
Expenses					
Employee related costs	(177,939,810)	(210,929,707)	32,989,897	(15.6)	Employee costs are below the budget due to vacancies pending the approval of the new structure.
Bad debts	(20,212,144)	(1,940,000)	(18,272,144)	941.9	The provision for bad debts was only utilised on a single debtor. Interest levied on Cedar Park was reversed after a negotiation between the debtor and JPC. There were no other impairments or bad debts during the year.
Depreciation	(3,853,930)	(4,288,000)	434,070	(10.1)	Depreciation is calculated and accounted for in line with the fixed asset register.
Repairs and maintenance	(28,237,364)	(27,389,000)	(848,364)	3.1	
Finance costs	(5,014,835)	(613,000)	(4,401,835)	718.1	Finance costs exceed the budget due to the interest being levied by CoJ Treasury on the overdraft.
Loss on disposal of assets	(341,025)	-	(341,025)	-	No budget is allocated for this item in the 2013/14 financial year.
General expenses	(153,283,210)	(173,992,293)	20,709,083	(11.9)	Under expenditure is due to careful expenditure management by the departments of JPC.
	(388,882,318)	(419,152,000)	30,269,682	(7.2)	
Operating profit	(10,712,098)	4,000,000	(14,712,098)	(367.8)	
Net surplus/ (deficit) for the year	(10,712,098)	4,000,000	(14,712,098)	(367.8)	
Taxation					
Current	(3,051,075)	-	(3,051,075)	-	
Deferred tax	1,926,738	-	1,926,738	-	
	(1,124,337)	-	(1,124,337)	-	
Profit /(Loss) for the year	(11,836,435)	4,000,000	(15,836,435)	(395.9)	


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