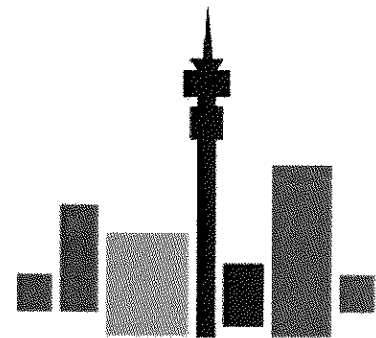
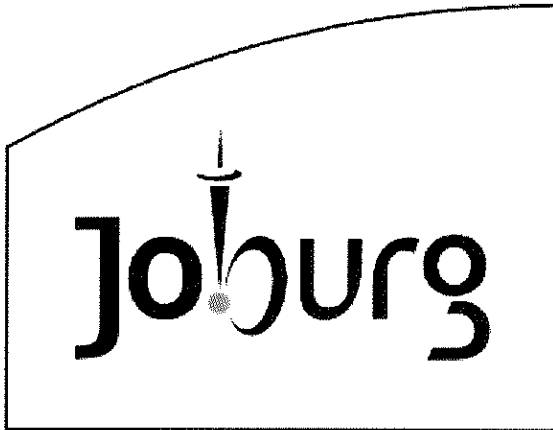


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JOBURG
PROPERTY COMPANY

a world class African city

City of Joburg Property Company (Pty) Limited
(Registration number 2000/017147/07)
Annual Financial Statements
for the year ended 30 June 2010

The Auditor-General: Gauteng
Issued 30 November 2010

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Property Management & Property Development functions and, where appropriate, to provide property services in respect of the City of Johannesburg Metropolitan Municipality and the Municipal Owned Entities.
DIRECTORS	Mrs H M Botes - Managing Director Mr J J Buys - Chairperson Ms J Armstrong Adv D Maritz Dr D Sekhukhune Mr S Dzengwa Mr H Mashele Mr A Sibanda Mr L Itholeng
REGISTERED OFFICE	9th Floor Braamfontein Centre 23 Jorissen Street Braamfontein 2000
BUSINESS ADDRESS	9th Floor Braamfontein Centre 23 Jorissen Street Braamfontein 2000
POSTAL ADDRESS	P O Box 31565 Braamfontein 2017
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	ABSA Bank Limited
AUDITORS	The Auditor-General: Gauteng
COMPANY SECRETARY	Mr D Mosito
COMPANY REGISTRATION NUMBER	2000/017147/07
TAX REFERENCE NUMBER	9292/129/14/6
ATTORNEYS	Panel of Attorneys

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

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

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ABBREVIATIONS

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act No 56 of 2003
PANEL OF ATTORNEYS	Amos Khumalo Inc, Bafana Ncube Inc, Bibi Rikhotso Attorneys, Chunilal & Tanna Attorneys and Conveyancers, Govender, Pather & Morgan Attorneys-at-law, Gumede, Dehal Inc, Hofmeyr Herbstein & Gihwala Inc, Kunene Ramapala Botha Law firm, LLR Attorneys, M S Shaik, Madhlopa Inc, Mape Inc, Mokonyane Inc Attorneys, Mokuena Attorneys, Molefe - Dlepu Attorneys & Conveyancers, Mphahlele MS, Negota SS, Nkaiseng, Chenia, Baba, Pienaar & Swart Inc, Ntlangula Inc, Raborifi R. Inc, Selebogo Inc, Tasneem Moosa Attorneys, Tsebane Molaba Inc, Twala Attorneys and Conveyancers and Tyron I Pather & Associates Attorneys\Prokureurs.

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Board Of Directors' Responsibilities and Approval

The Directors are required by the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Directors to ensure that the annual financial statements fairly present the state of affairs of the 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 annual financial statements and were given unrestricted access to all financial records and related data.

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

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

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the 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 loss 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 annual financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.


The Directors have reviewed the company's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the 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 annual financial statements.

The annual financial statements set out on pages 6 to 41, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 November 2010 and were signed on its behalf by:



Mr J J Buys - Chairperson



Mrs H M Botes - Managing Director

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Board Of Directors' Responsibilities and Approval

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2010.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year the committee met 7 times

Name of member	Number of meetings attended
Ms J Armstrong (Chairperson)	7
Ms T Mofala (Independent member)	5
Mr R Buys (Independent member)	3
Mr H Mashele (Non executive director)	5

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2)(a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal controls applied by the company over financial and risk management is 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 annual financial statements, and the management letter of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the auditors of the company during the year under review.

Evaluation of annual financial statements

We have:

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

We concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the company and its audits.

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Board Of Directors' Responsibilities and Approval

Auditor-General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



Chairperson of the Audit Committee

Date: 30/11/2010

**AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL
LEGISLATURE AND COUNCIL ON THE FINANCIL STATEMENTS AND PERFORMANCE
INFORMATION OF JOHANNESBURG PROPERTY COMPANY (PROPRIETERY) LIMITED**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Johannesburg Property Company (Proprietary) Limited, which comprise statement of financial position as at 30 June 2010, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the directors' report as set out on pages xx to xx.

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 the basis of accounting and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), (Act No. 56 of 2003) and the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. 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.
5. 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Property Company (Proprietary) Limited as at 30 June 2010 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting as described in note 1 to the financial statements and in the manner required by the MFMA and Companies Act of South Africa, 2008.

Emphasis of matters

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

Restatement of corresponding figures

As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of an error discovered during the current financial year in the financial statements of the Johannesburg Property Company.

Fruitless and wasteful expenditure

As disclosed in note 31 to the financial statements, fruitless and wasteful expenditure to the amount of R790 601 was incurred as penalties and interest was paid to the South African Revenue Services.

Additional matters

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

Prior year audited by a predecessor auditor

No matters reported

Material inconsistencies in other information included in the [annual report / other information / supplementary schedules / annexures]

No matters reported

Unaudited supplementary schedules

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

Revision of the previously issued financial statements

No matters reported

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations MFMA, Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), Companies Act, 2008 (Act No. 71 of 2008) (Co Act), Municipal Structures Act, 1998 (Act No. 117 of 1998), and any other specific enabling legislation or legislation governing the mandate and operational activities of the entity

and financial management (internal control).

Predetermined objectives

10. There were no material findings on the report on predetermined objectives as set out on pages xx to xx

Compliance with laws and regulations

11. There were no material findings concerning noncompliance with the key laws and regulations listed above.

INTERNAL CONTROL

12. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), Companies Act, 2008 (Act No. 71 of 2008) (Co Act), Municipal Structures Act, 1998 (Act No. 117 of 1998), but not for the purpose of expressing an opinion on the effectiveness of internal control.
13. The matters reported are limited to the significant deficiencies that gave rise to the basis for opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations. There were no material findings to report with regard to the aforementioned.

OTHER REPORTS

- **Investigations**

An investigation was conducted by an independent forensic service firm on request of the entity and directive of the Mayoral Committee. The investigation was initiated based on the allegation of fraudulent transfer of Johannesburg properties by employees of the entity. The investigation has resulted in criminal proceedings being instituted against Johannesburg Property Company employees that were involved and is ongoing. The properties that were fraudulently transferred were recovered as per the court order date 22 September 2010.

Auditor-General

Johannesburg

30 November 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

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 2010.

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 & property development 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.

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

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 surplus of the company was R 33 568 256 (2009: surplus R 16 556 462), after taxation R 22 084 518 (2009: R 12 246 196).

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. The Directors further report that the company has applied for a full tax exemption and is awaiting the South African Revenue Service (SARS) response.

5. DIRECTORS' INTEREST IN CONTRACTS

Directors' 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 (Proprietary) Limited does not have the authority to borrow funds on its own behalf. All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality.

8. NON-CURRENT ASSETS

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

9. DIVIDENDS

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

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Board Of Directors' Report

10. BOARD OF DIRECTORS

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

Name	Nationality	Changes in appointment
Mrs H M Botes - Managing Director	South African	
Mr J J Buys - Chairperson	South African	
Ms J Armstrong	South African	
Adv D Maritz	South African	
Dr D Sekhukhune	South African	
Mr S Dzengwa	South African	
Mr H Mashele	South African	
Mr A Sibanda	South African	
Mr L Itholeng	South African	Appointed 26 January 2010
Adv G Malindi	South African	Resigned 26 January 2010
Mr J Tootla	South African	Resigned 26 January 2010
Ms M Mohlala	South African	Resigned 30 September 2009

11. COMPANY SECRETARY

Ms K Bizana was appointed on 1 July 2009 and resigned on 30 April 2010 and Mr D Mosito was appointed in her stead on 01 May 2010.

Business address

9th Floor
Braamfontein Centre
23 Jorissen Place
Braamfontein
2000

Postal address

P O Box 31565
Braamfontein
2017

12. CORPORATE GOVERNANCE

12.1 General

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

The City of Joburg Property Company confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King 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:
 - 8 non-executive directors, all of whom are independent directors as defined in the Code; and
 - 1 executive director.

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Board Of Directors' Report

12.3 Chairperson and Managing Director

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 who is the only executive director of the company, are determined by the Shareholder and ratified by the Board of Directors. The members of the HR Sub committee are Dr D Sekhukhune, Adv D T Maritz and Mr L Itholeng.

12.5 Board of Directors' meetings

The Board of Directors is required to meet at least 4 times per annum. During the current financial year the Board of Directors has met on 9 separate occasions.

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

Name	Board Meeting	Audit and Risk committee meeting	Transaction Committee meeting	Remuneration and HR Committee meeting
Total number of meetings held	9	7	10	6
Adv G Malindi	4	-	-	2
Mr S Dzengwa	8	-	9	-
Mr J J Buys - Chairperson	9	7	10	2
Adv D Maritz	6	2	-	4
Mr J Tootla	1	-	-	-
Dr D Sekhukhune	9	-	-	6
Mr H Mashele	7	5	-	-
Mr A Sibanda	9	2	10	1
Ms J Armstrong	6	7	-	1
Mr L Itholeng	5	-	1	3

12.6 Audit and risk committee

The chairperson of the Audit and Risk Committee is Ms J Armstrong, who is a non-executive director. The audit and risk committee met 7 times during the 2010 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 R Buys and Prof Nel who was appointed and resigned during the period under review. The audit and risk committee has fulfilled its responsibilities as provided for in Section 166 of the Municipal Finance Management Act.

12.7 Internal audit

The company's internal audit function is performed by the City of Johannesburg Risk and Audit Services. This is in compliance with the Municipal Finance Management Act, 2003. Subsequent to year end, Price Waterhouse Coopers has been appointed to carry out the internal audit function.

13. CONTROLLING ENTITY

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

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Board Of Directors' Report

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 and section 270(2) of the Companies Act 1973, as amended.

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Certificate by Company Secretary

In terms section 242G(d) of the Company's Act of South Africa, Act 61 of 1973, as amended, I certify that the company has lodged with the Registrar all such returns as required by the Companies Act and that all such returns are true, correct and up to date.

D Mosito

Mr D Mosito

City of Joburg Property Company (Pty) Ltd
30 November 2010

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
ASSETS			
Current Assets			
Loans to shareholders	3	6 036 426	33 431 842
Current tax receivable		751 425	-
Operating lease asset	4	12 077	-
Trade and other receivables	5	79 914 490	1 310 374
Prepayments		373 941	76 714
Project Funding	7	-	754 853
Cash and cash equivalents	8	15 341	3 777
		87 103 700	35 577 560
Non-Current Assets			
Property, plant and equipment	9	4 116 670	4 300 134
Intangible assets	10	10 875 364	8 678 388
Deferred tax	11	794 780	709 316
		15 786 814	13 687 838
Total Assets		102 890 514	49 265 398
LIABILITIES			
Current Liabilities			
Loans from shareholders	3	33 630 195	359 480
Project Funding	7	885 985	-
Current tax payable		-	3 179 034
Finance lease obligation	12	614 731	567 468
Operating lease liability	4	-	75 577
Trade and other payables	13	7 335 252	5 456 814
Provision for leave pay	14	1 656 125	1 615 393
		44 122 288	11 253 766
Non-Current Liabilities			
Loans from shareholders	3	4 312 063	6 861 527
Finance lease obligation	12	1 273 250	1 183 232
Retirement benefit obligation	6	880 000	579 000
Deferred tax	11	1 746 418	915 896
		8 211 731	9 539 655
Total Liabilities		52 334 019	20 793 421
Equity		50 556 495	28 471 977
EQUITY			
Share Capital	15	6 236 369	6 236 369
Accumulated Surplus		44 320 126	22 235 608
Total Net Assets		50 556 495	28 471 977

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue	16	87 900 281	65 916 145
Operating expenses		(55 426 463)	(49 839 966)
Operating surplus		32 473 818	16 076 179
Investment revenue	19	2 093 898	1 465 278
Finance costs	20	(999 460)	(984 995)
Surplus before taxation		33 568 256	16 556 462
Taxation	21	(11 483 738)	(4 310 266)
Surplus for the year		22 084 518	12 246 196

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)
Annual Financial Statements for the year ended 30 June 2010

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	6 235 369	6 236 369	10 426 574	16 662 943
Adjustments						
Prior year adjustments	28	-	-	-	(437 162)	(437 162)
Balance at 01 July 2008 as restated		1 000	6 235 369	6 236 369	9 989 412	16 225 781
Changes in net assets						
Surplus for the year		-	-	-	12 246 196	12 246 196
Total changes		-	-	-	12 246 196	12 246 196
Opening balance as previously reported		1 000	6 235 369	6 236 369	22 207 766	28 444 135
Adjustments						
Prior year adjustments	28	-	-	-	27 842	27 842
Balance at 01 July 2009 as restated		1 000	6 235 369	6 236 369	22 235 608	28 471 977
Changes in net assets						
Surplus for the year		-	-	-	22 084 518	22 084 518
Total changes		-	-	-	22 084 518	22 084 518
Balance at 30 June 2010		1 000	6 235 369	6 236 369	44 320 126	50 556 495

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Cash flow statement

Figures in Rand	Note(s)	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		8 629 528	69 862 603
Interest income		2 093 898	1 465 278
		<u>10 723 426</u>	<u>71 327 881</u>
Payments			
Employee costs		(37 328 176)	(31 778 492)
Suppliers		(15 916 997)	(12 557 254)
Finance costs		(760 816)	(603 225)
Taxes on surpluses	24	(14 669 139)	(3 142 381)
		<u>(68 675 128)</u>	<u>(48 081 352)</u>
Net cash flows from operating activities	23	<u>(57 951 702)</u>	<u>23 246 529</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(1 139 536)	(1 580 713)
Proceeds from disposal of property, plant and equipment	9	26 888	29 854
Purchase of other intangible assets	10	(2 444 097)	(3 058 742)
Proceeds from disposal of other intangible assets	10	87 263	2 829
Loss from disposal of financial assets		(85 688)	(3 813)
Purchase of project funding		-	(754 853)
Proceeds from sale of project funding		754 853	-
Other cash item		733 190	3 817
Net cash flows from investing activities		<u>(2 067 127)</u>	<u>(5 361 621)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of project funding		885 985	-
(Repayment)/Advance of shareholders loan		58 116 667	(23 352 061)
Finance lease payments		(101 363)	(215 743)
Net cash flows from financing activities		<u>58 901 289</u>	<u>(23 567 804)</u>
Net increase/(decrease) in cash and cash equivalents		11 564	(599 188)
Cash and cash equivalents at the beginning of the year		3 777	602 965
Cash and cash equivalents at the end of the year	8	<u>15 341</u>	<u>3 777</u>

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

The standards comprise of the following:

- 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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Provisions

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

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 in each jurisdiction. 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 6.

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Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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.

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, 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
Furniture and fixtures	16 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 financial year. 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 loss 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

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Accounting Policies

1.2 Property, plant and equipment (continued)

loss 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 leases are depreciated over their expected useful lives on the same bases as owned assets or, where shorter, the term of the relevant lease.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate 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.

Intangible assets are initially recognised at cost.

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	7 years

Intangible assets are derecognised:

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

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Accounting Policies

1.3 Intangible assets (continued)

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

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Accounting Policies

1.4 Financial instruments

Initial recognition and measurement

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

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

Loans to (from) Group Companies

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

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

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

Trade and other receivables

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 loss 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 loss is recognised in surplus or loss 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 loss.

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

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Accounting Policies

1.4 Financial instruments (continued)

Trade and other payables

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

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

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

Derecognition

Financial assets

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

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

Financial liabilities

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

1.5 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

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Accounting Policies

1.5 Current and Deferred Tax (continued)

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).

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 loss 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 other comprehensive income; or
- a business combination.

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

1.6 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 incremental borrowing rate.

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.

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Accounting Policies

1.7 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.

1.8 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.

1.9 Employee benefits

Short-term employee benefits

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

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

The expected cost of 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.

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Accounting Policies

1.9 Employee benefits (continued)

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.

1.10 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 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. Contingencies are disclosed in note .

1.11 Revenue

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably;

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Accounting Policies

1.11 Revenue (continued)

and

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

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

Revenue for the entity, comprises of commission and subsidies

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.

Subsidy

The subsidy received from the City of Johannesburg Metropolitan Municipality is recognised at fair value when it is received. The company received a subsidy as assistance towards its operational expenditure. There are no conditions attached to the subsidy received.

1.12 Borrowing costs

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

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Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective/relevant

The company has not applied the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2010 or later periods, but not relevant to the corporation.

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 company. 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 company'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 Accounting Standards 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.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The company expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the company's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph 19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the company is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

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Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Accounting Standard 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.

The effective date of the standard is for years beginning on or after 01 April 2010.

The company expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the company's annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or loss. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or loss. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Accounting Standard 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.

The effective date of the standard is for years beginning on or after 01 April 2010.

The company expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the company's annual financial statements.

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Notes to the Annual Financial Statements

Figures in Rand	2010	2009
3. LOANS TO/FROM SHAREHOLDERS		
City of Johannesburg Metropolitan Municipality - No interest bearing The loan relates to overpayment of subsidy amount payable to the City of Johannesburg at the end of each financial year as result of budget adjustments.	(5 080 412)	(359 480)
City of Johannesburg Metropolitan Municipality - No Interest bearing The amount is in respect of capital expenditure claims not received as yet	1 093 647	5 626 115
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.	3 817 012	4 754 136
City of Johannesburg Metropolitan Municipality - Unsecured loan - CoJ Housing The loan is interest bearing at average rate of 9.05% and has no fixed terms of repayment.	1 125 767	4 899 431
City of Johannesburg Metropolitan Municipality - Capex Loans The loan is unsecured and is repayable in equal quarterly installments over 3 to 6 years, and bears interest at the interest rate of 10.9%.	(4 312 063)	(6 861 527)
City of Johannesburg Metropolitan Municipality - Sweeping account The Sweeping Account bears interest at the call rate of 9.05% p.a irrespective of the balance being favourable or not.	(28 549 783)	18 152 160
	(31 905 832)	26 210 835
Current assets	6 036 426	33 431 842
Non-current liabilities	(4 312 063)	(6 861 527)
Current liabilities	(33 630 195)	(359 480)
	(31 905 832)	26 210 835
4. OPERATING LEASE ASSET/LIABILITY		
Current assets	12 077	-
Current liabilities	-	(75 577)
	12 077	(75 577)
This balance relates to smoothing of operating lease for the premises let by JPC from Eris Properties with 10 months remaining on the lease period.		
5. TRADE AND OTHER RECEIVABLES		
Trade debtors	79 554 969	950 853
Rental deposit	359 521	359 521
	79 914 490	1 310 374
5.1 Trade and other receivables		
Trade debtors	79 554 969	950 853

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5. TRADE AND OTHER RECEIVABLES (continued)

5.2 Trade and other receivables impaired

As of 30 June 2010, no impairment provision was considered necessary on trade and other receivables

As at 30 June 2010 trade receivables amounting to R79 554 969 were due but not impaired. Two clients make up the largest part of the outstanding balance and have made arrangements to pay after year end, as all conditions related to the transactions have now been met.

The ageing of these debtors are as follows:

Over 6 months	79 554 969	235 980
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6. RETIREMENT BENEFITS

6.1 Post retirement medical plan

The company has made provision for post retirement medical benefits covering two employees, on two separate medical aid schemes. The liability of these benefits to date of acquisition has been assumed by the City of Johannesburg Metropolitan Municipality, until 30 June 2009 after which the City has paid the amount totalling R420 400 to support the provision that was made prior sale of business to JPC, making the company fully liable for the obligation.

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

Carrying value

Present value of defined benefit obligation - The City of Johannesburg Metropolitan Municipality	-	(595 000)
Present value of the defined benefit obligation - The City of Joburg Property Company (Proprietary) Limited	(880 000)	16 000
Balance at end of year	(880 000)	(579 000)

6.1.1 Post retirement medical aid plan

The actuarial valuations were done by Independent Actuarial Consultants, an independent post retirement plan administrator and they determined that the retirement plan was in a sound financial position.

Movements for the year

Opening balance	579 000	496 000
Net expense recognised in the statement of financial performance	301 000	83 000
	880 000	579 000

Net expense recognised in the statement of financial performance

Current service cost	26 000	26 000
Interest cost	49 000	47 000
Actuarial losses	226 000	10 000
	301 000	83 000

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6. RETIREMENT BENEFITS (continued)

Key assumptions used

Assumptions used on last valuation on 30 June 2010.

Discount rates used	9,00 %	8,40 %
Health care cost inflation rate	7,40 %	8,40 %
Rate of increase in employer post-retirement medical contribution subsidy payments	9,00 %	6,80 %

The calculations for post-retirement medical aid were based on the policy recently 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 the the age of 55 on 1 July 2003 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.

7. PROJECT FUNDING

Funds received from the City Joburg Department of Housing, to purchase land on their behalf, earmarked for various housing projects

Opening Balance	754 853	5 083 706
Funds Received	(1 500 232)	(17 930 006)
Interest (Received)/Paid on COJ Sweeping Account (Relating to project funding)	(140 606)	532 807
Land Purchased	-	13 068 346
	(885 985)	754 853

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	2 220	2 220
Bank balances - Non sweeping salary account	13 121	1 557
	15 341	3 777

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. Any balance due from The City of Johannesburg Metropolitan Municipality is not readily available for use and has therefore been reflected in Note 3 as an amount due to COJ.

9. PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	1 372 351	(465 166)	907 185	1 385 010	(382 472)	1 002 538
Office equipment	506 525	(195 309)	311 216	505 255	(137 321)	367 934
IT equipment	1 936 804	(721 619)	1 215 185	2 049 825	(950 901)	1 098 924
Leasehold improvements	793 122	(592 741)	200 381	792 619	(412 371)	380 248
Capitalised leased office equipment	2 665 117	(1 182 414)	1 482 703	2 583 913	(1 133 423)	1 450 490
Total	7 273 919	(3 157 249)	4 116 670	7 316 622	(3 016 488)	4 300 134

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9. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 002 538	5 338	(12 965)	(87 726)	907 185
Office equipment	367 934	9 105	(5 343)	(60 480)	311 216
IT equipment	1 098 924	472 684	(160 973)	(195 450)	1 215 185
Leasehold improvements	380 248	502	-	(180 369)	200 381
Capitalised leased office equipment	1 450 490	651 907	(112 122)	(507 572)	1 482 703
	4 300 134	1 139 536	(291 403)	(1 031 597)	4 116 670

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	906 185	265 111	(87 656)	(81 102)	1 002 538
Office equipment	419 941	105 360	(52 342)	(105 025)	367 934
IT equipment	1 177 121	488 870	(242 578)	(324 489)	1 098 924
Leasehold improvements	343 569	194 967	(28 417)	(129 871)	380 248
Capitalised leased office equipment	1 255 348	526 405	-	(331 263)	1 450 490
	4 102 164	1 580 713	(410 993)	(971 750)	4 300 134

10. INTANGIBLE ASSETS

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, internally generated	7 409 139	-	7 409 139	5 090 092	-	5 090 092
Computer software	4 345 856	(879 631)	3 466 225	4 450 465	(862 169)	3 588 296
Total	11 754 995	(879 631)	10 875 364	9 540 557	(862 169)	8 678 388

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, internally generated	5 090 092	2 319 047	-	-	7 409 139
Computer software	3 588 296	125 050	(87 263)	(159 858)	3 466 225
	8 678 388	2 444 097	(87 263)	(159 858)	10 875 364

Reconciliation of intangible assets - 2009

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, internally generated	2 486 789	2 603 303	-	-	5 090 092
Computer software	3 371 996	455 439	(2 829)	(236 310)	3 588 296
	5 858 785	3 058 742	(2 829)	(236 310)	8 678 388

The company is currently developing an internally generated computer software called PIMS and its expected to be completed in the next financial year.

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10. INTANGIBLE ASSETS (continued)		
Prior year intangible adjustments.		
During the previous years the entity amortised the Property Information management system while it was still being developed. The adjustment was subsequently made which resulted in prior year adjustments being made.		
Intangible assets opening balance		
Balance as previously reported	8 678 389	4 871 492
Prior year adjustments	-	987 294
Additions	2 444 097	3 058 742
Disposals	(87 265)	(2 829)
Amortisation	(159 858)	(236 310)
Closing balance for the year	10 875 363	8 678 389
11. DEFERRED TAX		
Deferred tax liability		
Prepaid Expenses	(8 234)	(21 480)
Provision for leave pay	463 715	452 310
Smoothing of the operating lease	(3 382)	-
Finance lease liability	84 665	94 886
Provision for Post Retirement Medical Aid	246 400	162 120
Property, Plant and Equipment & Intangibles	(1 734 802)	(894 416)
	(951 638)	(206 580)
Deferred tax liability		
At beginning of the year	(206 580)	(57 861)
Movement in timing differences	(745 058)	(148 719)
	(951 638)	(206 580)
Deferred Tax Summary		
Deferred tax assets	794 780	709 316
Deferred tax liability	(1 746 418)	(915 896)
	(951 638)	(206 580)

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12. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within one year	876 820	772 541
- in second to fifth year inclusive	1 563 165	1 411 861
	<u>2 439 985</u>	<u>2 184 402</u>
less: future finance charges	(552 004)	(433 701)
Present value of minimum lease payments	1 887 981	1 750 701
Present value of minimum lease payments due		
- within one year	614 731	567 468
- in second to fifth year inclusive	1 273 250	1 183 232
	<u>1 887 981</u>	<u>1 750 700</u>
Non-current liabilities	1 273 250	1 183 232
Current liabilities	614 731	567 468
	<u>1 887 981</u>	<u>1 750 700</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 an average interest rate of 15%, and are secured by the assets itself.

13. TRADE AND OTHER PAYABLES

Trade payables	4 768 935	4 649 468
Accruals	2 566 317	807 346
	<u>7 335 252</u>	<u>5 456 814</u>

14. PROVISION FOR LEAVE PAY

Reconciliation of provision for leave pay - 2010

	Opening Balance	Additions	Total
Leave pay provision	1 615 393	40 732	1 656 125

The company has enforced the leave policy during the year under review, thus reducing the provision.

Reconciliation of provision for leave pay - 2009

	Opening Balance	Additions	Total
Leave pay provision	977 999	637 394	1 615 393

15. SHARE CAPITAL

Authorised

1000 Ordinary shares of R1 each	1 000	1 000
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Issued

1000 Ordinary shares of R1 each	1 000	1 000
Share premium	6 235 369	6 235 369
	<u>6 236 369</u>	<u>6 236 369</u>

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16. REVENUE		
Commission received - City of Joburg Metropolitan Municipality	18 664 096	40 687 450
Subsidy received - City of Joburg Metropolitan Municipality	537 000	10 516 000
Third Party Development fees	68 699 185	14 712 695
	87 900 281	65 916 145
17. GENERAL EXPENSES		
Advertising	605 242	848 378
Auditors remuneration	1 365 810	1 645 843
Bank charges	46 257	33 200
Cleaning	150 071	185 542
Consulting and professional fees	2 087 290	1 813 179
Insurance	430 767	369 165
Community development and training	7 980	-
Conferences and seminars	476 110	451 090
IT expenses	1 047 836	948 305
Lease rentals on operating lease	2 159 651	2 046 536
Placement fees	533 811	487 126
Postage and courier	112 847	91 118
Printing and stationery	897 251	992 198
Promotions	196 036	742 174
Security (Guarding of municipal property)	34 682	27 085
Software expenses	652 301	266 086
Staff welfare	411 346	652 639
Subscriptions and membership fees	745 469	779 750
Telephone and fax	1 104 609	601 383
Training	280 423	515 329
Travel - local	271 174	759 246
Travel - overseas	884 641	1 168 251
Assets expensed	31 630	60 733
Electricity	283 382	223 451
Water	124 136	279 694
Irregular, fruitless and wasteful expenditure (Note 30)	790 601	37 650
Board Expenses	388 677	110 499
	16 120 030	16 135 650
18. EMPLOYEE RELATED COSTS		
Employee related costs : Salaries and wages	24 602 848	20 624 798
Post-retirement medical aid benefits-Defined benefit plan	301 000	77 000
SARS site and PAYE	9 354 264	7 563 422
Bonus	1 800 006	1 609 295
UIF	341 778	304 041
SDL	399 891	322 137
Other payroll levies	68 267	31 961
Leave pay provision charge	43 264	637 703
Pension costs	6 741 578	608 135
	37 652 896	31 778 492

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19. INVESTMENT REVENUE		
Interest revenue		
Fair value adjustments of receivables	-	1 441 106
Bank	8 128	24 172
Interest charged on trade and other receivables	2 085 770	-
	2 093 898	1 465 278
20. FINANCE COSTS		
Loan from the City of Johannesburg Metropolitan Municipality	760 816	603 225
Finance leases	238 644	381 770
	999 460	984 995
21. TAXATION		
Major components of the tax expense		
Current		
Local income tax - current period	8 788 332	4 161 547
Local income tax - recognised in current tax for prior period (2007)	1 950 348	-
	10 738 680	4 161 547
Deferred		
Originating and reversing temporary differences	745 058	148 719
	11 483 738	4 310 266
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus	33 568 256	16 556 462
Tax at the applicable tax rate of 28% (2009:28%)	9 399 112	4 655 970
Tax effect of adjustments on taxable income		
2007 tax assessment paid in the current period	1 950 348	-
Reversal of 2009 tax overprovision	(1 307 272)	(437 162)
Permanent Differences	430 366	(1 077 833)
Other (non deductible)	1 011 184	1 169 291
	11 483 738	4 310 266
22. AUDITORS' REMUNERATION		
Fees	1 365 810	1 645 843
Reconciliation of audit fees		
Audit Fees - External	552 740	984 443
Audit Fees - Internal	813 070	661 400
	1 365 810	1 645 843

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23. CASH (USED IN) GENERATED FROM OPERATIONS		
Surplus	22 084 518	12 246 196
Adjustments for:		
Depreciation and amortisation	1 191 454	1 208 059
Loss on sale of assets and liabilities	350 203	384 952
Finance costs - Finance leases	238 644	381 770
Debt impairment	16 653	-
Movements in operating lease assets and accruals	(87 654)	(110 076)
Movements in retirement benefit assets and liabilities	301 000	83 000
Movements in provisions	40 732	637 394
Movement in tax receivable and payable	(3 930 459)	1 019 166
Annual charge for deferred tax	745 058	148 719
Other non-cash items	(733 690)	(3 817)
Changes in working capital:		
Trade and other receivables	(78 604 116)	3 900 538
Consumer debtors	(16 653)	-
Prepayments	(297 227)	45 917
Trade and other payables	749 835	3 304 711
	(57 951 702)	23 246 529
24. TAX RECEIVABLE		
Balance at beginning of the year	(3 179 034)	(2 159 868)
Current tax for the year recognised in surplus or loss	(10 738 680)	(4 161 547)
Balance at end of the year	751 425	(3 179 034)
	14 669 139	3 142 381
25. COMMITMENTS		
Commitments in respect of capital expenditure:		
Authorised		
• Property, plant and equipment	2 000 000	2 500 000
This expenditure will be financed from:		
External Loans	2 000 000	2 500 000
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	453 508	1 258 690
- in second to fifth year inclusive	-	413 529
	453 508	1 672 219

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26. 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 (Pty) Ltd
 City Power (Pty) Ltd
 Johannesburg City Parks (Association Incorporated Under Section 21)
 Johannesburg Development Agency (Pty) Ltd
 Johannesburg Metropolitan Bus Services (Pty) Ltd
 Johannesburg Roads Agency (Pty) Ltd
 Johannesburg Market
 Johannesburg Water (Pty) Ltd
 Metropolitan Trading Company (Pty) Ltd
 Pikitup (Pty) Ltd
 Roodepoort City Theatre
 Johannesburg Theatre
 Johannesburg Tourism Company
 The Johannesburg Zoo (Association Incorporated Under Section 21)

Related party balances

Loan Accounts - Owing from related parties

City of Johannesburg Metropolitan Municipality	6 036 426	33 431 842
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Loan accounts - Owing to related parties

City of Johannesburg Metropolitan Municipality	37 942 258	7 221 007
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Interest paid to related parties

To the City of Johannesburg Metropolitan Municipality	623 408	643 099
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Services rendered to related parties

The City of Johannesburg Metropolitan Municipality - Subsidy fees	537 000	10 516 000
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The City of Johannesburg Metropolitan Municipality - Commission received	18 664 096	40 687 450
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Fair value adjustments	-	1 441 106
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	19 201 096	52 644 556
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27. DIRECTORS' EMOLUMENTS

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

Executive

2010	Annual remuneration	Performance bonus	Car allowance	Total
Ms H M Botes	852 473	-	249 999	1 102 472
2009	Annual remuneration	Performance bonus	Car allowance	Total
Ms H M Botes	62 500	-	22 001	84 501
Ms G E M Mazibuko	256 797	8 000	-	264 797
	319 297	8 000	22 001	349 298

Non-executive

2010	Retainer	Attending meetings	Total
Mr J J Buys	28 105	164 678	192 783
Ms J Armstrong	19 840	103 170	123 010
Mr H Mashele	19 840	59 520	79 360
Mr S Dzengwa	19 840	78 382	98 222
Mr L Itholeng	8 266	40 680	48 946
Mr A Sibanda	19 840	99 220	119 060
Mr J Tootla	-	4 960	4 960
Dr D Sekhukhune	19 840	80 352	100 192
Adv G Malindi	23 144	48 610	71 754
Adv D Maritz	19 840	55 200	75 040
Ms P Mosupye	-	10 063	10 063
	178 555	744 835	923 390
2009	Retainer	Attending meetings	Total
Adv G Malindi	34 500	103 500	138 000
Ms P Mosupye	10 063	29 328	39 391
Mr J J Buys	17 250	112 993	130 243
Dr D Sekhukhune	17 250	73 318	90 568
Adv D Maritz	17 250	35 366	52 616
Mr J Tootla	-	21 565	21 565
Ms J Armstrong	7 188	30 189	37 377
Mr H Mashele	7 188	29 328	36 516
Mr S Dzengwa	7 188	16 389	23 577
Mr A Sibanda	7 188	20 702	27 890
Ms M Mohlala	7 188	17 252	24 440
	132 253	489 930	622 183

28. PRIOR PERIOD ERRORS

Statement of financial position

Property, plant and equipment - Accumulated depreciation (Note 1)	-	38 670
Deferred tax adjustment (Note 2)	-	(10 828)
JTC - Trade and other receivable(Note 3)	-	(3 000 000)
Trade and other payables - CoJ Portfolio (Note 3)	-	3 000 000
	-	27 842

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28. PRIOR PERIOD ERRORS (continued)

- | | | |
|-----------------------------|---|---|
| 1. Accumulated depreciation | - | An amount of R 38 608.19 is shown in the statement of changes in equity as a prior year error. The amount relates to two assets that were owned in the previous financial year and recorded as such in the asset register of that year, but were not disclosed in the financials as an asset. The reason for the amount not disclosing on the financials of the previous year was that the journal from the asset register to the Nicor TB that feeds to case ware file did not pull through to the TB. The system was checked and rechecked this financial year to ensure that all journals pull through as they should. |
| 2. Deferred tax adjustment | - | This relates to deferred tax effect on the adjustment of prior period errors. |
| 3. Joburg Tourism Company | - | During the previous financial year an entry amounting to R3 million was raised in the books relating to payment made from Portfolio account with regards the Miss World Competition. This entry should not have been raised as there were no proper authorisation and JPC had no obligation to account for it in the first place, thus the correction made in the current financial year. |

Statement of financial performance

Depreciation	-	(38 670)
Deferred tax charge	-	10 828
	-	(27 842)

29. 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 (Pty) 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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2010				
Borrowings	2 812 063	1 499 999	-	-
Finance lease liabilities	-	614 731	1 213 250	-
Trade and other payables	7 335 249	-	-	-
At 30 June 2009				
Borrowings	-	2 782 242	4 080 102	-
Finance lease liabilities	-	567 468	1 183 222	-
Trade and other payables	5 456 814	-	-	-

The table above analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amount disclosed in the table are the contractual

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29. RISK MANAGEMENT (continued)

undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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.

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 mainly made up of development fees on contracts awarded to a developer who has been awarded the tender. The company manages this 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.

30. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. 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 and subsidy 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 and subsidy, JPC has a 30 year agreement with the Shareholder, of which 22 years remaining.

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31. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
SARS penalties and interest	790 601	37 650
Irregular expenditure - Consulting fees	-	523 640
Irregular expenditure - Consulting fees VAT	-	73 310
	790 601	634 600

2010 : The penalties and interest reflected in the current financial year relates to the clean up process with regards to late submission of prior years tax returns for the periods 2006/07 and 2007/08 as reported in the previous year's audit findings. The events leading to the fruitless and wasteful expenditure were investigated by management and found to be as a result of a human error. This has been reported to the board. Corrective action has been taken to ensure that the matter does not recur.

2009 : The penalties and interest reflected in the previous year were due to the payment of Executive Manager's bonuses being paid on 17th February 2009 and the PAYE relating to bonuses only being paid in May 2009. These payments were made after the close off period which is the 7th of each month. This money has been paid to SARS and a request is being made to waive the interest and penalties and a response has not been received in this regard. Appropriate steps have been implemented to ensure that the error does not occur again. The events leading to the fruitless and wasteful expenditure were investigated by management and found to be as a result of a human error. Corrective action has been taken and the matter is now considered closed.

2009 (Other irregular expenditure) : The irregular expenditure is a result of the Supply Chain Management process that was not followed. An initial quote of R 201 780.00 (inclusive of VAT) was received, but was subsequently revised to R 199 642.50 (to avoid the tender process) and the appointment made in line with the revised quote. The quote was based on an hourly rate in terms of the scope of work provided by JPC. Additional hours were spent in order to finalise the project resulting in a cost overrun of R 397 307.10 (inclusive of VAT). This matter was investigated by the committee nominated by the Board, and based on the findings no further action was required to be taken.

32. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

33. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Regulation 36(1)(a) of the Municipal Supply Chain Management Regulations states that the accounting officer may dispense with the normal procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board of directors and includes a note to the annual financial statements.

The IT back-up tapes and internal audit services were procured during the financial year under review and the process followed in procuring those goods and services deviated from the provisions of Municipal Supply Chain Management Regulations. The reasons for these deviations were documented and reported to the board of directors who considered them and subsequently approved the deviation from the normal supply chain management regulations.

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Detailed Income statement

Figures in Rand	Note(s)	2010	2009
Revenue			
Rendering of services		18 664 096	40 687 450
Subsidy received		537 000	10 516 000
Third Party Facilitation Development Fees		68 699 185	14 712 695
Interest received - investment	19	2 093 898	1 465 278
Total Revenue		89 994 179	67 381 423
Expenditure			
Personnel	18	(37 652 896)	(31 778 492)
Depreciation and amortisation		(1 191 454)	(1 208 059)
Finance costs	20	(999 460)	(984 995)
Bad debts		(16 653)	-
Repairs and maintenance		(95 227)	(332 813)
General Expenses	17	(16 120 030)	(16 135 650)
Total Expenditure		(56 075 720)	(50 440 009)
Loss on disposal of assets and liabilities		(350 203)	(384 952)
Taxation	21	(11 483 738)	(4 310 266)
Surplus for the year		22 084 518	12 246 196

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

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City of Joburg Property Company (Pty) Limited
 APPENDIX E(1) for the ended 30 June 2010
 Statement of Financial Performance
 Yearly Reporting Period Bucket
 June 2010

	Actual Balance (000's)	Original Budget (000's)	Variance (000's)	Var	Revised Budget (000's)	Explanation of Significant Variances greater than 10% versus Budget
Revenue						
Income from agency services	537	537	-	-	-	- In line with budget
Commission received	18 664	83 372	(64 708)	(77,6)	-	- Agency commission did not reach the expected budget due to commission on capital projects did not materialise as CoJ Portfolio's revised CAPEX budget was not approved. The revised budget didn't incorporate these subsequent changes, also revenue did not reach expected budget due to the slow realisation of income on additional initiatives e.g Income anticipated from outdoor advertising did not materialise due to by-laws not being approved and income anticipated from Land Sales which did not be attainable due to the delays experienced at the Deeds Office with regards to the registration of transactions
Third Party Development fees	68 699	38 844	29 855	76,9	-	- Development fee over budget as a result of contract concluded with Cedar Park Properties amounting to R58,0m
Other income	87 900	122 753	(34 853)	(28,4)	-	
Interest received	2 094	7	2 087	9 814,3	-	- Over budget due interest raised on outstanding capital debtors and also a result of fair value adjustments on the discounting of debtors.
Gross Profit	2 094	7	2 087	9 814,3	-	
Expenses	89 994	122 760	(32 766)	(26,7)	-	
Employee related costs	(37 653)	(47 440)	9 787	(20,6)	-	- Salary cost are below budget due to the fact personnel have not yet been appointed as per the approved organogram as the company awaits the result of turnaround strategy
Bad debts	(17)	-	(17)	-	-	- The over expenditure resulted from a recalculation in terms of the policy of the Council based on the corrected outstanding debtors balance relating to housing department and also as a result of a decrease in the collection levels over the last six months in respect of property rates.
Depreciation	(1 032)	(849)	(183)	21,6	-	- Depreciation is above budget due to the capitalisation of two new Photocopiers (under Finance Lease) which were not provided for in the adjusted budget as the machines replaced were expected to be operate at full capacity till the expire of lease
Amortisation	(160)	(295)	135	(45,8)	-	- Variance as result of no amortisation has been raised on PIMS, as the project is still under development.
Repairs and maintenance	(95)	-	(95)	-	-	
Finance costs	(999)	(1 109)	110	(9,9)	-	
General expenses	(16 120)	(21 342)	5 222	(24,5)	-	- Other expenditure is below allocated budget for the year due to cost savings realised on professional fees, travel and office operating costs as a of result strict control measures implemented by finance and procurement.
Surplus on disposal of property, plant, plant and equipment	(265)	-	(265)	-	-	
Surplus or deficit Other financial assets	(86)	-	(86)	-	-	
	(56 427)	(71 035)	14 608	(20,6)	-	
Operating profit	33 567	51 725	(18 158)	(35,1)	-	
Net surplus/ (deficit) for the year	33 567	51 725	(18 158)	(35,1)	-	
Taxation	(11 484)	(17 741)	6 257	(35,3)	-	
Profit /(Loss) for the year	22 083	33 984	(11 901)	(35,0)	-	