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a world class African city



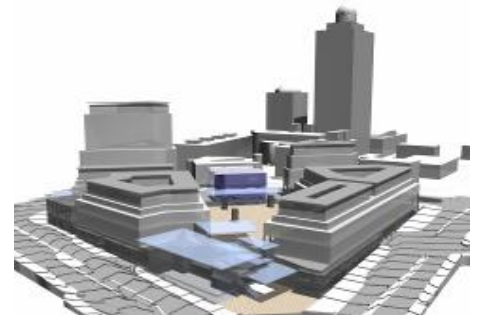
CITY OF JOBURG PROPERTY COMPANY (PTY) LTD

Registration No: 2000/017147/07



ANNUAL REPORT

2009/10



(In terms of Section 121 of the Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act, 2000)

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SECTION 1: PROFILE

Section 1.1: Scope of report	4
Section 1.2: Company profile	5
Section 1.3: Vision, mission, values and strategic objectives	12

SECTION 2: PROFILE

Section 2.1: Foreword by Member of the Mayoral Committee	28
Section 2.2: Chairperson's Review	30
Section 2.3: Board of Directors	33
Section 2.4: Managing Director's Review	36
Section 2.5: Chief Financial Officer Review	39
Section 2.6: Executive Management	42

SECTION 3: PERFORMANCE REVIEW

Section 3.1: Highlights and Achievements	45
Section 3.1.1: Financial performance	48
Section 3.2: Performance against IDP and City Scorecard	50
Section 3.2.1: JPC Scorecard 2009/10	66
Section 3.3: Assessment of Arrears on municipal taxes and service charges	73
Section 3.4: Statement on amounts owed by Government Departments and public entities	74
Section 3.5: Recommendations and plans for the next financial year.	74

SECTION 4: CORPORATE GOVERNANCE

Section 4.1: Introduction	78
Section 4.2: Statements of Compliance	78
Section 4.3: Code of Ethics	79
Section 4.4: Conflicts of Interest	80
Section 4.5: Breach of Governance structures	80
Section 4.6: Governance Structures	81
Section 4.6.1: Board of Directors composition and information	81
Section 4.6.2: Board Committees	82
Section 4.6.3.: Schedule of attendance of meetings	84
Section 4.6.4: Board Remuneration	85

REPORT

Section 5.1: Sustainability vision, policy and strategy	88
Section 5.2: Material issues	90
Section 5.3: Sustainable commitments	91
Section 5.4: Risk Management and processes	92
Section 5.5: Stakeholder engagements	98
Section 5.6: Economic impact	99
Section 5.7: Socio-economic development	100
Section 5.8: Transformation and empowering employees	102
Section 5.9: Environmental responsibility	109
SECTION SIX: FINANCIAL STATEMENTS	110
Directors' responsibility statement	113
Directors' report	122
Company Secretary Certificate	123
Audit Committee Report	114
Auditors' report	116
Statement of Financial Position	124
Statement of Financial Performance	125
Statement of Changes in Net Assets	126
Cash Flow Statement	127
Notes to the Annual Financial Statement	138
ABBREVIATIONS AND ACRONYMS	157
COMPANY INFORMATION	158

1.1. SCOPE OF REPORT

This annual report covers the City of Joburg Property Company (Pty) Ltd governance, financial, social responsibility, environmental, broader economic and overall sustainability performance for the financial year 2009/10. It provides an account of the company's progress to date and offers a forward-looking perspective in terms of future plans and value generating strategies.

It also covers the following:

- Comparative information
- Performance information
- Sustainability Report

OVERVIEW OF THE ENTITY

The City of Joburg Property Company (Pty) Ltd (JPC) was established in 2000 as an independent company mandated by its single shareholder (City of Johannesburg Metropolitan Municipality) to carry out:

- Property Development;
- Property Management Services;
- Asset Management Services; and
- All ancillary services to the above.

The main objective of the company is defined as follows:

“to develop and manage Council-owned properties for the purpose of maximising both social and commercial opportunities for the Council in the short and longer term.”

The nature of business is the Management of the CoJ property portfolio

JPC is a municipal owned entity established by the City of Johannesburg Metropolitan Municipality (Council) with the main objective being **“to develop and manage Council-owned properties for the purpose of maximising both social and commercial opportunities for the Council in the short and longer term.”**

The JPC's mandate is to support the Council's economic strategy, as well as Mayoral strategic priorities aimed at making Johannesburg a World-class African City. JPC ensures that economic growth and job creation occur to address socio-economic disparities and legacies of discrimination and inequality as well as:

- Realizing value (social, financial and economic) for the CoJ;
- Supporting economic development and aligning the CoJ property portfolio with CoJ priorities;
- Increasing the effectiveness of economically viable municipal and social use of properties;

with respect to the property portfolio and property transactions for the CoJ.

The property environment, within which JPC operates, is influenced by regulatory and global economic market conditions. However, this is characterised by a number of key shifts;

- The introduction of the National Credit Act and the global economic meltdown significantly impacted on the growth and demand for residential, commercial and industrial properties.
- Introduction of the Municipal Asset Transfer Regulations, 2008 which regulates the transfer and permanent disposal of non-exempted capital assets by municipalities and municipal entities in order to facilitate the enforcement and administration of section 14 (2) and section 90 (2) of the Municipal Finance Management Act 56 of 2003, which is to attain a council resolution before the disposal of any council owned properties.

JPC forms part of the Economic Development Sector and provides feedback on a quarterly report to the Member of the Mayoral Committee (MMC) of Economic Development Sector and the CoJ's Shareholder Unit.

The business plan is aligned to the 5 year IDP cycle which started 2005/06.

JPC currently consists of three (3) core business divisions, namely Asset Management, Property Management and Property Development. There are four (4) support divisions, namely, Finance, Human Resources, Legal Services and Stakeholder Management.

JPC manages roughly R 8.6 billion of the City's immovable property portfolio. The CoJ Property portfolio is diverse with 64 000 properties under management, covering 39 000 hectares and with a municipal value of R 14.8 billion.

The City of Joburg Property Company (JPC) is mandated to manage and develop the City of Johannesburg's (CoJ) Property portfolio. JPC utilises council-owned land assets to leverage private sector investment in public infrastructure.

and in terms of the property charter led to the establishment of a unit within Property Development to focus on transformation, social-economic projects. It aims to harness the City of Joburg's property portfolio transactions by increasing economic growth and implement Broad-Based Black Economic Empowerment (BBBEE). This will create jobs and economic opportunities for disadvantaged communities and business sectors. Transformation in JPC will focus on ensuring that all transactions include social transformation, economic development and investment in communities and its members, particularly among the disadvantaged youth, women and disabled persons.

As an agent of the City of Johannesburg (CoJ) Metropolitan Municipality, JPC supports a vision of A World-Class African City. JPC as part of its mandate facilitates social transformation. JPC aims to attract investment to foster economic growth and development. Council-owned properties are utilised to leverage private sector investment in public infrastructure to contribute to the economic growth of the City.

In terms of JPC's Service Delivery Agreement the Council has set the following objectives for the company:

- Realise long-term revenue streams through the management and development of Council-owned properties;
- Maximise the social and economic development of the Council-owned properties and mobilise private and public capital to increase their value and long-term returns;
- Ensure that the Company has developed the systems, infrastructure, and personal skills to achieve its objectives; and
- To facilitate development of the property portfolio and mobilise private and public capital to increase their value and long term returns;
- Establish and maintain a property Asset Register relating to the Council-owned properties.

fulfil the abovementioned objectives, the company has developed innovative policies and procedures to refine the approach taken towards the management of the CoJ's property portfolio. Standard policies and procedures have been developed and implemented, including policies regarding:

- Supply Chain Management Policy for Land, which includes outdoor advertising;
- Supply Chain Management Policy for Goods and Services;
- Eighteen Human Resources policies approved during the period under review.
- Fixed Asset Policy for moveable assets.
- Disaster recovery and continuity plan
- Information Technology policy and procedures.

DESCRIPTION OF DAILY OPERATIONS

JPC provides an all-encompassing range of property services required for the management and development of the property portfolios of the CoJ and the MOE's.

These services are commissioned on a sole-agency basis to administer the acquisition and conveyancing of all land required for rendering municipal services and furthermore, to administer, manage, develops and alienate the council owned properties.

In accordance with JPC's mandate, the key business functions and support services are as follows:

❖ Property Asset Management

Key to the effective realisation of value for the CoJ's Property portfolio and ensuring that the JPC becomes more proactive in its role as the asset manager of the CoJ's property is the establishment of a property asset management function. Property asset management involves:

- Strategic management of the portfolio, to ensure maximisation of portfolio returns in line with JPC's social and commercial mandate.
- Strategic and financial analysis of the portfolio.
- Portfolio reporting and performance monitoring.

management research.

- Development of individual asset plans for all portfolio properties according to the strategic plans, as part of GIAMA requirements.
- Administration of the Asset Register.
- Management of property valuation processes performed by JPC, as well as external valuers.

❖ Property Portfolio Management

The function involves obtaining and maintaining value from the Property portfolio through the effective management of Council-owned land. This involves;

- Property administration
- Leasing, acquisitions and sales transactions
- Management of servitudes, encroachments, etc.
- Maintenance management

❖ Property Development

The function is to facilitate development on council owned properties in a manner that will ensure that the economic, social and transformation objectives are promoted. This involves the key functions as follows;

- This function involves conceptualizing, designing and then implementing (either singly or in partnership) a development on CoJ land.
- Provision of project management services to support the property development.
- Management of all property development related activities to ensure adequate completion and social/financial return for the City.
- Leverage private and public capital to increase the value of property under management.



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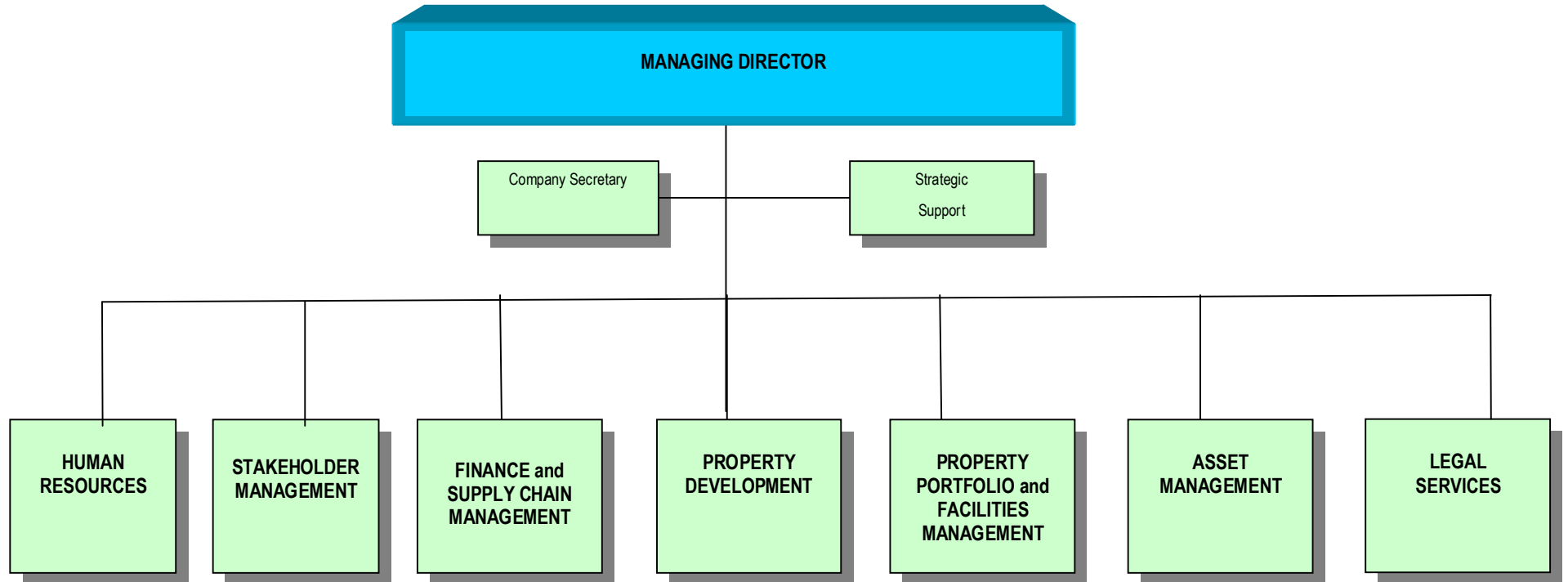
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These functions provide general strategic support to the organisation by way of human capital, financial, professional services, stakeholder analysis and interaction. In this manner, the support services add value by interpreting and influencing both the internal and external environments. These include Finance, Human Resources, Legal Services and Stakeholder Management.



VISION

To provide Property Management, Property Development and Property Asset Management services in order to maximise the social, economic and financial benefit to the CoJ and support the CoJ's delivery objectives on a cost competitive basis."

MISSION

To meet expectations of customers and stakeholders by:

- *Managing the property assets of the CoJ, maximising the social, economic and financial value of the CoJ's total property portfolio and enhancing the efficiency of its use.*
- *Providing Asset Management, Property Management and Property Development services to the CoJ, as well as interact with the general public in respect of this Portfolio.*
- *Supporting the achievement of the CoJ's strategic priorities, including economic and social development and the service delivery objectives of the CoJ.*

VALUES

Company values have become an ethical foundation and are fundamental to the City of Joburg Property Company's (JPC) success. Such values define the company and set it apart from the competition. They underlie the vision of the future, the business strategies and the decisions, actions and behaviour they endure.

Company values form the backbone and are the foundations on which employees can rely and ensure the success of the company. Such values are not just important but crucial to the overall ascendancy of JPC. At an induction function held in June 2010, the significance of company values were presented to all employees and invited everyone to submit what they deemed vital company values that should be implemented at JPC. The following values were identified by employees and adopted for JPC: **Professionalism; Responsibility; Accountability; Customer Service and Trustworthiness.**

JPC's primary goal in supporting the company's vision and mission is based on recognizing and emphasising its role as an economic development agency that utilizes the CoJ's Property portfolio to achieve positive developmental outcomes aligned to the CoJ's objectives. These strategic objectives are derived from the Growth and Development Strategy, the five (5) year strategies of the Economic, Community, Housing, Environmental, Finance and Governance Sectors, as well as various IDP programmes.

In synchronizing the various strategic objectives, JPC identified the following seven (7) Strategic Objectives for itself:

- Support economic development utilizing the CoJ's Property portfolio;
- Support community development utilizing the CoJ's Property portfolio;
- Support the Housing Master Plan and delivery utilizing the CoJ's Property portfolio
- Support environmental programs and initiatives in the management of the CoJ's Property portfolio;
- Establish land strategy, land acquisition and land stewardship in line with the CoJ's priorities;
- Ensure financial sustainability; and
Ensure good governance and a professional managed company.

ALIGNMENT WITH THE MAYORAL PRIORITIES

In the period under review, all of JPC's strategic objectives as well as its priorities and projects were in line with the six (6) Mayoral priorities identified by the CoJ as its development paradigm in terms of the CoJ's Growth Development Strategy (GDS). These priorities are illustrated in the Table below:

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Portfolio Agenda

<p>Proactive absorption of the poor</p>	<p>JPC proactively promoted and monitored jobs created and people trained in construction and property skills through construction on Council-owned land.</p> <ul style="list-style-type: none"> ▪ JPC supported the Housing Master Plan through the finalization of the acquisition of properties on behalf of the CoJ Housing and the Provincial Dept of Housing for the development of Social Housing. ▪ JPC placed strong emphasis on social responsibility to ensure that communities were provided with council-owned land that could be used to address poverty. In the 2009/10 financial year, JPC awarded 32 properties for social purposes such as community facilities, Aids/HIV hospices and places of public worship.
<p>Balanced and shared growth</p>	<ul style="list-style-type: none"> ▪ JPC, through its property management and development activities, actively generated private sector investment in the CoJ and long-term financial sustainability for the CoJ. ▪ JPC focused on creating and sustaining the capacity to effectively and efficiently manage the CoJ's property assets on a financially viable basis. ▪ JPC specifically maximised financial, economic and social returns for the CoJ in respect of its property portfolio.
<p>Facilitated social and mobility and equality</p>	<ul style="list-style-type: none"> ▪ JPC utilised the CoJ's property portfolio as a vehicle for transformation through the promotion of BEE in its daily operations. ▪ JPC awarded 98% of the company's CAPEX to BBBEE. ▪ Through its development activities, JPC enhanced the quality of life of the citizens of Johannesburg and promoted sustainable human development, e.g. the Land Regularization Programme. ▪ JPC actively supported and promoted socio-economic transformation both within the company and through property management and development activities.

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Portfolio Agenda

	<p>All of our CoJ property development initiatives addressed the need for sustainable human settlements. As such, all developments were based on sound principles for effective integration of communities and promoted access to appropriate facilities and employment opportunities (Mixed use developments).</p>
<p>Sustainability and environmental justice</p>	<ul style="list-style-type: none"> ▪ JPC aimed to ensure the quality of life of all communities by incorporating green infrastructure into developments on council-owned properties.
<p>Innovative governance solutions</p>	<ul style="list-style-type: none"> ▪ JPC has an effective Stakeholder Management System that included a Client Servicing Centre as well as a company website. ▪ JPC also entered into discussions with community leaders, action groups and ward councillors with regard to proposed development on council-owned properties. ▪ JPC created awareness through the printed media and the Mayoral road show has pointed out the management of council-owned properties. ▪ JPC provided property related support services for other spheres of government through its participation in the Gautrain property related activities and the provision of social housing.

JPC in its initiatives for the 2009/10 financial year responded to each of these priorities. JPC's projects were aimed at achieving the following outcomes for the City and its citizens, specifically:

- Realizing value (social, financial and economic) for the CoJ;
- Supporting economic development and aligning the CoJ property portfolio with CoJ priorities;
- Increasing effectiveness and efficiencies in respect of municipal and social use properties; and
- Management of risk and return with respect to the property portfolio and property transactions for the CoJ.

The key IDP programmes for JPC are as follows:

IDP Programme	Key Programme Output in relation to IDP Interventions
<p>Improve the profile of Johannesburg, both on the continent and internationally, as a core centre of finance, business and trade</p>	<p><u>International and Domestic Positioning Programme</u></p> <ul style="list-style-type: none"> Leverage R1.1 billion private sector investment during the 2010/11 financial year.
<p>Increase the economic base of underdeveloped areas of the City</p>	<p><u>Area based Economic Development Programme</u></p> <ul style="list-style-type: none"> Value of investment secured in marginalised areas . R280 million Transfer 6 000 properties to beneficiaries as part of the Land Regularisation Programme
<p>Through both the City's own means, and in partnership with other role players and stakeholders, deliver 100 000 well located and good quality housing units over the next five years, which includes the delivery of 15 000 rental housing units, 30 000 housing units through Community Builder Programme and 50 000 mixed income housing units.</p>	<p><u>Acquisition of land for Housing</u></p> <ul style="list-style-type: none"> Acquisition of 80 000 units for Housing Department and Provincial Housing Department
<p>Address the housing ladder gap by facilitating private sector delivery of affordable rental and home ownership</p>	<p><u>Housing ladder gaps delivery programme</u></p> <ul style="list-style-type: none"> Leverage 400 units of affordable housing units in all residential developments of CoJ land
<p>Introduce the Sustainable Human Settlements approach to all new housing developments</p>	<p><u>Sustainable Human Settlements Programmes (Housing component)</u></p> <ul style="list-style-type: none"> Pursue the development of integrated, mixed use, mixed income developments (400 affordable housing units in all residential developments on CoJ land)

STRATEGIC PLANS AND FIVE YEAR PROGRAMMES - KEY OPERATIONAL OUTPUTS and IDP PROGRAMME

5-Year Strategic Objective	IDP Programme and Key Achievements 2009/10	IDP Programme and 2010/11 Delivery Agenda (in operational quantifiable outputs)
<p>Improve the profile of Johannesburg, both on the continent and internationally, as a core centre of finance, business and trade</p>	<p><u>International and Domestic Positioning Programme</u></p> <p>In a bid to leverage R700 million private sector investment during the (09/10) financial year, the following has been achieved.</p> <ul style="list-style-type: none"> • Bruma . R1.3 billion has been awarded • Newtown . R52 million has been awarded • Soweto . R100 million has been awarded for phase 1 of the Oasis in Soweto • R2.9 million . Market Theatre in Newtown • R3 million . Nortcliff 2203 • R35 million . Erven 1-110 Dube Extension 2 • R30 million . Erf 9975 Orlando West <p>The total for the 2009/10 financial year was: R1.5 billion</p>	<p><u>International and Domestic Positioning Programme</u></p> <ul style="list-style-type: none"> • Leverage R1.1 billion private sector investment during the 10/11 financial year.

5-Year Strategic Objective	IDP Programme and Key Achievements 2009/10	IDP Programme and 2010/11 Delivery Agenda (in operational quantifiable outputs)
Increased number of beneficiaries reached by City-facilitated skills development programme	<p><u>Skills Development Programme</u></p> <p>1805 jobs created in construction and property skills in of the 2009/10 financial year through construction on Council-owned land through the implementation of the Property Boomshare Strategy.</p> <p>The abovementioned Jobs created was calculated based on %person hours+as outlined by EPWP.</p> <p>174 people were trained in the construction and property skills through the implementation of Property Boomshare and CoJ CAPEX in the 2009/10 financial year.</p>	<p><u>Skills development programme</u></p> <ul style="list-style-type: none"> • Create 3 200 jobs in the construction and property industry

5-Year Strategic Objective	IDP Programme and Key Achievements 2009/10	IDP Programme and 2010/11 Delivery Agenda (in operational quantifiable outputs)
<p>Increase the economic base of underdeveloped areas of the City</p>	<p><u>Areas based Economic Development Programme</u></p> <p>Progress on projects in the south of Johannesburg and the Inner City:</p> <ul style="list-style-type: none"> - Newtown Site 2 development awarded <ul style="list-style-type: none"> - Oasis in Soweto Phase 1 has been awarded - Jabulani - Orlando Ekhaya <p>The following investments have been facilitated in the South of Johannesburg, the Inner City and Randburg:</p> <p>R1.3 billion . Bruma 133 R52 million . Site 2 Newtown R100 million . Oasis in Soweto R2.9 million . Market Theatre Newtown R35 million . Erven 1-110 Dube Extension 2 R30 million . Erf 9975 Orlando West</p> <p>Total investment of R1.5 billion for 2009/10.</p>	<p><u>Area based Economic Development Programme</u></p> <ul style="list-style-type: none"> • Value of investment secured in marginalised areas . R280 million • Transfer 6 000 properties to beneficiaries as part of the Land Regularisation Programme



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5-Year Strategic Objective	IDP Programme and Key Achievements 2009/10	IDP Programme and 2010/11 Delivery Agenda (in operational quantifiable outputs)
Increase in the City's spend to specific targeted firms owned by specific categories of HDI (BEE, women, youth, etc)	<u>BEE support programme</u> <ul style="list-style-type: none"> 82% OPEX spend awarded to BEE directly from JPC in the 2009/10 financial year. 98% CAPEX spend awarded to BEE directly from JPC in the 2009/10 financial year 	<u>BEE support programme</u> <ul style="list-style-type: none"> 70% BBBEE spend on CAPEX and OPEX



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<p>increase the spend on NGOs and CBOs targeting programmes at vulnerable and poor households. 100% of NGOs and CBOs have institutional and financial capacity to carry out their work in support of the poor and vulnerable by 2015</p>	<p><u>NGO/CBO Support Programme</u></p> <p>In the 2009/10 financial year, in the period under review, several social properties have been identified for renewal and the conclusion of new leases. These properties vary from Scouts Halls to Crèches, Municipal Offices, Schools in Soweto and other NGO occupied properties</p>	<p><u>NGO/CBO support programme</u></p> <p>200 social leases to be entered into with communities</p>
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<p>improved accessibility to sports and recreation facilities and programmes, both in terms of distribution across the City and in terms of average operating hours</p>	<p><u>Sports and development programme - 2010 Soccer world cup programme</u></p> <p>All of JPC's CAPEX projects are aligned with CoJ's priorities such as Housing, Inner City Regeneration, 2010 Soccer hosting, etc. The following projects are at various phases of implementation:</p> <p>Erf 1 Arena . The council has approved the property plans, including the management and release of parcels of land around the stadium.</p> <p>Jabavu Stadium . The property plan for Jabavu is completed. The land which was identified for housing has been handed over to CoJ housing for development.</p> <p>Soweto State Theatre . The preparation phase is complete and construction has commenced.</p>	<p><u>Sports and development programme</u></p> <p>Finalisation of construction on Jabulani Theatre</p>
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<p>through both the City's own means, and in partnership with other actors and stakeholders, deliver 100 000 well-located and good quality housing units over the next five years, which includes the delivery of 15 000 rental housing units, 30 000 housing units through Community Builder Programme and 50 000 mixed income housing units.</p>	<p><u>Acquisition of land for Housing</u></p> <p>The original target of housing units that was set for the Modderfontein / Linbro Park Agricultural Holdings area could not be realised by June 2010 as planned, due to the required funding of R32 990 662 not being available. Offers to purchase agreements were served to owners but agreements could not be finalised.</p> <p>Purchase of land for 21 500 housing units was exceeded and finalised at 24 000 units in Princess, Sol Plaatje, Elias Motsoaledi, Drieziek X5, Slovo Park and Zandspruit Phase 1 areas.</p> <p>582 properties transferred at 30 June 2010 for housing purposes in the following areas where townships are at present being established at the cost of the Gauteng Provincial Government:</p> <p>Finetown . 4200 units; Kaalfontein . 1242 units; Lawley . 2335 units; Ennerdale x9 . 4000 units; Finetown X1 . 4200 units; Kliptown . 5700 units.</p>	<p><u>Acquisition of land for Housing</u></p> <p>Acquisition of 80 000 units for Housing Department and Provincial Housing Department</p>
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<p>Address the housing ladder gap by facilitating private sector delivery of affordable rental and home ownership</p>	<p><u>Housing ladder gaps delivery programme.</u> In a bid to further support economic development on Council-owned land, the Pimville development has been initiated. In the Foxlake development in Dlamini Ext 3 Soweto, 900 mixed income development residential units will be developed to cater for the gap market. The agreement has been signed by JPC. Developers are negotiating with Housing regarding subsidies.</p>	<p><u>Housing ladder gaps delivery programme</u> Leverage 400 units of affordable housing units in all residential developments of COJ land</p>
<p>Introduce the Sustainable Human Settlements approach to all new housing developments</p>	<p><u>Sustainable Human Settlements Programmes (Housing component)</u> JPC has pursued the development of integrated, mixed use, mixed income developments in the Orlando Ekhaya and Jabulani Projects. The Doornkop Business Plan has been completed and Council requested a financial model which was commissioned by JPC and adopted by Council.</p>	<p><u>Sustainable Human Settlements Programmes (Housing component)</u> Pursue the development of integrated, mixed use, mixed income developments (400 affordable housing units in all residential developments on COJ land)</p>

<p>Establishment of a network of open spaces that contribute to social and environmental opportunities</p>	<p><u>Metropolitan open space system implementation programme</u></p> <p>Various projects with a high green footprint are underway and they include: Orlando eKhaya, dam and wetlands; Huddle park; Pimville Golf Course and Rietvlei Farm, Florida lake and River park. To achieve this in some areas the COJ exchanged valuable land for low financial value environmental projects</p>	<p><u>Metropolitan open space system implementation programme</u></p> <p>Continue with projects which have high green footprint including Huddle Park, Rietvlei Farm</p>
<p>Development of an integrated asset management plan and system</p>	<p><u>Asset management and maintenance programme</u></p> <p>A Fixed Asset Register with 98% level of completeness and accuracy has been compiled. The Land Regularization information component will be added to the Fixed Asset Register. The implementation of the Property Information Management System is 97% completed.</p>	<p><u>Asset management and maintenance programme</u></p> <p>Fixed asset register of 100% completeness and accuracy</p>
<p>Improved understanding of future revenue risks and opportunities</p>	<p><u>Future revenue optimisation programme.</u></p> <p>Implement innovative revenue generation initiatives.</p> <p>Increase in the CoJ's Property portfolio valuation to R8.8 billion at the end of the 2009/10 financial year.</p>	<p><u>Future revenue optimisation programme.</u></p> <p>Investigate alternative sources of revenue which can be generated from the property asset</p>

<p>100% of COS Compliance with all relevant legislation</p>	<p><u>Legal support and compliance programme</u> Development of a land/property acquisition, land/property management and utilization and land/property disposal policy; in line with the Government wide Immovable Asset Management Act.</p>	<p><u>Legal support and compliance programme</u></p> <ul style="list-style-type: none"> • Complete and accurate compliance register • Review of applicable policies
<p>Achieve clean audit</p>	<p><u>Internal audit development programme</u> JPC received an unqualified audit opinion for the 2009/10 financial year.</p>	<p><u>Internal audit development programme</u> Constant monitoring of matters from management letter as part of Operation Clean Audit</p>
<p>Timeous, relevant information dissemination to stakeholders Company.</p>	<p><u>City marketing and communication programme</u> Stakeholder Management's objective is to create awareness that JPC is the single shareholder mandated to develop and manage Council-owned properties for the purpose of maximizing both social and commercial opportunities for the Council in the short to long term.</p>	<p><u>City marketing and communication programme</u></p> <ul style="list-style-type: none"> • 85% stakeholder satisfaction survey • Initiatives to brand JPC • Educational material on Asset Transfer policies and procedures



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A record of active mutual beneficiary
interactions with selected sister cities

Sister city and international relations programme,
Protocol development programme.
Formation of public sector property/ real estate/
immovable assets forum.
Plans are underway to sister with international
companies for interaction and future adoption of
best practice standards

Sister city and international relations
programme, Protocol development
programme.

- Member of South African Property Owners Association
- Participation in international property seminars and expos e.g. MIPIM

SECTION 2.1: FOREWORD BY MEMBER OF THE MAYORAL COMMITTEE

COUNCILLOR OUPA MONARENG

As a member of the Mayoral Committee responsible for the City's Economic Development Sector, I receive with great commendation the Annual Report confirming the challenges under which Joburg Property Company (JPC) delivered on the mandate of the City to develop and manage council owned property for the purpose of maximising both social and economic opportunities for the council in the short and longer term. The people of Johannesburg can be assured that the management of the City's property is in good hands.

The Joburg 2030 vision statement is as follows: *By 2030 Johannesburg will be a World Class City with service delivery and efficiencies which meet world best practice. Its economy and labour force will specialise in the service sector and will be so strongly outward-oriented that the City economy will operate on a global scale. The strong economic growth resultant from this competitive economic behaviour will drive up City tax revenues, private sector profits and individual disposable income levels. This will ensure that the standard of living and quality of life of all the City's inhabitants will increase in a sustainable manner.*

JPC is continuing to play an important role in the fulfilment of the City's vision through its property activities and related services. The company has also accepted the challenge of a reduced budget from the City and still performed well in meeting the ever demanding challenges of the City. In spite of the negative economic conditions in the world, the good performance by the City's Property portfolio projects even higher expectations when the market conditions turn more favourable.

The quality of direction and existing leadership, the oversight role played by the Council, the uncompromising standards set by JPC's management and the diligence and commitment displayed by JPC employees have made it possible for the company to make a turnaround and become a more efficient and functional organisation.

During the financial year of 2009/10, JPC has succeeded to position and manage the property holdings of the City of Johannesburg as a strategic and a valuable resource, which provides economic and financial returns as well as social benefits in line with the City's priorities.

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2009/10 financial year has been exceptional. This is the fifth
year of income. Private sector property construction investment on
Council-owned land amounted to R8.6 billion during the year under review. The CoJ Property portfolio under JPC management also increased its value from R8.2 billion to R8.6 billion.

The income from the COJ Property portfolio continues to show an increasing trend of revenue, which bodes well for the future growth of the Portfolio. The total Portfolio income has increased by 20.39% when compared to the same period of the previous financial year. The CoJ Property portfolio posted a surplus of R24.35 million for the year under review.

These achievements are all unparalleled in the history of the CoJ Property portfolio and have added tremendous shareholder value as well as the foundation to leverage further value and investment into Johannesburg in the next three years. We will continue to set high standards for ourselves and ensure that we continue to meet the exacting standards set.

Clr O Monareng
MMC: Economic Development

Date

In its endeavour to improve organisational efficiency and continuing to add value to the City of Johannesburg and its citizens, JPC has embarked on the following value add initiatives:

- a) Aligning and integrating JPC Property Asset Register to CoJ Land Information System. This will result in:
 - o Seamless integration of CoJ owned properties to the entire Property Value chain;
 - o Automatic detection and early triggers of any potential fraudulent sale of CoJ owned property; and
 - o Visibility of and easy access to CoJ owned property by all Stakeholders.
- b) Creation of in-house valuation unit: This will result in vigorous cost saving on external valuations.
- c) Implementation of Information Management System resulting in:
 - o Efficiency and tracking of property transactions;
 - o Improvement of turnaround time in processing of property transactions; and
 - o Cost savings as a result of effective monitoring and managing of internal processes of properties for value creation by conducting investment.
- d) Value creation initiative resulting in:
 - o Identification and packaging of properties for value creation by conducting analysis and highest and best use.

The income from the consolidated CoJ Property portfolio plus JRA and MOE c continues to show an increasing trend of revenue, which bodes well for the future growth of the Portfolio of the CoJ. The total consolidated Portfolio income has increased by 20.39% when compared to the same period of the previous financial year. The consolidated CoJ Portfolio posted a surplus of R24.35 million for the year under review.

The overall performance of the consolidated CoJ Portfolio for the financial year ending 30 June 2010 is 1.6% or R1.14 million below the budgeted income. The actual year to date income amounted to R70.87 million compared to the budgeted amount of R72.02 million. This is mainly attributed to CoJ Commercial Rentals which is 7.1% (R1.74 million) below budget and Rentals from Advertising which is 8.3% (R2.58 million) below budget.

for the period under review is the income from Servitudes over budget; Income from other MOEs: Commercial Rentals was 24.3% (R586,422) over budget expectation, as well as income from Residential Rentals which was 75.2% (R265,265) over budget.

Achievements on projects for the period under review are as follows:

- Orlando Ekhaya . R322 million was invested in this Precinct and over a 1000 jobs were created
- There were significant progress in the following development projects:
 - University of Johannesburg Project
 - Joshco Hostel
 - Heroes Bridge
 - Newtown Precinct
- Land Regularization Programme . 2079 business and residential sites were handed to conveyancers for transfer to the previously disadvantaged individuals.
- Social Projects and achievements:
 - Soweto Theatre - The Jabulani Development construction started and the estimated final completion date is December 2011
 - 32 properties were made available to NGOs, Community Based Organisations (CBOs) and other Non-profit Organizations (NPOs).

An amount of R1.5 billion was leveraged during the period under review from the following projects:

- Bruma 133, Site 6 Newtown
- Oasis in Soweto
- Market Theatre in Newtown
- Northcliff 2203
- Erven 1-110 Dube Extension 2
- Erf 9975 Orlando West

As part of the JPC's meaningful endeavour to engage with the communities and improve and maintain good stakeholder relationships, road shows and site visits were undertaken during the year under review to highlight the developments undertaken on the sites managed by the JPC. The road shows took the participants to Parktown, Parkhurst, Randburg, Bryanston, Golden Harvest, Rabie Ridge and Alexandra.



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turnaround strategy for the company that will see the CoJ's
etitive basis to contribute to the City's coffers and be less
dependent on funding from the CoJ. There are many opportunities that await the organisation.

Mr J Buys
Chairperson: Board

Date

JPC is run by a Board of Directors that reports quarterly to the Member of the Mayoral Committee (MMC) of the Economic Development Sector. All members of the Board, except the Managing Director, are non-executive directors. The Board appoints the Managing Director to manage the day-to-day operations of the Joburg Property Company. The Managing Director is assisted by the executive team.

BOARD OF DIRECTORS

The following individuals are members of the Board : John Buys (Chairman), Dr Dorothy Sekhukhune, Du Toit Maritz, Abel Sibanda, Simphiwe Dzengwa, Harry Mashele, Leighton Itholeng, Jocelyne Armstrong and Helen Botes.

Helen Botes (Managing Director)



- **Skills, expertise and experience:**
Treasury and Banking. Money Market Trading. Trading of Financial Instruments. Foreign Exchange. Raising of the 1st City bonds and retail bonds for CoJ. Economic Development. Property Development and Management.

John Buys – (Chairperson)



- **Skills, expertise and experience:**
Property Specialist.

Dr Dorothy Sekhukhune – Non-Executive Director



- **Board Committee:** Remuneration and HR (Chairperson);
- **Skills, expertise and experience:**
Mental Health Consultant and HR specialist

Adv Du Toit Maritz – Non-Executive Director



- **Board Committee:** Remuneration and HR;
- **Skills, expertise and experience:**
Labour Law, Municipal Law, Planning and Environmental Law Specialist.

Leighton Itholeng – Non-Executive Director



- **Board Committee:** Transactions;
- **Skills, expertise and experience:** IT Specialist.

Simphiwe Dzungwa – Non-Executive Director



- **Board Committee:** Transactions (Chairperson);
- **Skills, expertise and experience:** Project Management Specialist.

Harry Mashele – Non-Executive Director



- **Skills, expertise and experience:** Business Executive.
Finance and Accounting Specialist.
- **Board Committee:** Audit and Risk



- **Board Committee:** Remuneration and HR; Transactions;
- **Skills, expertise and experience:** Senior Contracts Advisor and Procurement Specialist.

Jocelyn Armstrong – Non-Executive Director



- **Board Committee:** Audit and Risk (Chairperson);
- **Skills, expertise and experience:** Financial and Accounting Specialist.

Details of Board Members

Executive Director					
Name	Date of Appointment	Expiry of Term	Qualifications		Other Directorships
Helen Botes	1 August 2008	2 August 2013	Bachelor of Banking; Diploma in Treasury Management and Trade Finance		None
Non Executive Directors					
Name	Date of Appointment	Term	Expiry of Term	Qualifications	Other Directorships
John Buys	21 April 2006	2	24 January 2011	B Comm; BA Honors in Financial Management, Personnel Management and Marketing Management; MBA	None
Dorothy Sekhukhune	30 January 2007	2	27 January 2012	Doctorate Curationis (Psych. N) ; MSc (Psych. N) ; BA Curationis; Advance Certificate in Health Management	None
Du Toit Maritz	30 January 2007	2	27 January 2012	B Juris LLB; LLM : Labour Law; Practising Advocate	None
Leighton Itholeng	23 January 2010	1	24 January 2013	B Juris LLB; Admitted Attorney	None
Abel Sibanda	23 January 2009	1	24 January 2012	MBL; Bsc Computer Science and Information Systems; Diploma in Datametrics; Certificate in IT Project Management	None
Harry Mashele	23 January 2009	1	24 January 2012	MBA; Bsc (Honors); Secondary Teachers Certificate	None
Jocelyn Armstrong	23 January 2009	1	24 January 2012	MBA; H Diploma: Tax Law; Chartered Accountant; Diploma in Accounting; Bachelor of Commerce	Daylite Capital; Daylite Savers; Daylite Capital Holdings; Kuhloba Investments; Rentokil Initial South Africa; Kubumba Investments; Studio V Rhodes Avenue; Sikhona Investments; Pacific Breeze Trading 34; Interstate Multitrad
Simphiwe Dzungwa	23 January 2009	1	24 January 2012	MBA; Masters; Public Admin; BA (Honors) ; Political Science and Sociology	MEQ Business Consultants; Thuba Lam (Pty) Ltd

As the financial year closes and the new financial year starts I think that it is correct that we end off by reflecting on the achievements and challenges of the past financial year and lay the building blocks for the coming financial year 2010/2011. Whilst the country basks in the afterglow and success of the World Cup, as a company we can be proud of our achievements and the role we played in ensuring that we contributed towards the proud achievement of the country.

JPC's earnings have fluctuated over the last five years but have grown on average at 245% per annum. Despite recent growth in both commission and development revenue, JPC has consistently relied on a subsidy of R 11 million which was reduced to R 9 million from COJ, by the City during the course of this financial year. Employees related costs represent over 60 percent of the total JPC expenditure.

The collection rate has gone from 105 days in the previous financial year to 350 days as at 30 June 2010 leaving the debtors figure at R 82 million, which relates to third party development fees.

JPC has become increasingly dependent on fees arising from the Property Development to fund operations. Property management margins have been eroded in the past year due to a decline in income and escalating costs. We believe that the ideal and sustainable situation is that property management should be the biggest contributor to the company's profits and management is working on turning this around in the next financial year.

Macro Economic Climate

While macro economic conditions have improved during the course of 2010, a depression in the property market seems set to continue well towards the end of 2010. Although the average house price index rose (marginally) in the first quarter of 2010; economists are now predicting a flattening of this index in the last two quarters of 2010. This has also resulted in the closing of the gaps between sales prices of existing houses and new stock. This means that purchasers are now finding better value in buying existing stock and that developers are finding it difficult to sell new property at prices which reflect their actual costs.

The Eurozone crisis continues to threaten a double dip worldwide recession. Financial institutions continue to be reluctant to approve development finance and tend to undervalue property in their assessments.

The property development section of JPC currently manages a portfolio of 127 existing and potential projects with a potential investment value of R 33 billion. The unit is currently being performance

to the amount of investment which is currently being attracted

The following yields have been estimated for the above projects over the 5 year period:

Total Area of land in property projects	2 505ha
Total Floor new area to be development	1.2M m ²
Total new houses to be built	88 000
Total jobs to be created	70 000
Total expected income from sales and leases	R1.3 billion
Total value of community facilities to be delivered	R462 million
Total income to JPC for fees and commissions	R500 million

For the City to realise value from the recurring rates and taxes, job creation and economic investments, wealth creation etc, these awards need to be converted into completed developments. Whilst the City will realise income from rates and taxes, JPC will realise income from the commission which the City will pay for the completed investments. This will result in a healthy income stream for the entity.

Whilst the land regularisation program is achieving some good results, the challenges which it currently faces need to be managed and strategies accelerated and arrangements should be made with the relevant unit in CoJ to resolve clearance certificates outstanding.

The management of the Property Management Asset Portfolio was conducted in an effective and efficient manner and this is attributed to the commitment and dedication of the Asset Management team. It is through the constant monitoring of the asset register that the fraudulent land sales could be detected, despite the timing of the down loads from the deeds office.

The establishment of an in-house valuations unit culminated into a substantial savings of R1 million per annum. The identification of value creation projects to the value of R 156 million can result in and increase the JPC/CoJ income base. The success of the identified value creation opportunities is dependant on the roll out of these projects by the Property Management department. JPC is currently working with the City in the integration of the asset register into the LIS/GIS system.

The company's Legal team is to be commended on the manner in which they tackled the unplanned challenges which were thrown at them, including the manner in which they handled the land invasions, the 33 or more fraudulent land transactions and the legal advice provided to the rest of JPC.



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turnaround strategy. We believe that once we identify and
significant changes within the organisation from the onset. The
land audit should also yield information on the Property portfolio that is currently unknown to JPC,
especially around the state of the improved assets. This will also inform other processes within the
City, including the Land Strategy and the budget.

HM Botes
Managing Director

Date

Operational and Capital Expenditure

JPC had made revised revenue projection of R122 760 487, which was supposed to be recovered from commission and third party development fees. Revenue generated during the year under review was R89 528 999 which equates to 27.1% below the target. The main reason for this is that the commission on capital projects did not materialise as the CoJ Portfolio's revised CAPEX budget was not approved by the City, anticipated commission on land sales did not come forth due to delays in collection of land sales transactions as result of time frames encountered in the registration process at the deeds office and also commission on JRA rental collections will not be attainable as most of the advertising by-laws have not been approved as anticipated. The third party development fee of amount of R20 000 000 was reversed due to the fact that it was no longer recoverable thus also impacting on expected revenue target.

Overall actual operating expenditure for the year is R56 425 923 against full year revised budget of R71 059 209 and this represents a positive variance of 20.6% for the 2009/2010 financial year. Highlighted below are some of the key items contributing to the variance percentage:

Salary expenditure is below the allocated budget and had a positive variance of 20.6% due to the fact personnel have not yet been appointed as per the approved organogram and also due to the fact that the housing allowance has not been expended for the year under review.

Expenditure on professional fees is below the budget indicating a positive variance of 40.6%, with R5 708 032 spent for the year against budget of R9 602 682. The expenditure mainly relates to an employee grading and job description process which was undertaken by Hay Group consulting fees paid to IT consulting firm and legal fees pay to various attorneys.

On travelling expenditure, there is a positive variance of 50.9% for the reporting period, due cost savings implemented on travel arrangements, and this variance has been achieved after taking into account the international trip to France by JPC employees to showcase property investment opportunities in the City.

On the directors fees, there is an overall negative variance of 1.0% against the full year revised budget of R1 291 234. The reason for this is special board meetings which took place during the reporting period, increase of emoluments which was backdated to July 2009 and also allocation of pay as you earn (PAYE) which was never accounted for in the previous months (R169 000).

ent R2 734 239 for the period under review against the
ue to the development of computer software.

JPC has liquidity ratio of 2.29 as compared to the norm of 2:1, with a negative cash flow of R28 439 599 for the period under review as compared to R602 965 in the 2008/09 financial year. There is a surplus of R33 421 261 for the year under review due to the third party development fees of R58 000 000.00 agreed upon with Cedar Park Properties and R9 500 000.00 from Nieuwtown Property Development Company

Challenges

Looking back at the financial year 2010 and 2009 it is very clear that achieving income targets as set out in the budget is becoming harder each year even though JPC has shown a surplus as at 30 June 2010. This has a direct impact on the expenditure and leave very little room for improvement in the future.

A limited budget for the upkeep and maintenance of properties has a direct impact on the income earned by JPC with the resulting deterioration of the properties under management.

The main reason for the limited expenditure budget under portfolio which is expected to maintain City owned properties in such a manner that it would yield enough income to support the expenditure incurred each year and feed the City with cash demands as and when required not to mention the income from portfolio has a direct impact on the commission earned by JPC. This poses a problem as the portfolio has 64 000 properties of which only 1500 have structures on them. The portfolio of 64 000 properties under JPC management is 80% social, which means that the cash it generates is not enough to sustain or maintain the structure. With a limited budget and no subsidy under portfolio, the properties are deteriorating year on year and thus affecting the income potential.

Further to the limited budget under portfolio, that has a direct impact on the income earned by JPC, the process of getting the final approval on leasing to land sales or developments is a lengthy one which further impacts the income generation under portfolio thus affecting JPC.

Going forward



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egy that would look at the following:

process for property transactions;

- Setting up war rooms to clear the back log once the approval process is shorten to increase the cash inflow in the short term;
- Introducing a new tariff model on outdoor advertising.
- Requesting for a more realistic budget under portfolio that might mean the City providing a subsidy;
- Introducing new commission structure as per the turnaround strategy which will see developers paying according to a sliding scale.

I Bhamjee

Executive Manager: Finance

Date

During the period under review, the following individuals constituted a management team under the leadership of the Managing Director.

Helen Botes – Managing Director



- **Qualifications:** Bachelor of Banking; Diploma in Treasury Management and Trade Finance
- **Skills, expertise and experience:** Treasury and Banking. Money Market Trading. Trading of Financial Instruments. Foreign Exchange. Raising of the 1st City bonds and retail bonds for CoJ. Economic Development. Property Development and Management.

Sthembiso Mntungwa - Executive Manager: Property Development



- **Qualifications:** B Comm; Post Graduate Diploma in Business Management; Property Development Programme (PDP)
Skills: New business opportunities; Innovative finance structuring skills; Knowledge of property portfolio of various Municipalities; Stakeholder Liaison

Fanis Sardianos – Acting Executive Manager: Property Management



- **Qualifications:** Diploma in Administration and Commerce; Local Government Diploma
- **Skills:** Finance; Accounting; Property Management
- **Membership:** Institute of Municipal Finance Officers; Board of Municipal Accountants

Manager: Asset Management



- **Qualifications:** Higher Certificate in Advanced Project Management; Local Government Finance Diploma; Property Finance and Investment Certificate; Various certificates for personal development courses
- **Skills:** Asset Management; Asset Register; Policy Formulation; Local Government Finance and Administration
- **Membership:** Institute of Administration and Commerce in South Africa (IAC); Institute of Municipal Finance Officers (IFO)

Imraan Bhamjee - Executive Manager: Finance



- **Qualifications:** B Compt . Honours; Accreditation as Registered Government Auditor (RGA); Advance Certificate in Auditing; Leadership Management . Harvard Business School; Certificate in Theory of Accountancy; Various certificates for personal development courses
- **Skills:** Financial Management; Auditing; Risk Assessment; Process and Control Mapping; Management Consulting; Product Management; Relationship Management

Ashton Bodrick - Executive Manager: Stakeholder Management Unit



- **Qualifications:** Master of Business Administration; Marketing
- Diploma in Education Management; Certificate in Estate Agency; Various certificates
- **Skills:** Communication; Business Strategy and Policies; Business Administration and Processes; Product Management; Training and Development; Human Resources

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- **Qualifications:** LLB; Certificate in Management; Various Certificates obtained, Practical legal Training with the Law Society; Conveyancing and Legal Courses and Admitted Attorney of the High Court of South Africa.
- **Skills:** Legal Advice; Drafting of legal documents; Court experience: Civil and criminal matters; Negotiation Skills; Customer Care; Policy and Claims Enquiries.

Daniel Mosito - Company Secretary



- **Qualifications:** B Juris; LLB; Higher Diploma in Company Law; Various Leadership and Development Courses; Admitted Attorney of the High Court of South Africa.
- **Skills:** Company Secretariat functions and activities; Legal Advisory and Research; Corporate Governance and Contracting.

SECTION 3.1: HIGHLIGHTS AND ACHIEVEMENTS

In line with the CoJ, the JPC has adopted an organisational performance measurement approach that encompasses a balanced score card as well as a set of Key Performance Areas (KPA's) and Key Performance Indicators (KPI's). The said KPA's form the basis of JPC's Key Service Delivery Imperatives as set out in its Service Delivery Agreement with the CoJ.

All performance areas and indicators are regularly reviewed. Targets are adjusted annually, while quarterly reports are submitted by the JPC in respect of its performance to both its Board and the CoJ. The balanced scorecard and KPI's are aligned to the JPC's overall strategic objectives.

During the financial year, JPC has strived to position and manage the property holdings of the CoJ as a strategic and a valuable source which provides economic and financial returns as well as social benefits in line with the CoJ's priorities. Outlined below are some of the JPC's achievements in its bid to contribute to the creation of a World-class African City+.

In a bid to leverage private sector investment during the 2009/10 financial year, JPC generated R1.5 billion which exceeded the annual target of R700 million, almost twice the targeted private sector investment.

JPC has embarked on a strategy of land release to enhance the social portfolio of the CoJ, specifically in Region G where the demand for social and community initiatives is significant.

The lease register is currently being reconciled to the asset register and this project is 95% complete. The purpose of the project is to ensure that properties that were previously leased have not in the interim been sold. There have been instances in the past that properties that were leased and then sold, and that the debtors account continued to be billed and therefore income and debtors were incorrectly raised. In order not to overstate income and debtors, this project was necessary.

All Rentals have showed signs of positive growth as compared to the same period in the previous financial year. Development Rentals has increased by 17.6%; Municipal Charges has increased by 16.05%; Commercial Rentals (CoJ) has increased by 3.9%; Commercial Rentals(MoE) has increased by 15.32%; Outdoor Advertising has increased by 3.6%; Residential Rentals has increased by 38.19% and Non Commercial Rentals has increased by 1.1%.

BBBEE participation in CoJ property transactions, with the 3%.

JPC has exceeded the target on the number of EPWP jobs created through construction on CoJ owned land through implementation of Property Boomshare Strategy and from CoJ CAPEX. The annual target was 1500 and JPC created 1805 jobs.

JPC has also exceeded the target on the number of people trained in construction and property skills through implementation of Property Boomshare Strategy and CoJ CAPEX. The annual target was 140 and JPC trained 174 people.

Below are the projects which have to be rolled over to 2010/11 together with new projects for 2010/11. Over the years, JPC has attracted R8.5 billion worth of investments but in order to realise the economic value of these investments it is critical to proceed with and finalise these core projects.

PROJECT	CAPEX AMOUNT R'000
1. Arena Township Region 5	1 000
2. Bruma Precinct - Bruma F	1 000
3. Diepsloot South – Diepsloot AHA	10 000
4. High Rise Civic Precinct – Johannesburg F	10,000
5. Jabulani CBD – Jabulani D	20 000
6. Land Regularisation implementation (Soweto and Orange Farm)	15 000
7. Marlboro Station Precinct – Marlboro Ext 1E	5 000
8. Meadow Point Precinct – Meadowlands ext 12D	2 000
9. Meadowlands 23362-6 – Meadowlands D	1 000
10. Newtown Potato Sheds Infrastructure Upgrade	10 000
11. Orange Farm Erf 6486 Renewal Building Alterations	3 000
12. Orlando Ekhaya	10 000
13. Paterson Park Precinct Development Renewal – Orange Grove E	5 000
14. Randburg Civic	5 000
15. Reitvlei Zoo farm	8 000
16. River Park (Driefontein) Site Development	1 000
17. Sandown Ext 49 Erf 575RE – Ext 49E	5 000

Orlando D	10 000
ae G	2 000
20. Soweto Empowerment Zone	1 000
TOTAL	R125 000

INTER-GOVERNMENTAL INITIATIVES AND COLLABORATION WITH OTHER SECTORS

Collaboration with other Municipal Owned Entities (MOEs), City Departments, provincial departments, national departments and the private sector is a key to delivering quality services.

JPC has also identified private sector partners for the implementation of capital projects which contribute to the economic growth of the City, as per the Economic Development Sector plans.

COMPANY FOUR YEAR REVIEW

Key financial figures		2010	2009	2008	2007	2006
Total assets	Rm	102,890,514	49,265 398	47,326,031	60,925,355	17,489,118
Total equity	Rm	50,556,495	28,471,977	16,225,840	15,905,055	7,959,890
Total equity and liabilities	Rm	102,890,514	49,265,398	47,326,031	60,925,355	17,489,118
Bank balance	Rm	15,341	3,777	602,965	559,384	530,094
Capital expenditure	Rm	2,734,239	4,080,000	3,412,000		
Revenue	Rm	87,900 281	65,916,145	35,228,282	35,365,984	23,812,277
Grant and Subsidies	Rm	537,000	10,516,000	11,130,000	10,500,000	5,384,521
Employee costs	Rm	37,652,896	31,778,492	26,642,502	19,435,363	17,346,124
Finance income	Rm	2,093,898	1 465 278	1,288,100	104,085	220,140
Finance costs	Rm	(999,460)	984,995	647,828	210,718	170,057
Surplus before tax	Rm	33,568,256	16,556,462	(1,807,317)	7,666,915	315,488
Income tax expense-current	Rm	(10,738,680)	(4,161,547)	(2,098,120)	2,043,862	108,176
Income tax expense-deferred	Rm	(745,058)	(148,719)	(57,861)	(295,207)	2,484
Surplus for the year	Rm	22,084,518	12,246,196	290,803	5,623,053	207,312
Net cash from operating	Rm	(57,951,570)	23,246,529	(8,388,493)	17,951,318	(1,193,036)

			5,361,621	(38,534,476)	(3,157,213)	(2,870,662)
investing activities						
Net cash from/(used in) financing activities	Rm	58,901,289	(23,567 804)	46,966,550	(3,157,213)	(2,870,662)
Financial ratios						
Liquidity	Ratio	1.97x	3.16x	1x	4x	1x
Solvency	%	49%	58%	2%	15%	11%
Total operating expenditure/revenue	%	63%	76%	107%	78%	99%
Interest coverage	Ratio	20.4x	14x	4x	37x	2x
Other						
Employees	Nr	126	117	96	86	83
Employment equity	%	92%	84%	80%	69%	65%
Gender equity (F:M)	%	55%:45%	55%:45%	65%:35%	62%:38%	61%:39%
People with disabilities	%	0%	0%	0%	0%	0%
Training cost	Rm	280,230	515,329	290,381	615,249	282,339
Black economic empowerment	Rm	485				
Corporate Social Investment ¹	Rm					

3.1.1. FINANCIAL PERFORMANCE

Revenue

The commission and management fees received for the year under review was R6.8million or 27% below budget. The prominent line items contributing to the negative variance in revenue are as follows:

- a) Commission on rental collections received for the year totalled R18.66 million. This was 81.7% below the budget due to the timing of the renewal of leases.

¹ In all projects of JPC, there is a component of Corporate Social Investment. It is not direct investment, therefore no funding is needed and it is linked to all projects.

sales was R1 036 383 against the budget of R12 923 500. the registration of land sale transactions at the Deeds Office.

Results of Operations

The operational expenditure has been kept within the budget with a positive variance of R 14.5 million or 20.5%, mainly due to the following:

- a) Salary related costs, with a total positive variance of R9.2 million. This major saving was due to anticipated appointments not being finalised.
- b) Travel had a R0.5 million positive variance, due to savings on travel arrangements.
- c) The positive variance on Office Operational Expenses was due to savings on office accommodation and printing and stationery.

Cash Flow

JPC has current assets of R86.8 million against current liabilities of R44.1 million, resulting in a current ratio of 1.96:1. This indicates that JPC is more than capable of meeting its obligations. Debtors days as at end of June was 350 days, due to legal requirements that have to be met before payments are received.

Balance Sheet

JPC's total assets exceed its total liabilities therefore JPC is solvent with adequate asset cover. Amounts included in the trade and other receivables are prepayments, rental deposits and third party development fees. Amounts due from the shareholder include capital expenditure claims not yet received, commissions accrued and the Housing Loan account. The company has made provision for post retirement medical benefits covering 2 employees, which are for 2 medical aid schemes.

CAPITAL PROJECTS

During the year under review, JPC's capital expenditure was as listed below:

Project Nr	Project Name	Original Capital	Total CAPEX Jul 09 - Jun 10	Variance
	Operating assets . JPC	2,000, 000.00	2 734,239.00	(734,239)

assets which are book entries to the value of R651 905.78
e is only R82 333.22.

FINANCIAL AND BUDGETARY ENVIRONMENT

JPC has received insufficient funding over the years due to the City's limited budget. In order to deliver in terms of the 2009/10 business plan, the total CAPEX budget requirement was as follows:

	REQUESTED	RECEIVED
JPC	R2.5m	R2m
Council Portfolio	R115.3m	R11m
TOTAL	R117.8m	R13m

IMPENDING OR ACTUAL FINANCIAL PROBLEMS

JPC as at 30 June 2010 has an overdraft of R28 439 599. The overdraft is due to a developer not paying development fees as clearance certificates were not issued on time. Subsequent to 30 June 2010, the developer has acknowledged the debt and payment will be made by the second quarter of the 2010/2011.

IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

JPC has in the current financial year resolved all tax related matters, however the company has incurred interest and penalties to the value of R 790 601. JPC has disclosed and reported this expenditure to the City and the Auditor General in terms of Section 102 of the Municipal Finance Management Act. JPC has also put steps and controls in place to prevent such incidents from occurring in the future.

DISPOSAL OF CAPITAL ASSETS

JPC does not have capital assets and therefore none were disposed of.

SECTION 3.2: PERFORMANCE AGAINST THE IDP AND THE CITY SCORECARD

JPC provides an all-encompassing range of property services required for the management and development of the Property portfolios of the CoJ and the other MOEs.

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on a sole agency basis to administer the acquisition and disposal of or as a result of the rendering of municipal services and to administer, manage, develop and dispose of the Property portfolio elements owned by the CoJ and the other MOEs.

The services rendered by JPC to CoJ and the other MOEs therefore covered all administrative, statutory and other actions pertaining to the following:

- Land acquisitions / expropriations;
- Land identification, designation and conveyancing;
- Land sales and long term lease arrangements;
- Short and medium term leases, including outdoor advertising and servitude encroachments;
- Financial and accounting services related to the Property portfolios;
- Strategic and business planning related to the Property portfolios; and
- Property management and/or development services and/or other Property portfolio related services.

JPC'S PERFORMANCE MONITORING PLAN FOR THE 2009/10 FINANCIAL YEAR

During the 2009/10 financial year, JPC aimed to achieve the abovementioned objectives by concentrating on various Key Performance Areas (KPA's). The following are explanatory notes to JPC's Performance Monitoring Plan as per JPC's Key Performance Areas (KPA's):

1 Positioning of Johannesburg as a centre of investment and to attract at least 30% international finance and a variety of scarce skills in the property and construction transactions on CoJ land, estimated to yield R700 million private sector investment for 2009/10. (Randburg, Jabulani, Sandton)

1.1. Total value of private sector investment leveraged from July 2009- June 2010

Annual Target	Achieved
R700 million	R1 522 900 000

This amount was leveraged from private sector through facilitation of the awarding of the following projects:

R100 million	Oasis in Soweto
R2.9 million	Market Theatre in Newtown
R3 million	Northcliff 2203
R35 million	Erven 1-110 Dube Extension 2
R30 million	Erf 9975 Orlando West

Total for the year: R1.5 billion

2 Use of the property portfolio to create jobs and skills using the Property Boom Share Strategy

2.1. Number of EPWP jobs created through construction on CoJ owned land through the implementation of Property Boomshare Strategy and from CoJ CAPEX.

Annual Target	Achieved
1500	1805

The job opportunities created are listed below:

Project	Job opportunities created
Security contract	277
Forest Town	37
Fairlands retail and office development	11
Orlando eKhaya	1072
Soweto Empowerment Zone	181
Noverna Court	17
Orlando West	15
Ghandi Square	6
24 Fredman Drive - Square	6
Walter Sisulu Square of Dedication	1
JPC Repairs and Maintenance	7
Youth program	3
Rissik Street Post Office	49
Jabulani CBD	42

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Middle Park)	58
	4
Erf 89 Fairview sewer leak repairs	5
Holocaust Museum	9
JPC Cleaning	5
Total	1805

The abovementioned Jobs calculated was based on %man hours+as outlined by EPWP.

3 Increase the number of people trained and the number of jobs created; through the implementation of the Property Boom Share Strategy

3.1. Number of people trained in construction and property skills through implementation of Property Boomshare Strategy and CoJ CAPEX.

Target	Achieved
140	174

Training initiatives took place as follows:

- 141 people trained on the Orlando eKhaya development
- 14 people trained on Community Liaison Officer (CLO) Training
- 15 people trained on Business Training
- 4 students given in-service training at JPC

4 Increase the direct and indirect BBBEE spend: This will be increased through increasing the JPC's Property portfolio BBBEE spend for both OPEX and CAPEX, together with indirect leveraging of BEE participation in private sector property and construction sector investment on COJ land.

4.1 Indirect leveraging of minimum 55% BBBEE participation in private sector property construction investment target of R5billion.

Annual Target	Achieved
55%	59%

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			<u>DEVELOPER</u>	<u>CONTRACT AMOUNT</u>	<u>CONTRACT ED BEE PARTICIPATION</u>	<u>COMMENTS</u>
ERF MELVILLE	973	RETAIL, OFFICE	ATTERBURY PROPERTY DEVELOPMENT (LEVEL 3 BEE)	R40M	R22M	Incorporated into agreement
SITE NEWTOWN	6	RETAIL, OFFICE, HOTEL	CROWIE DEVELOPMENT (100% BEE)	R316M	R173M	Agreement in draft
POTATO SHED		DEVELOPMENT	ATTERBURY PROPERTY DEVELOPMENT (LEVEL 3 BEE)	R950M	R522M	Incorporated into agreement
SUIDER OORD		RESIDENTIAL UNITS	SLIPKNOT INVESTMENTS (100% BEE)	R20M	R11M	Incorporated into signed agreement
ERF SENAONE	1956	RETAIL	CASTLE RIDGE PROPERTY DEVELOPERS (60% BEE)	R20M	R11M	Agreement in draft
SANDTON		MIXED	REGIMENTS CONSORTIUM (100% BEE)	R4.5BILLION	R2.4BILLION	Incorporated into agreement.
JABULANI		MIXED	INKANYELI PROJECTS (100% BEE)	R3BILLION	R2.1BILLION	Incorporated into agreement
MAJESTIC		OFFICES AND RETAIL	CLIFTON DUNES (PTY) LTD (51% BEE)	R50M	R27M	Incorporated into agreement
HILLTOP TAXI RANK (RANDBURG)		MIXED USE	PROP CORPORATION (PTY) LTD (100% BEE)	R372M	R223M	Incorporated into the agreement
TOTAL				R9.268 BILLION	R5.489 BILLION	

4.2 Direct BBBEE participation in COJ property transactions

Annual Target	Achieved
70%	83%

The bids were awarded as follows:

- Oasis in Soweto went to 100% BEE developer
- Erf 133 Bruma went to a 100% BEE developer

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the only responsive bid received)
 nt to a 100% BEE developer

- Orlando West 9975 went to a 100% BEE developer
- The Market Theatre went to a government institution
- Site 6 Newtown went to a 100% BEE developer

Therefore of the 6 investments, (excluding the 1 government investment) 1 was non-BEE. The direct BBBEE participation is 83% for the financial year.

5 Increase the economic base of underdeveloped areas of the City

5.1 Investments leveraged to facilitate improvement in the South of Johannesburg and Inner City (including Randburg development):

Annual Target	Year to date achievement
R250 million	R1 519 900 000

The following investments have been facilitated in the South of Johannesburg, the Inner City and Randburg:

- R1.3 billion Bruma 133
- R52 million Site 2 Newtown
- R100 million Oasis in Soweto
- R2.9 million Market Theatre Newtown
- R35 million Erven 1-110 Dube Extension 2
- R30 million Erf 9975 Orlando West

Total investment of R1.5 billion for the financial year.

6 Increase the economic base of underdeveloped areas of the City

6.1 Land regularization: Transfer and/or allocation of properties to beneficiaries / allocation to MoEφ, Soweto, Orange Farm, and Lenasia, Ennerdale (Business and Residential).

Annual Target	Achieved
Business and Residential: 3000	Business: 459

	Residential: 1620
	2079

Of the 1316 properties identified, JPC released 150 vacant residential properties. An amount of 3925 tenders were received. Ten properties were withdrawn and unfortunately, the 140 properties which were submitted to the EAC for approval on the 30th March 2010 were referred back for clarity on certain issues regarding the writing off of arrears and validity of the Council Resolution dated August 2004. The amended EAC report is set to be presented to the EAC on the 23rd July 2010.

6.2 Alignment of the outcome of the Land Regularisation with the CoJ fixed asset Register

Annual Target	Achieved
75%	70%

The company has set an annual target of 75%, and the alignment is at 70% mark at the end of the fourth quarter.

A full reconciliation on a quarterly basis is undertaken to ensure that Asset Register and Land Regularisation databases are accurate, verified and balanced. All properties that are in the processes of being regularised and transferred to beneficiaries have been flagged and no major activities until such time the properties have registered in the names of the transferees.

7 Upscale of new entrant property owners in CoJ land/property disposals

7.1 All land/property disposals less than 2ha allocated to minimum 80% BEE owned and controlled entities (land sales)

Target	Achieved
60%	67%

During the financial year 2009/10 there were 15 land parcels that were less than 2ha disposed of, and 10 of those were allocated to companies and individuals that are 100% BEE owned. The sales were in regions A, D, E, F and G.

Target	Achieved
100%	100%

The properties which appear on the lease register are being reconciled to the Asset Register in order to ensure that leases have not been duplicated and that properties that were sold which had an existing lease in place have been cancelled in order to ensure that no further billing takes place thus avoiding incorrect billing and an overstatement of income. The project is 100% completed.

8 Stakeholder Management for BBBEE, investor and property information

8.1 Ensuring that value is added to the property industry by the Support Centre and the Stakeholder Management Unit

Target	Achieved
Conduct 2 bi-annual educational roadshows and/or site visits to all regions	A Roadshow/site visit was undertaken during June, to highlight the status quo of the sites managed by the relevant JPC employees. The Roadshow took the invitees to Parktown, Parkhurst, Randburg, Bryanston, Golden Harvest, Rabie Ridge and Alexandra.

9 Complete and accurate property asset register

9.1 % Completeness and accuracy of the asset register

Target	Achieved
98%	98%

LAND	Prev	Completed %	Current	Completed %	Awaiting Completion
Narrated Data Content					
Asset Identification Content		96.60%		96.60%	3.40%
Register Entry Control Number	64009	100.00%	64009	100.00%	0.00%
Portfolio Indicator	64009	100.00%	64009	100.00%	0.00%
Title Deed In Custody	64009	100.00%	64009	100.00%	0.00%
Reference Number (Venus)	56594	88.42%	56594	88.42%	11.58%
Land SG Diagram Number	60556	94.61%	60556	94.61%	5.39%
Statutory Content		99.96%		99.96%	0.04%
Title Deed Number	64009	100.00%	64009	100.00%	0.00%
Land Asset Description	64009	100.00%	64009	100.00%	0.00%
Land Asset Location	64009	100.00%	64009	100.00%	0.00%
Area Extent (Ha)	63907	99.84%	63907	99.84%	0.16%
Asset Verification Content		99.98%		99.98%	0.02%
Deeds Office	64009	100.00%	64009	100.00%	0.00%
Asset Type	64009	100.00%	64009	100.00%	0.00%
Land Asset Number	64009	100.00%	64009	100.00%	0.00%
Ownership	64009	100.00%	64009	100.00%	0.00%
Asset Status	64009	100.00%	64009	100.00%	0.00%
Valuation Amount	63930	99.88%	63930	99.88%	0.12%
Valuation Date	64009	100.00%	64009	100.00%	0.00%
Geographical Content		96.98%		96.98%	3.02%
Province	64009	100.00%	64009	100.00%	0.00%
Local Authority	64009	100.00%	64009	100.00%	0.00%
Municipal Region	63974	99.95%	63974	99.95%	0.05%
Physical address	52497	82.02%	52497	82.02%	17.98%
Land/SS/Right indicator	64009	100.00%	64009	100.00%	0.00%
Land Map Serial Number	63945	99.90%	63945	99.90%	0.10%
Client Organisational Content		96.48%		96.48%	3.52%
Office	61040	95.36%	61040	95.36%	4.64%
Fixed Asset Class (Category)	62359	97.42%	62359	97.42%	2.58%
Infra Class (Sub-Category)	62332	97.38%	62332	97.38%	2.62%
Usage Type Class	62310	97.35%	62310	97.35%	2.65%
User Class	59471	92.91%	59471	92.91%	7.09%
Ward	63710	99.53%	63710	99.53%	0.47%
Zone	61084	95.43%	61084	95.43%	4.57%
Completeness of Data Content		98.00%		98.00%	2.00%

IMPROVEMENTS	Previous	Completed	Current	Completed	Awaiting
Narrated Data Content		%		%	Completion
Asset Identification Content		100.00		100.00	0.00
Register Entry Control Number	0	100.000	0	100.000	0.000
Portfolio Indicator	0	100.000	0	100.000	0.000
Statutory Content		100.00		100.00	0.00
Asset Type	0	100.000	0	100.000	0.000
Improvement Asset Number	0	100.000	0	100.000	0.000
Asset Verification Content		66.07		66.07	33.93
Description	1	99.934	1	99.934	0.066
Location	26	98.276	26	98.276	1.724
Client Organisational Content		88.99		88.99	11.01
Classification 1	277	81.631	277	81.631	18.369
Classification 2	277	81.631	277	81.631	18.369
Classification 3	276	81.698	276	81.698	18.302
Classification 4	0	100.000	0	100.000	0.000
Classification 5	0	100.000	0	100.000	0.000
Completeness of Data Content		88.8		88.8	11.2

9.2 Completion of the development and implementation of PIMS property information system

Target	Achieved
100%	100%

The table below provides for the progress made on the implementation of the PIMS project as categorized in terms of the major milestones; to date the project is 100% complete for the modules that were part of the scope.

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Phase One						
g & ng	Functional Specifications	Technical Specifications	Development Stage	Launch (Go-Live)	Re-Launch (Go-Live)	
Information Center						
Property Management						
Property Development						
Supply Chain Management RFP						
Asset Management						
Legal Services						
	100 % Completed . Number of Modules		30 of 30			
	Modules currently in development		0			
	% Completed - Overall		100%			

All modules have been tested by various process owners in preparation for go live and Asset Management is currently coordinating the sign offs from all Business Units as confirmation that the system was tested in accordance to original specifications.

- 9.3 Enhancement in the valuation of the CoJ Property portfolio (Devolution of properties from Province to CoJ; Acquisition of land for Housing Department; and Verification of the asset register)

Annual Target	Achieved
R8,8billion	R8,647billion

In terms of JPC's strategic objectives the total value of the CoJ's Property portfolio is expected to increase to R8.8 billion by the end of the financial year. The closing balance of the Asset Register for the quarter ending June 2010 is currently at R8.646 billion rand.

The size of the CoJ property holdings in terms of number of land asset has decreased since the last report by a net of 279 land holdings to 64009 and 1486 improved properties.

10 Finance and Supply Chain Management

- 10.1 % of JPC capital budget spend

Target	Achieved
100%	117%

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... was exceeded by R234 239 (17%) due to software development work could not be stopped in the middle of the process. ... Property Information Management software (PIMS).

Development work could not be stopped in the middle of the process.

10.2 % of JPC capital budget spend on BBBEE

Target	Achieved
55%	98%

10.3 % variance against approved JPC OPEX budget

Target	Achieved
0%	21.3% saving

The variance is due to savings being made on the budget of R15 million. The savings are mainly on the salaries and professional fees budgets.

10.4 % of JPC OPEX spend on BBBEE

Target	Achieved
55%	82%

10.5 % attainment of clean audit (2009/10 audit report attained by JPC)

Target	Achieved
100%	100%

JPC attained a clean audit report for the 2009/10 financial year.

10.6 Accurate and accredited supplier database

Target	Achieved
100%	100%

The supplier database is accurate as per the 2009/10 audit.

Chain Management meetings and

Target	Achieved
100%	100%

10.8 Reduce portfolio account debtor days to 90 days

Target	Achieved
90 days	65 days

Debtor days were 105 days as at 30 June 2009, reduced to 65 days as at 30 June 2010.

11 Utilisation of the CoJ Property portfolio to support social development

11.1 Utilisation of the CoJ Property portfolio to support social development

Annual Target	Achieved
16%	22%

Of the 148 current social leases, 33 new social leases were signed.

12 Utilisation of the CoJ Property portfolio to support the CoJ Housing Master Plan

12.1 Finalisation of acquisition of properties to support housing development on behalf of CoJ Housing and Provincial Dept of Housing (Dependant on funding by other entities budgets). Phase 2 comprises of 5000 housing units.

Annual Cumulative Target	Achieved
ARP . 41 000 units.	0 units due to ARP budget constraints
CoJ / GHD . 21500 units.	24 000 units

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...s that was set for the Modderfontein/Linbro Park Agricultural ... ed by June 2010 as planned, due to the required funding of R32 990 662 not being available. Offers to Purchase agreements were served to owners but agreements could not be finalized.

Purchase of land for 21 500 housing units was exceeded and finalized at 24 000 units in Princess, Sol Plaatje, Elias Motsoaledi, Drieziek X5, Slovo Park and Zandspruit Phase 1 areas.

582 properties transferred at 30 June 2010 for housing purposes in the following areas where townships are at present being established at the cost of the GPG:

Finetown-	4200 units
Kaalfontein	1242 units
Lawley	2335 units
Ennerdale X9	4000 units
Finetown X1	4200 units
Kliptown	5700 units

12.2 Leverage of affordable units incorporated in all residential developments on CoJ land.

Annual Target	Achieved
300	381

The following residential developments have leveraged affordable units as follows:

- o 28 units Bruma
- o 195 units Land Regularisation vacant land for residential units to be built, including prior entitlements
- o 48 units Erf 9975 Orlando West
- o 110 units Erf 1 . 110 Dube Extension 2

13 Ensure stakeholder awareness on key property issues

13.1 Initiatives and communication focused on key stakeholders, namely, Council, Mayoral, MOEs, CoJ Departments, General Public, Property Industry, Other spheres of government

Annual Target	Achieved
70%	80%

A stakeholder survey was undertaken wherein the company wanted to determine how the community had heard about JPC, role of JPC within the City, as well as to rate their experience at JPC.

14 Organisational development

14.1 % of payroll spent on employee training per regulations (1% of payroll spend)

Target	Achieved
1%	1%

14.2 % claimed from services SETA in terms of training and development recognition as per Skills Levy regulation

Annual Target	Achieved
50%	100%

14.3 Review and alignment of JPC's policies to CoJ's policies and best practices

Annual Target	Achieved
100%	100%

The following 18 policies were approved by the JPC Board:

Performance Management	Succession Planning
Remuneration	Job Evaluation
Training and Development	Employee Relations
HIV/AIDS	Code of Conduct
Conflict of Interest	Travel
Employment Equity	Grievance



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Recruitment, Selection and Termination Overtime
Retention
Leave Management

FINANCIAL YEAR 2009/10

JPC SCORECARD FY 2009/10

Objective	Measure (KPI)/Indicator	Unit of Measure	Baseline	2009/10 Target	Q1	Q2	Q3	Q4	Year end	Evidence	Means of Verification
1.Positioning of JHB as a centre of investment and to attract at least 30% international finance and a variety Of scarce skills in the property and construction transactions on CoJ land, estimated to yield R5 billion private sector investment for 2009/10. (Randburg, Jabulani, Sandton)	1.1 Total value of private sector investment leveraged from July 09-June 10	Rand Value (Cumulative)	R 5 billion	R700million Cumulative . R5.7bn	R1.3 billion (Bruma) R52m (Site 2 Newtown)	R100m (Oasis in Soweto)	R2.9m (Market Theatre)	R3m (Northcliff 2203) R35m (Dube Erf 1-110) R30m (Erf 9975 Orlando West)	R1.5 billion	Tender awards (Bid spec, Bid evaluation, Bid adjudication)	EAC minutes
2.Use of the Property portfolio to create jobs and skills using the Property Boomshare Strategy	2.1 No. of EPWP jobs created through construction on CoJ owned land through implementation of Property Boomshare Strategy from July 09 to June 10 and from CoJ CAPEX. Based on old EPWP calculation.	Nr. (Cumulative)	2 500	1 500	582	364	272	587	1805	EPWP report to Mayoral	Mayoral minutes
3.Increase the number of people trained and number of jobs created; through the implementation of the Property Boomshare Strategy.	3.1 No. of people trained in construction and property skills through implementation of Property Boomshare Strategy and CoJ CAPEX	Nr.	200	140	58	25	50	41	174	EPWP report to Mayoral	Mayoral minutes

		Unit of Measure	Baseline	2009/10 Target	Q1	Q2	Q3	Q4	Year end	Evidence	Means of Verification
4. Increase direct and indirect BBBEE spend. This will be achieved through increasing the JPC and CoJ Property portfolio BBBEE spend, for both OPEX and CAPEX, together with indirect leveraging of BEE participation in private sector property and construction sector investment on CoJ land.	4.1 Indirect leveraging of minimum 55% BBBEE participation in private sector property construction investment target of R5bn	%	55%	55%	Annual target	Annual target	Annual target	Annual target	59%	Signed contracts BEE leveraging schedule	Developers profile
	4.2 Direct BBBEE participation in CoJ property transactions	%	70%	70%	Annual target	Annual target	Annual target	Annual target	83%	Supply Chain reports for awards	EAC minutes

Objective	Measure (KPI)/Indicator	Unit of Measure	Baseline	2009/10 Target	Q1	Q 2	Q 3	Q 4	Year end	Evidence	Means of Verification
5. Increase the economic base of underdeveloped areas of the City.	5.1 Investments leveraged to facilitate improvement in the South of Johannesburg and Inner City (including Randburg development)	Rand Value (Cumulative)	R2.5bn	R250m Cumulative (R2,75m)	R1.3 bn (Bruma) R52m (site 2 Newtown)	R100m (Oasis in Soweto)	R2.9m (Market Theatre)	R35m (Erf 1-110 Dube) R30m (Orlando West)	R1.5bn	Tender Awards (Bid spec, bid evaluation, bid adjudication)	EAC minutes
6. Increase the economic base of underdeveloped areas of the City	6.1 Land Regularization: Transfer and/or allocation of properties to beneficiaries /allocation to MoE Soweto, OF, Lenasia, Ennerdale. 1. Business 2. Residential	Number (Cumulative)	1500	3000	2079	-	-	-	2079	Bid evaluation and/or Council Report	EAC minutes

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	(KPI)/Indicator	Measure	Baseline	2009/10 Target	Q1	Q 2	Q 3	Q 4	Year end	Evidence	Means of Verification
	6.2 Alignment of the outcome of the Land Regularisation with the CoJ Fixed Asset Register.	% (Cumulative)	70%	75%	Annual target	Annual target	Annual target	Annual target	70%	Schedule of total number of properties transferred/ allocated Asset Register	Quarterly Reports signed off by MMC:DED
7.Upscale of new entrant property owners in CoJ land/property disposals	7.1 All land/property disposals less than 2ha allocated to minimum 80% BEE owned and controlled entities.	% (Cumulative)	60%	60%	Annual target	Annual target	Annual target	Annual target	67%	Land disposal awards	EAC minutes
	7.2 % Completeness of the lease register.	%	100%	100%	Annual target	Annual target	Annual target	Annual target	100%	Lease Register from NICOR system	Signed lease agreements Board approval
8.Stakeholder Awareness Department for BBBEE, Investor and Property Information	8.1 Transform the property industry through various initiatives targeting all groups (youth, women and the disabled)		New indicator	Conduct bi-annual educational roadshows and site visits to all regions	June 2010	June 2010	June 2010	June 2010	One Roadshow conducted	Educational brochures	Feedback from stakeholders (minutes/correspondence)

	(KPI)/Indicator	Measure	Baseline	2009/10 Target	Q1	Q 2	Q 3	Q 4	Year end	Evidence	Means of Verification
9. Ensure completeness and accurate property asset register.	9.1 % Completeness and Accuracy of the Asset Register (Fully SA GAAP compliant Asset Register) ²	% (Cumulative)	98%	98%	Annual target	Annual target	Annual target	Annual target	98.1%	Deeds register and SA GAAP compliant asset register	Intersite audit report AG final report for the financial year for the City
	9.2 % Completeness of the development and implementation of (PIMS) property information system	% (Cumulative)	87%	100%	Annual target	Annual target	Annual target	Annual target	100%	Go live signed off by JPC with contractor	Asset Register
	9.3. Enhancement in the valuation of the CoJ property portfolio. 1. Devolution of properties from Province to CoJ 2. Acquisition of land for housing 3. Verification of Asset Register	Rand (Cumulative)	R8,5bn	R8,8bn	Annual target	Annual target	Annual target	R8,8bn	R8.647 bn	Valuation Report	Year end Valuation Report
10. Finance and Supply Chain Management	10.1 % Of JPC capital budget spent	%	100%	100%	Annual target	Annual target	Annual target	Annual target	117%	Capital Expenditure report	Management Accounts
	10.2 % of JPC capital budget spent . BBBEE	%	55%	55%	Annual target	Annual target	Annual target	Annual target	98%	Capital Expenditure report	Management accounts
	10.3 % variance against approved OPEX budget	%	0%	0%	Annual target	Annual target	Annual target	Annual target	21% savings	Expenditure Report	Management Accounts

² Completeness and accuracy: Asset register matched Deeds Office register; Asset register is SA GAAP compliant

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	(KPI)/Indicator	Measure	Baseline	2009/10 Target	Q1	Q 2	Q 3	Q 4	Year end	Evidence	Means of Verification
	10.4 % of OPEX spent . BBBEE	%	55%	55%	Annual target	Annual target	Annual target	Annual target	82%	Expenditure Report	Management Accounts
	10.5 % Attainment of clean (2009/10 audit report attained by JPC)	%	100%	100%	-	100% for 2009/10 FY	-	-	100%	Auditor-General's Report	Signed Management Letter
	10.6 Accurate and accredited supplier database	%	100%	100%	100%	100%	100%	100%	100%	Supply Chain Database	Quarterly reports
	10.7 Timeous scheduling of supply chain meetings and turnaround times.(RFQ) ³	%	100%	100%	100%	100%	100%	100%	100%	Supply Chain Minutes	Quarterly reports
	10.8 Reduce Portfolio account debtor days to 90 days	%(Cumulative)	60%	90%	Annual target	Annual target	Annual target	Annual target	100% (reduced to 60 days)	Balance Sheet	Management Accounts
11.Utilisation of the CoJ Property portfolio to support social development	11. % increase in number of properties allocated for social development purposes.	%(Cumulative)	15%	16%	16% by June 2010	16% by June 2010	16% by June 2010	16% by June 2010	22%	Quarterly and Annual Social Portfolio Review	Leases / sales / development agreements

³ Measured from the time the advert closes to the time the tender is served at EAC

	(KPI)/Indicator	Measure	Baseline	2009/10 Target	Q1	Q 2	Q 3	Q 4	Year end	Evidence	Means of Verification
12.Utilisation of the CoJ Property Portfolio to support of the CoJ Housing Master Plan	12.1 Finalisation of acquisition of properties to support housing development on behalf of CoJ Housing and Provincial Dept of Housing .Dependant on funding by other MOEs budgets. 1. Phase 2 comprises of 5000 housing units.	Number of units from acquired land parcels (Cumulative)	ARP - 28 700 CoJ/PRO V . 13 500	ARP: 40 700 CoJ and Province: 21 500	Annual target	Annual target	Annual target	Annual target	24 000 units CoJ/G HD	Acquisition Reports Purchase agreements	Deeds search report
	12.2 Leverage of affordable units incorporated in all residential developments on CoJ land.	No. of affordable units<R3500 00 in awarded contracts	New	300	Annual target	Annual Target	Annual target	300 Annual target	381	Development Reports	EAC minutes Quarterly reports
13.Ensure Stakeholder awareness on key property issues	13.1 Initiatives and communication focused on key stakeholders viz. Council, Mayoral, MOEs, CoJ Departments, General Public, Property Industry, Other spheres of government ⁴	% (cumulative)	65% Awareness Satisfactio n Level	70% Awareness Satisfaction Level by June 2010	Annual target	Annual target	Annual target	Annual target	80%	Stakeholder awareness and feedback.	Board approval (minutes)
14.Organisational Development	14.1 % of payroll spent on employee training per regulations 1% of total payroll spend	%(Cumulative)	1%	1%	Annual target	Annual target	Annual target	Annual target	80%	JPC Ledger reports And Monthly payments to SA Revenue	Quarterly Reports

⁴ Survey will be undertaken before June 2010



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	(KPI)/Indicator	Measure	Baseline	2009/10 Target	Q1	Q 2	Q 3	Q 4	Year end	Evidence	Means of Verification
	14.2 % claimed from services SETA in terms of training and development recognition as per Skills Levy regulation	%(Cumulative)	50%	50%	Annual target	Annual target	Annual target	Annual target	100%	JPC Ledger reports and HR WSP and ATR annual submission	Quarterly Reports
	14.3 Review and alignment of JPC policies to CoJ policies and best practices	%(Cumulative)	100%	100%	50%	50%	50%	100%	100%	Policies approved by Board	Board meeting minutes

YEARS ON MUNICIPAL TAXES AND SERVICE CHARGES

3.3.1. Assessment of Municipal Taxes and Service Charges owed to JPC

This Section is not applicable to JPC as the company is not responsible for the collection of municipal tax and/or service charges.

3.3.2 Amounts owed by JPC for service charges

This Section is not applicable to JPC as the company is not responsible for the collection of municipal tax and/or service charges.

3.3.3. Assessment of Directors' and Senior Managers' Municipal Accounts

None of the directors or senior managers is in arrears with municipal accounts:

Name of Director/Senior Managers	Designation	Name of Municipality	Municipal Account Name/ Number	Account Status as at June 2010	Comments
Mr JJ Buys	Chairperson	CoJ	201 506 358	Current	None
Ms J Armstrong	Non-Executive Director	CoJ	207 500 487	Current	None
Mr H Mashele	Non-Executive Director	CoJ	331 847 2527	Current	None
			500 196 5456	Current	
Mr S Dzengwa	Non-Executive Director	CoJ	402 914 981	Current	None
Mr L Itholeng	Non-Executive Director	CoJ	300 839 679	Current	None
Mr A Sibanda	Non-Executive Director	CoJ	901 024 367	Current	None
Dr D Sekhukhune	Non-Executive Director	CoJ	502 453 702	Current	None
Adv D Maritz	Non-Executive Director	CoJ	300 945 324	Current	None
Tshidi Molala	Independent Audit Committee Member	N/A ⁵	N/A	N/A	N/A
Rudolf Buys	Independent Audit Committee Member	CoJ	202 467 101	Current	None
Mrs H Botes	Executive Director (MD)	CoJ	206 875 165	Current	None
Mr F Sardianos	EM: Asset Management	CoJ	300 845 880	Current	None

⁵ No municipal account in her name for the period under review

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			207 170 312	Current	None
		Tshwane	N/A ⁶	N/A	None
	portfolio				
Mr I Bhamjee	EM: Finance	City of Tshwane	331 177 0476	Current	None
Mr A Bodrick	EM: Stakeholder Management	CoJ	402 915 255	Current	None

SECTION 3.4: STATEMENT ON AMOUNTS OWED BY GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

This Section is not applicable to JPC as there are no amounts owed by Government Departments and Public Entities to the company.

SECTION 3.5: RECOMMENDATIONS AND PLANS FOR NEXT FINANCIAL YEAR

JPC's current Business Plan sets out the projects, programmes and initiatives for the 2010/11 financial year. Set out below are the key programmes and projects that will be undertaken by the JPC in the next financial year.

3.5.1. FUTURE INITIATIVES (2010/11 BUSINESS PLAN)

3.5.1.1. Improve the profile of Johannesburg, both on the continent and internationally, as a core centre of finance, business and trade

Position Johannesburg as a centre of investment and attract at least 30% international finance and a variety of scarce skills in the property and construction transactions on Council-owned land, estimated to yield R5 billion private sector investment.

Leverage R1.1 billion private sector investment during the 10/11 financial year.

3.5.1.2. Investments leveraged to facilitate improvement in the South of Johannesburg and Inner City.

Increase the economic base of underdeveloped areas of the City

Value of investment secured in marginalised areas . R280 million

⁶ Employee has resigned and could not provide the required information.

ities to beneficiaries as part of the Land Regularisation Programme.

3.5.1.3. Increase spends on NGOs and CBOs targeting programmes at vulnerable and poor households. Increase support to NGOs and CBOs that support the poor and vulnerable.

200 Social leases to be entered into with communities on properties allocated for social development purposes.

3.5.1.4. Increased number of beneficiaries reached by City-facilitated skills development programme

Use of the CoJ's Property portfolio to create 3 200 jobs using the Property Boomshare strategy in the construction and property industry.

3.5.1.5. Support Housing Master Plan and Delivery utilising the CoJ Property portfolio.

Through both the City's own means, and in partnership with other actors and stakeholders, deliver well-located and good quality housing units. Finalisation of acquisition of 16 000 housing units to support housing development on behalf of CoJ's Housing and Provincial Dept of Housing.

3.5.1.6. Development of an integrated Asset Management Plan and System

- Fixed Asset Register of 100% completeness and accuracy.
- 98% Completeness and Accuracy of the Asset Register.
- Fully SA GAAP compliant Asset Register.

3.5.1.7. Timeous, relevant information dissemination to stakeholders Company

- 85% stakeholder satisfaction survey.
- Initiatives to brand JPC.
- Educational material on Asset Transfer policies and procedures.

sports and recreation facilities and programmes, both in
the City and in terms of average operating hours

Sports and development programme: Finalisation of construction on Jabulani Theatre.

- 3.5.1.9. Address the housing ladder gap by facilitating private sector delivery of affordable rental and home ownership

Housing ladder gaps delivery programme: Leverage 400 units of affordable housing units in all residential developments of CoJ land.

- 3.5.1.10. Introduce the Sustainable Human Settlements approach to all new housing developments Sustainable Human Settlements Programmes (Housing component): Pursue the development of integrated, mixed use, mixed income developments (400 affordable housing units in all residential developments on CoJ land).

- 3.5.1.11. Establishment of a network of open spaces that contribute to social and environmental opportunities Metropolitan open space system implementation programme: Continue with projects which have high green footprint including Huddle Park, Rietvlei Farm

- 3.5.1.12. Improved understanding of future revenue risks and opportunities

Future revenue optimisation programme: Investigate alternative sources of revenue which can be generated from the property asset.

- 3.5.1.13. 100% of CoJ Compliance with all relevant legislation

Legal support and compliance programme:

- Review of applicable policies.
- Complete and accurate compliance register.

- 3.5.1.14. Achieve clean audit

Internal audit development programme: Constant monitoring of matters from management letter as part of Operation Clean Audit.



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beneficial, interactions with selected sister cities

Sister city and international relations programme, Protocol development programme:

- Member of South African Property Owners Association.
- Participation in international property seminars and exhibitions.

SECTION 4.1: INTRODUCTION

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. JPC is committed to upholding good Corporate Governance in all of its business dealings in respect of its shareholder and other stakeholders.

JPC is governed primarily by the Municipal Systems Act (as amended) and Municipal Finance Management Act No 56 of 2003 (MFMA) and its various Regulations. The primary objective of is to ensure sound and sustainable management of the Council and its various entities.

The JPC has further adopted the Supply Chain Policy for Land in compliance with Section 111 of the MFMA which provides a framework for the alienation and granting of rights to use, control or managing of municipal capital assets.

The JPC as a Proprietary Limited Company is bound by the Companies Act, 1973. This Act will be replaced by the New Companies Act, which comes into operation in 2011 and the JPC shall ensure compliance with same.

SECTION 4.2: STATEMENTS OF COMPLIANCE

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.

The Board of Directors and Management recognise and are committed to the principles of openness, integrity and accountability advocated by the Code. Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Part of the mandate of the Audit and Risk Committee is the monitoring of the entity's compliance with relevant legislation and the Code. The entity endeavours to be fully compliant at all times.

a wide range of expertise as well as significant financial, and, in the case of the Non-executive Directors, independent perspectives and judgment. The Board is responsible for setting the direction of JPC through the establishment of strategic objectives and key policies. It monitors the implementation of strategies and policies through a structured approach to reporting on the basis of agreed performance criteria and defined written delegations to management for the detailed planning and implementation of such objectives and policies.

The Board retains full and effective control over JPC, meeting quarterly with additional ad hoc meetings being arranged when necessary, to review strategy and planning, and operational and financial performance. The Board further authorises major capital expenditure, stakeholder communication and other material matters reserved for its consideration and decision. The Board also approves the annual budgets for the various operational units.

The Board is responsible for monitoring the activities of executive management within JPC and ensuring that decisions on material matters are considered by the Board. The Board approves all the terms of reference for the various Sub-committees of the Board, including special committees tasked to deal with specific issues.

While the Executive Director is involved with the day-to-day management of JPC, the Non-executive Directors are not, nor are they employees of JPC. The Directors have a responsibility to become acquainted with all of their duties, as well as with the issues pertaining to the operations and business of JPC. The Board operates in a field which is technically complex and the Directors are continually exposed to information which enables them to fulfil their duties.

SECTION 4.3: CODE OF ETHICS

The CoJ has requested compliance by all the MOEs in adopting a Code of Ethics specific to each entity, which would direct the manner in which employees and Directors execute their duties.

The Code of Conduct for Municipal Staff Members as in Schedule 2 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), and the Code of Conduct for Councillors were also respectively applicable to all employees and Directors of JPC as an MOE of the CoJ. JPC therefore adopted a revised Code of Ethics during the 2009/10 financial year, to ensure that the company conducted its business relationship with its Clients and Customers in an ethical manner and was designated according to national and international accepted standards of ethical behaviour.

Disciplinary measures and processes were addressed in JPC's disciplinary processes. All disciplinary processes were in accordance with the company's approved Human Resources Policies. Substantial and procedural fairness were exercised in all cases where offences occurred.

SECTION 4.4: CONFLICT OF INTEREST

JPC is committed to upholding good Corporate Governance in all of its business dealings in respect of its shareholder and other stakeholders. JPC has an approved Board Charter regulating how JPC's business is conducted by its Board of Directors. The said Board Charter is based on the principles of Good Corporate Governance and in line with the framework proposed by the Shareholder.

According to the Board Charter, Board members are required to declare any interest that they might have in JPC business. The Board members are required to sign a Declaration of Interest form on an annual basis. They also fill in a register in every seating of the Board or any of its committees.

SECTION 4.5: BREACH OF GOVERNANCE PROCEDURE

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 Code came into effect in March 2010 and for the greater part of the year under review, JPC adhered to the Code of Governance Principles as set out in the King II report on Corporate Governance. The Board of Directors discuss the responsibilities of management in this respect, at Board meetings and monitors the company's compliance with the Code on a yearly basis.

The Board of Directors and Management recognise and are committed to the principles of openness, integrity and accountability advocated by the Code. Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Part of the mandate of the Audit and Risk Committee is the monitoring of the entity's compliance with relevant legislation and the Code. The entity endeavours to be fully compliant at all times.

JPC is governed primarily by the Municipal Systems Act (as amended) and Municipal Finance Management Act No 56 of 2003 (MFMA) and its various Regulations. The primary objective of is to ensure sound and sustainable management of the Council and its various entities.

The JPC has further adopted the Supply Chain Policy for Land in compliance with Section 111 of the MFMA which provides a framework for the alienation and granting of rights to use, control or managing of municipal capital assets.

The JPC as a Proprietary Limited Company is bound by the Companies Act, 1973. This Act will be replaced by the new Companies Act, which comes into operation in 2011 and the JPC shall ensure compliance with same.

The company was managed well during the period under review and there was no breach of governance procedures, all legislation was adhered to.

SECTION 4.6: GOVERNANCE STRUCTURES

The Sections below covers the Governance Structures in place.

SECTION 4.6.1: BOARD OF DIRECTORS – COMPOSITION AND INFORMATION

The City of Joburg Property Company (Pty) Ltd (JPC) Board of Directors currently comprises of one (1) Executive Director, Ms. H Botes and eight (8) Non-executive Directors, Mr. J Buys, Adv D Maritz, Dr. D Sekhukhune, Mr. A Sibanda, Ms. J Armstrong, Mr. S Dzengwa, Mr. L Itholeng and Mr. H Mashele as at 30 June 2010.

The Board was chaired by the Non-executive Director, Mr. J Buys. The Board retained full control over the company. Due notice in terms of Section 186 of the Companies Act, 1973 (Act 61 of 1973) was given of all Board meetings. The Board remained accountable to the CoJ, the sole member and its stakeholders, the citizens of Johannesburg. A Service Delivery Agreement (SDA) concluded in accordance with the provisions of the MSA governs the entity's relationship with the CoJ. The Board provides quarterly, bi-annually and annual reports on its performance and service delivery to the CoJ as prescribed in the SDA, the MFMA and the MSA.

and were drawn from diverse backgrounds and brought a range of personal skills to the Board. Non-executive Directors therefore contributed an independent view to matters under consideration by the Board and added to the depth of experience of the Board. The roles of the Chairperson and Managing Director are separate, with responsibilities divided between them. The Chairperson has no executive functions.

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

The Board of Directors has adopted the Board Charter which encapsulates the CoJ Governance Protocol and includes matters of ethics, procedure and the conduct of Board members. Registers are kept and updated on the disclosure and declaration of interests of Directors. The Board and Senior Management ensure that there is full material compliance to all relevant Legislation. The Company Secretary has certified in terms of Section 268(d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.

SECTION 4.6.2: BOARD COMMITTEES

The following committees have been formed, each of which is chaired by a Non-executive Director.

- Audit and Risk Committee
- Remuneration and Human Resources Committee
- Transactions Committee

4.6.2.1. AUDIT AND RISK COMMITTEE

The Audit and Risk Committee consists of the following Non-executive Directors and Independent Audit Committee Members:

- Ms. Jocelyn Armstrong - (Chairperson)
- Mr. Harry Mashele
- Ms. Tshidi Molala (Independent Audit Committee Member)
- Mr. Rudolf Buys (Independent Audit Committee Member)

The committee is to assist the Board by performing an objective and independent review of the organisation's financial and accounting control mechanisms. The Committee exercises its functions through close liaison and communication with management and the internal and external auditors.

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

The committee met seven (7) times during the year under review.

The Audit and Risk Committee operates in accordance with written terms of reference authorised by the Board, and provides assistance to the Board with regard to:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- Matters relating to financial accounting, accounting policies, reporting and disclosures;
- Internal and external audit policy;
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Review/ approval of external audit plans, findings, problems, reports and fees;
- Risk Management;
- Compliance with the Code of Corporate Practices and Conduct; and
- Compliance with the Code of Ethics.

The Audit and Risk Committee addressed its responsibilities properly in terms of the terms of reference during the year under review. Management has reviewed the financial statements with the Audit and Risk Committee.

The Audit and Risk Committee considers the annual financial statements of JPC to be a fair presentation of its financial position on 30 June 2010 and of the results of its operations and cash flow for the period ended then in accordance with GAAP and the Companies Act.

4.6.2.2. REMUNERATION AND HUMAN RESOURCES COMMITTEE:

The Remuneration and Human Resources Committee consist of the following Non-executive Directors:



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- Mr Leighton Itholeng

The Remuneration and Human Resources Committee advises the Board on Remuneration Policies, Remuneration Packages and other terms of employment for Senior Management. Its specific Terms of Reference also include recommendations to the Board on matters relating *inter alia*, Human Resources policies, Executive Remuneration and other Human Resources and Remuneration affairs of the Company.

The Committee met six (6) times during the year under review.

4.6.2.3. TRANSACTIONS COMMITTEE

The Transactions Committee consists of the following Non-executive Directors:

- Mr Simphiwe Dzengwa . (Chairperson)
- Mr Abel Sibanda
- Mr Leighton Itholeng

All property transactions are considered by the Transactions Committee which makes recommendations to the Board or the Shareholder. The Committee has delegated powers from the Board to deal effectively with certain operational issues relating to the Property portfolio of the Shareholder and operates within the Terms and References as approved by the Board.

The Transactions Committee met ten (10) times during the year under review.

SECTION 4.6.3: SCHEDULE OF ATTENDANCE OF MEETINGS

Attendance at meetings held during the year was as follows:

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		Audit and Risk Committee	Remuneration and Human Resources Committee (REMCO)	Transactions Committee
No. of meetings held	9	7	6	10
PG Malindi ⁷	4	N/A	2	N/A
DT S Maritz	6	2	4	N/A
J J Buys	9	7	2	10
J. Tootla ⁸	1	N/A	N/A	N/A
D. Sekhukhune	9	N/A	6	N/A
M Mhlala ⁹	0	N/A	N/A	N/A
S Dzegwa	8	N/A	N/A	9
J Armstrong	6	7	1	N/A
H Mashele	7	5	N/A	N/A
A Sibanda	9	2	1	10
No. of meetings held (New Directors)				
L Itholeng ¹⁰	5	N/A	3	1
Independent Audit Committee Members				
T Molala	N/A	5	N/A	N/A
R Buys ¹¹	N/A	7	N/A	N/A
Prof A Nel ¹²	N/A	0	N/A	N/A

SECTION 4.6.4: REMUNERATION

The table below reflects remuneration of Board of Directors during the period under review:

	Name	Designation	Meeting Fee R	Retainer R	Total R 2009/2010	Meetings Fee and Retainers Total 2009/10
1	Mr JJ Buys ¹³	Chairperson (current)	164 678	28 105	192 783	130 243
2	Adv G Malindi ¹⁴	Chairperson (previous)	48 610	23 144	71 754	138 000
3	Ms J Armstrong	Non-Executive Director	103 170	19 840	123 010	37 377
4	Mr H Mashele	Non-Executive Director	59 520	19 840	79 360	36 516
5	Mr S Dzegwa	Non-Executive Director	78 382	19 840	98 222	23 577
6	Mr L Itholeng	Non-Executive	40 680	8 266	48 946	

⁷ Resigned 26 January 2010

⁸ Resigned 26 January 2010

⁹ Resigned 30 September 2009

¹⁰ Appointed 26 January 2010

¹¹ Appointed 26 January 2010

¹² Appointed 26 January 2010 and resigned 1 April 2010

¹³ Appointed 26 January 2010

¹⁴ Resigned 26 January 2010

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			Meeting Fee R	Retainer R	Total R 2009/2010	Meetings and Retainers Total 2009/10
		Director				0
7	Mr A Sibanda	Non-Executive Director	99 220	19 840	119 060	27 890
8	Mr J Tootla	Non-Executive Director	4 960	0	4 960	21 565
9	Dr D Sekhukhune	Non-Executive Director	80 352	19 840	100 192	90 568
10	Adv D Maritz	Non-Executive Director	55 200	19 840	75 040	52 616
11	Ms P Mosupye	Non-Executive Director	10 063	0	10 063	39 391
12	Ms M Mohlala	Non-Executive Director	0	0	0	24 440

INDEPENDENT AUDIT COMMITTEE MEMBERS REMUNERATION						
	Name	Designation	Meeting Fee R	Other R	Retainer R	Total R
1	Tshidi Molala	Independent Audit Committee Member	24 800	N/A	N/A	24 800
2	Rudolf Buys	Independent Audit Committee Member	14 880	N/A	N/A	14 880

Non-executive Directors received fees for their contribution to the Board and the Board Sub-committees on which they served. The remuneration of the Non-executive Directors was in line with the provisions set by the CoJ.

for the period: 01 July 2009 - 30 June 2010

Title	Name	Salary Income	Pension	Cell Phone	Travel	Acco mod ation	Subsist.	Hou sing	Leave Encash ment	Insura nce	Bonus	Total
MD	Mrs H Botes	840 000	-	Inclusive in Total CTC	250 000	N/A	15 548	N/A	-	N/A	90 833	1 196 381
EM: Finance	Mr I Bhamjee	583 948	-	Inclusive in Total CTC	96 000	N/A	29929	N/A	-	N/A	58 333	768 210
EM Asset Management	Mr F Sardianos	748 181	-	Inclusive in Total CTC	-	N/A	25 795	N/A	-	N/A	63 583	837 559
EM: Property Development	Mr SZ Mntungwa	687 198	8 487	Inclusive in Total CTC	116 000	N/A	72 899	N/A	-	N/A	66 581	951 165
EM: Property portfolio	Mr M Kubuzie	685 530	-	Inclusive in Total CTC	96 000	N/A	N/A	N/A	-	N/A	65 127	846 657
EM: Stakeholder Management	Mr A Bodrick	385 000	-	Inclusive in TCTC	-	N/A	34 084	N/A	-	N/A	-	419 084
Manager HR	Ms N Jones	600 336	7 606	Inclusive in TCTC	138 260	N/A	N/A	N/A	-	N/A	54 711	800 913
Manager Legal	Ms V Morgan	494 400	6 180	Inclusive in TCTC	48 000	N/A	N/A	N/A	-	N/A	45 200	593 780
Manager Supply Chain	Ms T Mbedzi	615 751	-	Inclusive in TCTC	54 000	N/A	21140	N/A	-	N/A	55 813	746 704
Management Strategic Support	Ms M Mampane	412 500	-	Inclusive in TCTC	-	N/A	N/A	N/A	-	N/A	-	412 500
TOTAL		6 052 844	22 273		798 260		199 395				500 181	7 572 953

5.1. SUSTAINABILITY VISION, STRATEGY AND PRINCIPLES

The Joburg Property Company (JPC) is mandated by the City of Johannesburg to manage and develop the City's Property portfolio.

JPC's mission is to manage the property assets of the CoJ thereby maximising the social, economic and financial value of the CoJ's Property portfolio, and enhancing the efficiency of its use; and to support the achievement of the CoJ's strategic priorities, including economic and social development, and the service delivery objectives of the CoJ.

JPC sustainability vision is in meeting our business objectives, we will continue to enhance stakeholder value, manage risks and opportunities posed by economic, social, human and environmental capitals, within our scope of influence.

JPC has established a Transformation Unit with the aim harnessing the City of Johannesburg's property portfolio transactions to increase economic growth and to implement Broad-Based Black Economic Empowerment (BBBEE), while creating jobs and economic opportunities for the disadvantaged communities and businesses. The unit fosters transformation in JPC's business focus, by ensuring that all transactions include social transformation, economic development and investment in communities and its members, particularly among the disadvantaged youth.

In line with the CoJ's priorities, the Transformation Unit's objectives are to develop the economy and the community, support the CoJ Housing Master Plan and ensure that environmental programmes and parameters are implemented when utilising CoJ's Property portfolio.

These objectives are achieved through programmes such as the Youth Property Programme; Entrepreneurship Programme; Facilities Management Programme; Internship and Learnership Programme; Environmental Programme and SMME and Community Support Programme.

During the financial year, JPC has strived to position and manage the property holdings of the CoJ as a strategic and a valuable source which provides economic and financial returns as well as social benefits in line with the CoJ's priorities. Outlined below are some of the JPC's achievements in its bid to contribute to the creation of a World-class African City.

ment during the 2009/10 financial year, JPC generated R1.5 billion which exceeded the annual target of R700 million, almost twice the targeted private sector investment.

JPC has embarked on a strategy of land release to enhance the social portfolio of the CoJ, specifically in Region G where the demand for social and community initiatives is significant.

The lease register is currently being reconciled to the asset register and this project is 95% complete. The purpose of the project is to ensure that properties that were previously leased have not in the interim been sold. There have been instances in the past that properties that were leased and then sold, and that the debtors account continued to be billed and therefore income and debtors were incorrectly raised. In order not to overstate income and debtors, this project was necessary.

All Rentals have showed signs of positive growth as compared to the same period in the previous financial year. Development Rentals has increased by 17.6%; Municipal Charges has increased by 16.05%; Commercial Rentals (CoJ) has increased by 3.9%; Commercial Rentals(MoE) has increased by 15.32%; Outdoor Advertising has increased by 3.6%; Residential Rentals has increased by 38.19% and Non Commercial Rentals has increased by 1.1%.

JPC has exceeded the target on Direct BBBEE participation in CoJ property transactions, with the annual target set as 70% and achieved 83%.

JPC has exceeded the target on the number of EPWP jobs created through construction on CoJ owned land through implementation of Property Boomshare Strategy and from CoJ CAPEX. The annual target was 1500 and JPC created 1805 jobs.

JPC has also exceeded the target on the number of people trained in construction and property skills through implementation of Property Boomshare Strategy and CoJ CAPEX. The annual target was 140 and JPC trained 174 people.

The table below identifies the main material issues:

Chapter	Material Issues	Key Indicators	Status	Looking forward
Serving our Customers	Customer feedback: ensuring we engage with and respond to our customers	Percentage achievement of service levels Number of complaints	A stakeholder survey was undertaken wherein the company wanted to determine how the community had heard about JPC, role of JPC within the City, as well as to rate their experience at JPC.- 80% satisfaction was achieved.	Ongoing surveys and market analysis will suggest relevant new directions and offerings that our stakeholders would prefer. Conduct research and surveys constantly to effect service delivery and product knowledge improvement.
Ensuring ethical behaviour	Promoting ethical behaviour among our employees: Code of Conduct Policy and protecting our properties and employees from fraudulent activity	Measurement of internal fraud in the Audit and Risk Committee	A fraud policy is in the drafting process. A tender is in process to appoint a service provider to man the fraud hotline.	To ensure that our employees maintain their integrity by implementing a fraud policy and a fraud hotline;
Supporting our communities	Corporate social investment; Social projects	Number of jobs created; number of training; Social projects	JPC has exceeded the target on the number of EPWP jobs created through construction on CoJ owned land through implementation of Property Boomshare Strategy and from CoJ CAPEX. The annual target was 1500 and JPC created 1805 jobs. JPC has also exceeded the target on the number of people trained in construction and property skills through implementation of Property Boomshare Strategy and CoJ CAPEX. The annual target was 140 and JPC trained 174 people. <u>NGO/CBO Support Programme</u> In the 2nd quarter of the 2009/10 financial year, in the period under review,	To continue to create jobs to the EPWP Programme; Support social projects e.g. Social Housing Project in participation with Joshco

			several social properties have been identified for renewal and the conclusion of new leases. These properties vary from Scouts Halls to Crèches, Municipal Offices, Schools in Soweto and other NGO occupied properties.	
Minimising and managing our impact on the environment	<p>Reducing the environmental footprint of the properties we manage.</p> <p>Reducing the environmental footprint of properties we develop through developers and Private Public Partnerships</p>	Projects with a high green footprint	<p>Green features being supported in new projects and developments.</p> <p><u>Metropolitan open space system implementation programme:</u> Various projects with a high green footprint are underway and they include: Orlando eKhaya, dam and wetlands; Huddle park; Pimville Golf Course and Rietvlei Farm, Florida lake and River park. To achieve this in some areas the CoJ exchanged valuable land for low financial value environmental projects.</p>	<p>Ensuring and supporting implementation of green projects on Council-owned properties.</p> <p>The Establishment of a network of open spaces that contribute to social and environmental opportunities.</p> <p>Metropolitan open space system implementation programme: Continue with projects which have high green footprint including Huddle Park, Rietvlei Farm.</p>

5.3. SUSTAINABLE COMMITMENTS

JPC in its initiatives for the 2009/10 financial year responded to each of the Mayoral priorities. JPC's projects were aimed at achieving the following outcomes for the City and its citizens, specifically:

- Realizing value (social, financial and economic) for the CoJ;
- Supporting economic development and aligning the CoJ Property portfolio with CoJ priorities;
- Increasing effectiveness and efficiencies in respect of municipal and social use properties; and
- Management of risk and return with respect to the Property portfolio and property transactions for the CoJ.

5.4.1. RISK MANAGEMENT AND INTERNAL CONTROLS

JPC is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks.

In order to meet its responsibility with respect to providing reliable financial information, JPC maintains financial and operational systems of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal and ensuring that transactions are properly authorised and recorded.

The system includes a documented organisation structure and visions of responsibility, established policies and procedures, including a Code of Ethics to foster a strong ethical climate, which is communicated to the parent municipality.

The Board, operating through the Audit and Risk Committee, provides supervisions of the financial reporting process and internal control systems. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls.

5.4.2. INTERNAL AUDIT FUNCTION

JPC's internal audit function was outsourced to the Joburg Risk Assurance Services (JRAS) for the period under review. JRAS has a specific mandate from JPC's Audit Committee and independently appraises the adequacy and effectiveness of the company's systems, financial internal controls and accounting records, reporting its findings to local and divisional management and the Auditor-General as well as the Audit and Risk Committee. The representatives of JRAS report to the Executive Manager: Finance on a functional basis and has direct access to the Chairperson of JPC's Audit and Risk Committee as well as the Chairperson of the Board.

The Internal Audit Coverage Plan was based on risk assessment performed at each business unit. The coverage plan is updated annually, based on the risk assessment and results of the

that the audit coverage is focused on and identifies areas of high risk. Price WaterHouseCoopers (PWC) will conduct the audit in the 2010/11 financial year.

5.4.3. RESPONSE TO THE AUDITOR-GENERAL REPORT

The external audit is done once a year by the Auditor General. As previously stated, JPC received a clean audit for the 2006/07, 2007/08, 2008/09 and 2009/10 financial years. All the matters reported on by the Auditor-General were successfully resolved and cleared. The following issues were raised by the Auditor General for the year ended June 2010, together with a commentary on the corrective action taken.

Matters raised by the Auditor-General:

1. Service Delivery Agreement between CoJ and JPC not reviewed

Audit Finding

During the audit of the performance information, it was found that the Service Delivery Agreement being used by the company has not been reviewed as per addendum to extension of review of the agreement.

Internal control deficiency

There is a lack of review of the Service Delivery Agreement (SDA) to determine whether the objectives are still relevant and achievable.

Recommendation

The Service Delivery Agreement (SDA) should be reviewed as provided in the addendum.

Management response

The Service Delivery Agreement (SDA) between the City and all MOE's are under review by the City. Draft SDA has been circulated and once the turnaround strategy is approved by the Board and JPC's new comments are taking into account, the new SDA will then be adopted.

In the mean time JPC has to work on the old SDA on a month to month basis. Please note the SDA approval is not in JPC's hands, but that of the City.

The Auditor-General accepts management comment.

2. Expired Service Level Agreements with the other Municipal Entities

According to the Service Level Agreements concluded with other MOE $\text{\textcircled{C}}$, the engagement should endure for the period of five (5) years, unless terminated by either party for whatsoever reason by giving three calendar months written notice of termination to the other party.

Upon inspection of the Service Level Agreements (SLA $\text{\textcircled{C}}$) with the other MOE $\text{\textcircled{C}}$, it was noted that the following agreements have expired and no renewal has taken place:

- a) SLA with Joburg Zoo
- b) SLA with Joburg City Power
- c) SLA with Pikitup
- d) SLA with Joburg Fresh Produce Market
- e) SLA with Joburg Civic Theatre
- f) SLA with Joburg Metro Trading Company (MTC)

Internal control deficiency

There is a lack of review of the significant agreements by the board of directors or management executives.

Recommendation

All The Service Level Agreements (SLA $\text{\textcircled{C}}$) should be reviewed within the required period to ensure that these agreements are still relevant and that the entity does not lose financially as a result of non renewal.

Management response

The Service Delivery Agreement (SDA) between the City and all MOE $\text{\textcircled{C}}$ are under review by the City, currently JPC applies contents of the old SDA on a month to month basis until the new SDA is adopted.

Management comment is noted and these will be followed up in the next year audit.

3. Unallocated VAT refund

According to director's report under the section that deals with corporate governance it is stated that the Board supports the highest standards of corporate governance and the development of best practice. It is further stated that the City of Joburg Property Company (Pty) Ltd (JPC) confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct (the Code) laid out in the King Report on Corporate Governance for South Africa 2002. 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 three monthly basis.

Internal control deficiency

There is a lack of review of the significant agreements by the board of directors or management executives.

Recommendation

All The Service Level Agreements (SLAs) should be reviewed within the required period to ensure that these agreements are still relevant and that the entity does not lose financially as a result of non renewal.

Management response

The Service Delivery Agreement (SDA) between the City and all MOEs are under review by the City, currently JPC applies contents of the old SDA on a month to month basis until the new SDA is adopted.

Auditor's conclusion

Management comment is noted and these will be followed up in the next year audit.

5.4.4.1. KING III CODE OF CORPORATE GOVERNANCE

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 Code came into effect in March 2010 and for the greater part of the year under review, JPC adhered to the Code of Governance Principles as set out in the King II Report on Corporate Governance. The Board of Directors discuss the responsibilities of management in this respect, at Board meetings and monitors the company's compliance with the Code on a yearly basis.

The Board of Directors and Management recognise and are committed to the principles of openness, integrity and accountability advocated by the Code. Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Part of the mandate of the Audit and Risk Committee is the monitoring of the entity's compliance with relevant legislation and the Code. The entity endeavours to be fully compliant at all times.

5.4.4.2. REGULATORY ISSUES

JPC is governed primarily by the Municipal Systems Act (as amended) and Municipal Finance Management Act No 56 of 2003 (MFMA) and its various Regulations. The primary objective of is to ensure sound and sustainable management of the Council and its various entities.

The JPC has further adopted the Supply Chain Policy for Land in compliance with Section 111 of the MFMA which provides a framework for the alienation and granting of rights to use, control or managing of municipal capital assets.

The JPC as a Proprietary Limited Company is bound by the Companies Act, 1973. This Act will be replaced by the new Companies Act, which comes into operation in 2011 and the JPC shall ensure compliance with same.

The primary function of the Company Secretary is to act as the link between the Board and Management and to facilitate good relationships with the Shareholders. The Company Secretary is responsible to ensure compliance to good corporate governance practices and to provide guidance to the Directors on their duties and responsibilities and corporate governance principles, and to provide advice on the applicable legislation.

5.4.4.4. CORPORATE ETHICS AND ORGANISATIONAL INTEGRITY

- JPC adopted a revised Code of Ethics during the 2009/10 financial year, to ensure that the company conducted its business relationship with its Clients and Customers in an ethical manner and was designated according to national and international accepted standards of ethical behaviour.
- The issue of confidentiality as well as disciplinary measures and processes were addressed in JPC's employment contractual terms and conditions.
- All disciplinary processes were in accordance with the company's approved Human Resources Policies. Substantial and procedural fairness were exercised in all cases where offences occurred.

5.4.4.5. BUSINESS CONTINUITY PLANNING

- A business continuity management (BCM) strategy was developed, comprising critical aspects of emergency response, crisis management, business recovery and resumption. A holistic management process to adequately address these risks, and a framework to build operational resilience using a phased approach were implemented. Disaster recovery plans were also developed.
- A crisis management plan was defined, and investment in network infrastructure and redundancy has continued, with operating companies adopting network architecture design principles coupled with major investments to improve network redundancy. This has significantly enhanced JPC's capability to effectively respond in order to safeguard the interests of key stakeholders.

AND FRAUD HOTLINE

In the period under review, fraud risk was addressed through the following actions:

- Joburg Property Company is in the process of obtaining its own internal hotline.
- The Bid specification process is completed and it is going out on tender.
- A tender is in process to appoint a service provider to man the fraud hotline.
- JPC intercepts that it would be in place by January 2011.
- In the mean time JPC is using the cities hotline service, of which all queries get reviewed by JRAS thus receiving the attention required.
- A fraud policy is in the drafting process.

5.4.4.7. REVIEW AND ALIGNMENT OF JPC'S POLICIES TO CoJ'S POLICIES AND BEST PRACTICES

The following eighteen (18) policies were approved by the JPC Board in the period under review:

Performance Management	Succession Planning
Remuneration	Job Evaluation
Training and Development	Employee Relations
HIV/AIDS	Code of Conduct
Conflict of Interest	Travel
Employment Equity	Grievance
Disciplinary	Overtime
Acting Allowance	Retention
Recruitment, Selection and Termination	Leave Management

5.4.4.8. LEGAL SUPPORT AND COMPLIANCE PROGRAMME

The aim of JPC is to be 100% in compliance with the CoJ Compliance and all relevant legislation; the development of a land/property acquisition, land/property management and utilization and land/property disposal policy in line with the Government Wide Immovable Asset Management Act.

5.5. STAKEHOLDER ENGAGEMENTS

- JPC has a Customer Relationship Management System that included an Information Desk, Client Service Centre and a Stakeholder Management Unit.

at excellent customer service is delivered to all stakeholders.

Customer service is the service provided in support of JPC's core products. This includes answering queries, taking orders, dealing with tender registration documents, handling complaints, producing marketing and information collateral and supporting other department needs.

- A stakeholder survey was undertaken in the period under review, wherein the company wanted to determine how the community had heard about JPC, role of JPC within the City, as well as to rate their experience at JPC. - 80% satisfaction was achieved.
- JPC will conduct research and surveys constantly to effect service delivery and product knowledge improvement.
- JPC also entered into discussions with community leaders, Action Groups and Ward Councillors with regard to proposed development on Council-owned properties.
- JPC provided property related support services for other spheres of government through its participation in the Gautrain property related activities and the provision of Social Housing
- Our relationship with our clients in the past financial year was characterized by challenges, due to budget constraints to maintain and secure our properties and land parcels.
- To ensure that we uphold our value; that our customers are our priority and that we exist to satisfy their needs in all we do, JPC started a Turnaround Strategy and these areas will receive special focus in the new financial year.
- Information distribution was conducted through using notices and advertisements in the media on tenders and notices. Road shows were also undertaken during the period under review.

▪ **Openness and transparency:**

JPC adhered to openness and transparency by ensuring that all stakeholders were always informed of developments and performance of the company. Presentations were made and reports submitted to various City of Johannesburg Committees and provincial structures.

All awards were made on competitive basis in terms of the Supply Chain Management Policy for Land (SCMPL).

5.6. ECONOMIC IMPACT

The following were achieved in the period under review:

- To increase the economic base of underdeveloped areas of the City JPC supported the Areas based Economic Development Programme.
- Progress on projects in the south of Johannesburg and the Inner City:
 - Newtown Site 2 development awarded

has been awarded

- Jabulani
- Orlando Ekhaya

5.7. SOCIO-ECONOMIC DEVELOPMENT

The following aspects / programmes were supported in the period under review:

• NGO/CBO SUPPORT PROGRAMME

In the 2nd quarter of the 2009/10 financial year, in the period under review, several social properties have been identified for renewal and the conclusion of new leases. These properties vary from Scouts Halls to Crèches, Municipal Offices, Schools in Soweto and other NGO occupied properties

▪ SPORTS AND DEVELOPMENT PROGRAMME - 2010 SOCCER WORLD CUP PROGRAMME

All of JPC's CAPEX projects are aligned with CoJ's priorities such as Housing, Inner City Regeneration, 2010 Soccer hosting, etc. The following projects are at various phases of implementation:

- **Erf 1 Arena** . The council has approved the property plans, including the management and release of parcels of land around the stadium.
- **Jabavu Stadium** . The property plan for Jabavu is completed. Implementation- the land identified for housing has been handed over to CoJ housing for development.
- **Soweto State Theatre** . preparation phase complete and construction has commenced.

▪ HOUSING LADDER GAPS DELIVERY PROGRAMME.

In a bid to further support economic development on Council-owned land, the Pimville development has been initiated. In the Foxlake development in Dlamini Ext 3 Soweto, 900 mixed income development residential units will be developed to cater for the gap market. The agreement has been signed by JPC. Developers are negotiating with Housing regarding subsidies.

To increased the number of beneficiaries reached by City-facilitated skills development programme 943 jobs created in construction and property skills up to the second quarter of the 2009/10 financial year through construction on Council-owned land through the implementation of the Property Boomshare Strategy.

▪ **ACQUISITION OF LAND FOR HOUSING**

JPC has been appointed by the CoJ Department of Housing to purchase privately-owned land in order to make provision for the establishment of new subsidised housing projects. Acquisition of the following properties was underway:

Portions 401, 402 and 403 of the Farm Roodepoort 237 as well as portion 59s and 73 Zandspruit 191 IQ were transferred

▪ **HOUSING LADDER GAPS DELIVERY PROGRAMME.**

JPC also addresses the housing ladder gap by facilitating private sector delivery of affordable rental and home ownership. In the period under review the following were achieved:

- In a bid to further support economic development on Council-owned land, the Pimville development has been initiated. In the Foxlake development in Dlamini Ext 3 Soweto, 900 mixed income development residential units will be developed to cater for the gap market. The agreement has been signed by JPC. Developers are negotiating with Housing regarding subsidies.

▪ **SUSTAINABLE HUMAN SETTLEMENTS PROGRAMMES (HOUSING COMPONENT)**

JPC has pursued the development of integrated, mixed use, mixed income developments in the Orlando Ekhaya and Jabulani Projects.

The Doornkop Business Plan has been completed and Council requested a financial model which was commissioned by JPC and adopted by Council,

JPC seconded a Project Manager to commence the implementation of the business plan.

The two social projects below are part of our property portfolio:

➤ **Soweto Theatre**

- The **Soweto Theatre** will be Soweto's first professional performing arts centre is being delivered by JPC in partnership with the Department of Community Development, making use of an innovative Land development deal which leverages land value to partly finance the development.
- Construction of the theatre started in June 2009 and will be completed in December 2011. On completion, the theatre will be handed over to Community Development.

➤ **Johannesburg Holocaust Centre**

- The centre will be used as a yardstick to examine racism, xenophobia and human rights abuses. The centre will be open to all and admission will be free of charge.
- The centre is expected to reach completion in 2011.

5.8. TRANSFORMATION AND EMPOWERING EMPLOYEES

JPC's contribution to transformation and in terms of the property charter led to the establishment of a unit within Property Development to focus on transformation, social-economic projects. It aims to harness the City of Joburg's property portfolio transactions by increasing economic growth and implement Broad-Based Black Economic Empowerment (BBBEE). This will create jobs and economic opportunities for disadvantaged communities and business sectors. Transformation in JPC will focus on ensuring that all transactions include social transformation, economic development and investment in communities and its members, particularly among the disadvantaged youth, women and disabled persons.

▪ SUPPLY CHAIN MANAGEMENT AND BLACK ECONOMIC EMPOWERMENT

JPC has adopted a Supply Chain Management Policy in compliance with the provisions of the MFMA and the National Treasury Municipal Supply Chain Management Regulations, 2005. A Supply Chain

monitors the implementation of the entity's Supply Chain Management Policies in line with the regulations, which seek to modernise financial governance and improve accountability and transparency in the entity's processes. JPC's Supply Chain Management Policies provide for the exclusion of awards to persons in the service of the State subject to the exemptions and regulations issued by National Treasury from time to time.

The Board has ensured that the Supply Chain Management Policy embraced the objectives of Broad-Based Black Economic Empowerment and the Managing Director, as the Accounting Officer of the company, was tasked as the custodian for effective implementation. The capital projects implemented during this period served as valuable foundations for ensuring community participation in our BEE programmes. This pace will be enhanced and the Company will continue to be sensitive to the financial constraints facing emerging businesses.

The following were achieved during the period under review:

BEE Support Programme

- 82% OPEX spend awarded to BEE directly from JPC in the 4th quarter of the 2009/10 financial year.
- 98% CAPEX spend awarded to BEE directly from JPC in the 4th quarter of the 2009/10 financial year

HUMAN RESOURCES MANAGEMENT

JPC's overall objective as set out in its Employment Policy is to ensure that the company's Employment Practices and Remuneration Policies motivate and retain talented employees and create an attractive environment for all employees. The Employment Policy is periodically reviewed to ensure that it remains relevant and practical for the changing needs of current and potential employees.

JPC's vision is to be the employer of choice in its field. JPC's vision is to be at the top end of compliance by including such requirements into our working practices.

By the end of the 2009/10 financial year, JPC's total employees complement comprised of 126 employees who are divided in five (5) occupational levels. The youngest employee is 22 years of age and the oldest around 67. The categorization selection is in alignment with the prescribed occupational levels as contextualized in the Employment Equity Act, 55 of 1998.

Employees Movement

Employees Movements	African		Coloured		Indian		Whites	
	Male	Female	Male	Female	Male	Female	Male	Female
Appointments	3	9	1	0	0	1	0	0
Recruitments	5	6	0	1	0	0	0	0
Resignations	3	3	0	0	0	0	0	1
Dismissals	0	0	0	0	0	1	0	0
Retirements	1	0	0	0	0	0	0	0

EMPLOYMENT EQUITY

The JPC Board approved the following policies to address employment equity within the company:

- Training and Development Policy;
- Recruitment Policy, Selection and Termination Policy;
- Performance Management Policy;
- Succession Planning Policy; and
- Employment Equity (EE) Policy.

Although the employees compliment is less than the required 150 employees as per the prescribed Employment Equity Act no. 55, 1998, JPC submits the EEA reports to the Department of Labour on an annual basis as proof of its contribution to the National Skills Strategy target planning.

The table below illustrates the company's consolidated EE position as at 30 June 2010.

		Target	Achieved
Senior Management	Male	50%	56%
	Female	50%	44%
	PDI	66%	89%
	Non PDI	34%	11%
Middle Management	Male	50%	66%
	Female	50%	34%
	PDI	62%	79%
	Non PDI	38%	21%
Junior Management	Male	50%	92%
	Female	50%	8%
	PDI	62%	36%
	Non PDI	38%	64%
Semi-skilled	Male	50%	23%
	Female	50%	77%
	PDI	66%	100%
	Non PDI	34%	0%

▪ **SKILLS DEVELOPMENT AND TRAINING**

The issue of competency and sustainability has become a key focus area where learning and growth serve as essential components towards good service delivery and personal development . Human Capital Development.

JPC is committed to the maintenance of standards by supporting and training employees through its world-class Skills Development Programme. This programme aims to develop both technical and people skills required for the company to conduct its business on an effective basis. JPC's Skills Development Programmes are in line with the requirements of the Skills Development Act and JPC's Workplace Skills Plan (WSP) is aligned to the company's Business Plan and focus is placed on occupational specific programmes, management development and legally required training.

In a bid to breach any skill gaps that may still exist in the various Business Units, Individual Development Plans (IDP) were reviewed during each quarterly assessment period to identify necessary training requirements. An agreement between the Line Manager and employee concerned is documented as being agreed outputs to improve on personal and departmental delivery objectives.

budget and completed training is monitored for return on investment where the Performance Management System serves as the measuring tool for a bonus reward.

The issue of learning and growth serves as an essential component on JPC's scorecard. Therefore, JPC's Performance Management Policy encourages skills based learning and personal growth. The process is further executed through JPC offering a bursary scheme to employees wishing to continue with relevant tertiary education.

The Training and Development Policy, Succession Planning Policy and the Performance Management Policy were approved. These policies have been work shopped with the JPC employees and further training will be given, particularly on the Performance Management Policy, in order to ensure that employee training gaps are identified early and the appropriate training secured. An Individual Learning Plan (ILP) forms part of the performance management process.

▪ **PERFORMANCE MANAGEMENT**

The KPIs set for each employee did not align with JPC's objectives and required outputs. JPC therefore revisited its Performance Management System to ensure that each employee's output was measured against the primary objectives of JPC, thereby ensuring that JPC's Vision and Mission are achieved and sustained. The revised system was approved, in the form of the Performance Management Policy on 24 June 2010.

JPC's updated Performance Management System provides for:

- The promotion and constant demonstration of the culture of accountability and good performance through transparent relations and trust between employees and management;
- Good corporate image that will enhance good self-image to all JPC's employees;
- Guidelines for career-development and career succession within JPC; and
- A link between career development, employment equity and skills development.

The Performance Management System will assist employees in understanding exactly what is required of them in order to contribute towards JPC meeting its strategic objectives. Additional objectives were included to reinforce the culture of governance and risk management among managers. The objectives of implementing the Performance Management System into JPC are as follows:

onal performance standards;

- Achieve sustainable improvements in service delivery;
- Encourage and reward good performance;
- Manage and improve poor performance;
- Enable employees to develop their abilities, increase job satisfaction and achieve their full potential for the mutual benefit of both the Employee and JPC.

Performance Management is being adopted as a positive management strategy rather than a punitive process and in this way employees feel comfortable to be part of the process.

Managers are able to measure the alignment of each employee's KPI's to that of the Business Divisions Strategic Plan. These measurements will assist in both improving individual performance as well as process that will improve on overall deliverance.

The process not only encourages on-going performance assessment per every quarter but allows for pitfalls to be reviewed and corrected by the next financial year. Training of under performing officials is being introduced as part of JPC's coaching and mentorship process to improve the performance levels.

▪ **HIV/AIDS IN THE WORKPLACE**

The management of HIV/Aids is an important challenge facing every organisation in South Africa. Although there are no known cases of HIV/AIDS at JPC, HIV/AIDS could have an impact on the following risk areas: operations, target market risk, supplier risk, legal risk and health risk. Whilst all these risks are under further investigation, JPC has adopted the following core principles as a basis for its HIV/ AIDS Policy:

Continuously assess the risks posed by HIV/AIDS on the business;

- Limit the number of new infections among employees;
- Ensure employees living with HIV/ AIDS are aware of their rights and that their rights are respected and protected;
- Provide care and support to employees living with HIV/AIDS.

In order to achieve the policy objectives, JPC has formed a Health and Safety Committee which consists of employees. The company has trained peer educators, who are full time employees, who have shown passion and willingness to assist their colleagues to ensure that employees receive care and support in their work environment. The HIV and AIDS Policy provisions are aimed at creating a supportive and enabling work environment for employees infected and affected by the HIV/AIDS pandemic.

▪ **EMPLOYEE BENEFITS**

The Company is a participating employer in one or more of the various retirement benefit schemes through which the CoJ and its associated MOEs provide post-employment benefits to all their permanent employees through 8 (eight) Defined Contribution Funds and 8 Defined Benefit Funds. The following funds provide pension benefits for JPC's employees:

Defined Contribution Funds:

- e-Joburg Retirement Fund
- Municipal Employees Gratuity Fund

Defined Benefit Funds:

- Johannesburg Municipal Pension Fund
- Municipal Employees Pension Fund
- Diepmeadow Pension Fund

Contributions to the Diepmeadow Pension Fund were ceased for the Group with effect from 31 July 2003. Benefits have been made and paid up and will accumulate for members on a defined contribution basis.

The following medical aid schemes are recognized at JPC in view of ex-Council employees;

Medical Aid:

- Munimed
- LA Health
- Discovery
- Bonitas

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

5.9. ENVIRONMENTAL RESPONSIBILITY

- JPC addresses Environmental Programmes and Initiatives in the Management of the CoJ's Property portfolio.
- Environmental Impact Assessment (EIA) is compulsory for all projects.
- Metropolitan Open Space System Implementation Programme:
 - JPC aim is to the establishment of a network of open spaces that contribute to social and environmental opportunities.
 - In the period under review various projects with a high green footprint are underway and they include:
 - Orlando eKhaya, dam and wetlands;
 - Huddle park;
 - Pimville Golf Course and Rietvlei Farm,
 - Florida Lake and River Park. To achieve this in some areas the CoJ exchanged valuable land for low financial value environmental projects.

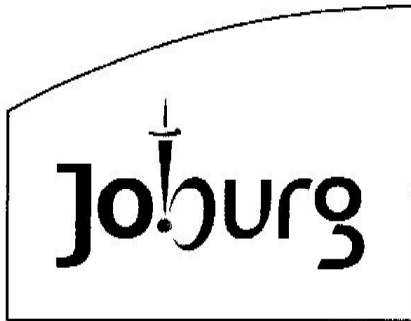


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REPORT



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

Index

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

INDEX	PAGE
Board Of Directors' Responsibilities and Approval	3
Audit Committee Report	4 - 5
Report of the Independent Auditors	6 - 8
Board Of Directors' Report	9 - 12
Certificate by Company Secretary	13
Statement of Financial Position	14
Statement of Financial Performance	15
Statement of Changes in Net Assets	16
Cash flow statement	17
Accounting Policies	18 - 27
Notes to the Annual Financial Statements	28 - 43
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Income statement	44
Appendixes:	
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	45

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, Madhiopa 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.

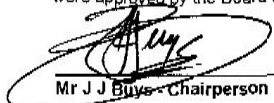
The Directors have reviewed the company's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

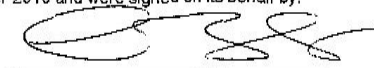
Although the Board of Directors are primarily responsible for the financial affairs of the company, they are supported by the company's external auditors.

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 Molala (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.



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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 FINANCIAL STATEMENTS AND PERFORMANCE
INFORMATION OF JOHANNESBURG PROPERTY COMPANY (PROPRIETARY) 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 Mantz	South African	
Dr D Sekhukhune	South African	
Mr S Dzegwa	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 Mantz 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 Mashela	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.



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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.



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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	9 539 665
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		(55 426 483)	(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	Notes	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	16 225 751
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	22 207 796	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	22 235 638	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	44 320 156	60 556 495

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	(57 951 702)	23 246 529
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		(2 067 127)	(5 361 621)
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		(101 383)	(215 743)
Net cash flows from financing activities		58 901 269	(23 567 804)
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	15 341	3 777

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.

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.1 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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 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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City of Joburg Property Company (Pty) Limited

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

Accounting Policies

1.3 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.

City of Joburg Property Company (Pty) Limited

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

Accounting Policies

1.4 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

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.4 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

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.5 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.

City of Joburg Property Company (Pty) Limited

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

Accounting Policies

1.7 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.

City of Joburg Property Company (Pty) Limited

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

Accounting Policies

1.9 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 settlement of the obligation is made. 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;

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.11 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.

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

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.

City of Joburg Property Company (Pty) Limited

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

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.

City of Joburg Property Company (Pty) Limited

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

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

City of Joburg Property Company (Pty) Limited

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

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

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	28 000
Interest cost	49 000	47 000
Actuarial losses	226 000	10 000
	301 000	83 000

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

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 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
	(885 986)	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	(196 309)	311 218	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

City of Joburg Property Company (Pty) Limited

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

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

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	3 688 296	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	3 068 742	(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.

City of Joburg Property Company (Pty) Limited

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

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

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	794 760	709 316
Deferred tax liability	(1 746 418)	(915 896)
	(951 638)	(206 580)

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

12. FINANCE LEASE OBLIGATION

	2010	2009
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	<u>1 887 981</u>	<u>1 750 701</u>
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
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>

City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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	196 038	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	1 800 008	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

City of Joburg Property Company (Pty) Limited

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

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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

City of Joburg Property Company (Pty) Limited

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

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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

City of Joburg Property Company (Pty) Limited

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

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

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 - Owning from related parties

City of Johannesburg Metropolitan Municipality	6 036 426	33 431 842
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Loan accounts - Owning 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
The City of Johannesburg Metropolitan Municipality - Commission received	18 664 096	40 687 450
Fair value adjustments	-	1 441 106

	19 201 096	52 644 556
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City of Joburg Property Company (Pty) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

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

City of Joburg Property Company (Pty) Limited

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

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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)
Deffered 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.

	At 30 June 2010			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
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				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
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

City of Joburg Property Company (Pty) Limited

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

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

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.

City of Joburg Property Company (Pty) Limited

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

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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



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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)

45
The supplementary information presented does not form part of the annual financial statements and is unaudited

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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 become attainable due to the delays experienced at the Deeds Office with regards to the registration of transactions.
Third Party Development fees	68 669	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	3 814,3	-	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	3 814,3	-	
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 reallocation 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 PMS, 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 result of 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)	-	

TERM	DETAIL
ATR	Annual Training Report
CBO	Community based organisation
CoJ	City of Johannesburg
CAPEX	Capital Expenditure
GDS	Growth and Development Strategy
GIS	Geographic Information System
GIAMA	The Government Immovable Asset Management Act
IDP	Integrated Development Plan
JRA	Joburg Roads Agency
JPC	City of Joburg Property Company (Pty) Ltd
Joshco	Joburg Social Housing Company
MFMA	Municipal Finance Management Act
MOE	Municipal Owned Entity
NGO	Non Government Organisation
LIS	Land Information System
OPEX	Operational Expenditure
PIMS	Property Information Management System
POWA	People Opposing Women Abuse
RFP	Request for Proposal
RFQ	Request for Quotations
SAPOA	South African Property Owners Association
SMME	Small Medium Micro Enterprise
WSP	Workplace Skills Plan

JOHANNESBURG PROPERTY COMPANY (PTY) LTD

Country of incorporation and domicile:	South Africa
Nature of business:	Development and Management of the CoJ property portfolio
Executive Director:	H Botes
Non Executive Directors:	J Buys, D Maritz, D Sekhukhune, A Sibanda, Armstrong, S Dzengwa, L Itholeng H Mashele.
Registration number:	2000/017147/07
Registered Address:	9 TH Floor, Braamfontein Centre 23 Jorissen Street, Johannesburg
Postal Address:	P O Box 31565, Braamfontein, 2017
Telephone number:	(011) 339-2700
Fax number:	(011) 339-2727
Website:	www.jhbproperty.co.za
Bankers:	ABSA Bank of SA Limited
Auditors:	Auditor-General



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