



a world class African city



**METROPOLITAN TRADING COMPANY
(PROPRIETARY, LIMITED)**

Registration No: 1999/011422/07

ANNUAL REPORT

2009/2010

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

ENTITY INFORMATION:

Registration number: 1999/011422/07

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Bankers : **ABSA Bank of SA Limited**

Auditors : **Auditor-General**

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CHAPTER ONE: INTRODUCTION AND CORPORATE PROFILE

Section 1: Scope of the Report

This annual report covers the Metropolitan Trading Company's (MTC's) governance, financial, social responsibility, environmental, broader economic and overall sustainability performance for the year. 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.

The report also covers the following:

- Comparative information;
- Performance information;
- Sustainability Report; and
- Operational reports.

Section 2: Company Profile

MTC is a wholly owned entity of the City of Johannesburg (CoJ) established in 1999 to manage informal trading markets and public transport facilities in the City of Johannesburg. With the implementation of the Rea Vaya Bus Rapid Transit (BRT) system in August 2009 in Johannesburg, the entity's business now extends to the management of the BRT stations. The conduct and operations of the entity are subject to legislation applicable to local government and the Companies Act. The institutional linkage between the CoJ and MTC is through the Department of Economic Development (DED) as well as the Shareholder Unit (SHU). The Member of the Mayoral Committee (MMC) responsible for Economic Development is the political champion of MTC.

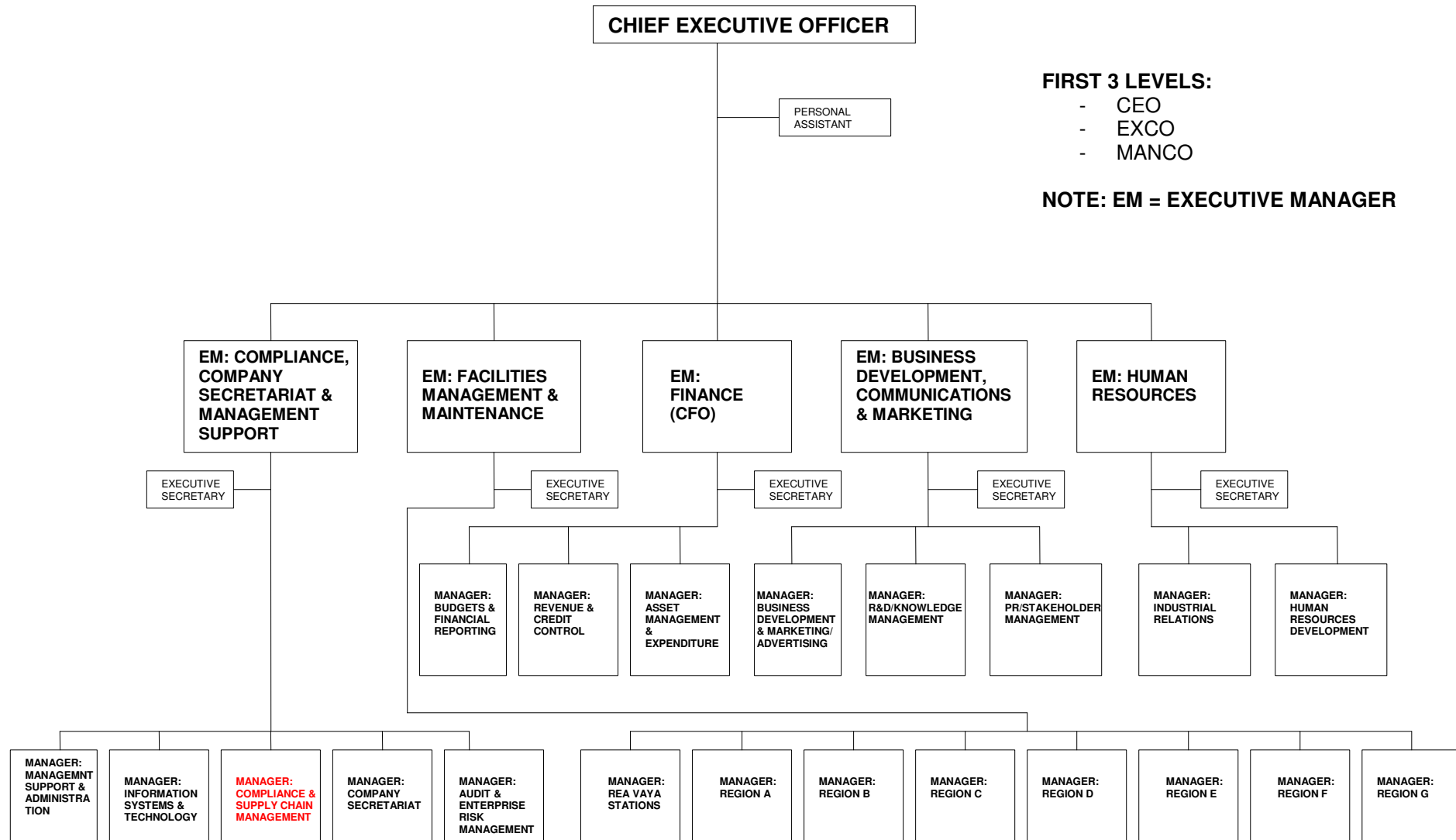
The entity's governance model makes provision for the Board of Directors (BOD) as the highest decision making body. The BOD accepts fiduciary responsibilities. In 2009/10, the BOD comprised ten non-executive directors and one executive director, who is also the Chief Executive Officer. The entity is bound by the scorecard performance system entered into between the CoJ and the BOD. The scorecard performance management tool is aimed at advancing the goals of the City's Integrated Development Plan.

By design, the entity relies heavily on the annual subsidy from the parent municipality in order to discharge its mandate. The mandate of the entity is four-fold, namely: to directly manage or oversee the management of public transport facilities and informal trading markets; to promote customer and user satisfaction in respect of commuters, consumers, taxi drivers and traders; to participate in ensuring that facilities are well planned and designed so that they operate effectively and respond to user needs; and to actively facilitate developmental support for public transport operators and traders.

Organisational Structure

MTC embarked on a review of its organisational structure which resulted in its redesign to ensure that the organisation is properly defined hierarchically and provides for capacity that is required for the entity to respond effectively to the challenges related to informal trading and public transport operations throughout the seven regions of the City. Below is the high-level structure that was approved for implementation by the Board. The Supply Chain Management function has since been moved to the Finance Department in line with the Treasury Regulations requirements.

New Organisational Structure



The Procurement section under Compliance/ Company Secretariat will be moved to Finance Department as per the Board resolution.

Section 3: Vision, Mission Values and Strategic Objectives

MTC's vision, mission and corporate values are as follows:

Vision

To be the leading integrated passenger and consumer facilities manager in Johannesburg.

Mission

To create shareholder value by managing world class, safe and eco friendly facilities that provide development opportunities for small business operators and convenience for our passengers and consumers.

Values

Communication, Transparency, Trust, Honesty, Respect, Integrity, Fairness.

MTC' had the following as its strategic objectives:

- The promotion of economic growth through the development or promotion of effective business environments in defined geographic areas;
- The regeneration of decaying areas of the City so as to enhance their ability to contribute to the development and effective management of formal trading markets and taxi ranks within the City and improvement of the quality of life of its residents;
- The promotion of economic empowerment through effective management of informal trading markets and taxi ranks;
- The promotion of productive partnerships and cooperation between all stakeholders with an interest in the effective management of informal trading markets and taxi ranks; and
- The development of best practice and organizational expertise of informal trading markets and taxi ranks within the City.

These objectives informed the following strategic plans and broad five-year IDP programmes that the Company sought to implement as part of the Economic Development Sector. The programmes were as follows:

- Increased role of co-operatives in the city's economy, and increased number of informal traders in city-managed market spaces 'graduating' into formal businesses.
- Increased number of beneficiaries reached by City-facilitated skills development initiatives.
- Measured increase in sectoral diversification and growth in sectors targeted for City support.

- Increase in the rate of formation of new businesses.
- Economic base of underdeveloped areas of the City increased over five years.
- Across City and Municipal Entities increased spend on new products and services that can be commercialised

These programmes were also in line with the following four of the six priorities of the Executive Mayor:

- Economic growth and job creation;
- Safe, clean and green city;
- Well-governed and managed City; as well as
- HIV and AIDS.

CHAPTER TWO: LEADERSHIP OVERVIEW

Section 1: Review by Member of the Mayoral Committee

In terms of its business model MTC continues to rely significantly on the operating subsidies from the City to conduct its business, with more than 70% from this source. In trying to turn this situation around during the period under review, MTC management and the Board had a strategic breakaway at the end of July 2009 where, after lengthy deliberations, they decided to focus more on the business development side. The intention was to look at how the entity's facilities could be utilised optimally to generate revenue, also taking into account the foot traffic that passes through the facilities.

This approach sought to ensure that the company focuses on the needs and interests of the commuters in the manner in which the facilities are designed and operate, so that as far as possible, the MTC facilities move from being primarily public transport facilities and become destination points with product offerings that meet most of the needs of the commuters, with public transport as a secondary service, unlike what is the case currently.

The aim was to ensure that in the medium to long-term, the subsidy that MTC currently receives from the City is reduced, and eventually eliminated, so that the entity can become completely self-financing through revenue generated from the facilities. This thinking was based on the experience and practice that has been used successfully by the OR Tambo International Airport, where the airport was consciously and deliberately redesigned and reconfigured, so that the foot traffic that passes through the airport is optimally tapped into and used to sell retail, commercial and advertising space to potential private sector investors.

This model was to be piloted in the following financial year (2010/11) at the Metro Mall facility so as to explore the options available to redesign the facility to focus on maximising its income generation capacity. Most importantly, in line with its mission, MTC will try to facilitate the creation of opportunities for its small business operators where possible, so that they can graduate into the formal economic sector of the City.

Thus MTC's role continues to be vital in ensuring that the City impacts positively on the lives of the needy and continues to nurture an entrepreneurial spirit amongst its small business operators and realises its objectives of eradicating poverty and creating jobs for its citizens.

Section 2: Chairperson's Review

On the 19th of August 2010 MTC had an Interim Board appointed following the resignation of seven of the nine members of the previous Board during the months of July and August. The resignations were as a result of the resolution that was taken by the Mayoral Committee requesting the reinstatement of the entity's Chief Executive Officer who had been suspended in April 2010 following a series of allegations of misconduct that were levelled against him. . The City had asked that an independent person be appointed to conduct an investigation into the allegations so as to attain an outcome that would comply with standard administrative justice. During August 2010 a vigorous induction programme was undertaken to familiarise the new incumbents with the operations of MTC.

At the beginning of the financial year the Board met with management to shape a five year strategic plan. The vision and mission statement of the company were revised and a set of new strategic goals developed as follows:

- A new business model for financial sustainability;
- Tightening internal management systems and policies;
- People and culture;
- Facilities management; and
- Stakeholder Relations.

After the adoption of the new strategic goals, an investigation was conducted on the new revenue model which sought to put the company on a new financial sustainability path. A pilot at Metro Mall of this new model was to be piloted in the 2010/11 financial year.

Other achievements for this financial year include the completion of the Integrity Study to determine facilities structural problems to develop a comprehensive maintenance plan for all facilities. The study was used to motivate for the Extended Public Works Programme (EPWP) funding.

On service charges, there was a consistent under recovery from tenants and the company through the EPWP project put in place gas and electricity meters per stall. The meters are prepaid and this contributed to improved revenue collection.

Rea Vaya Bus Rapid Transit System was another new development during this financial year. MTC is responsible for station management of the system which include HR management of station staff which are ambassadors, cashiers, and marshals. Contracted services are made up of security and cleaning.

Challenges: Uncontrolled and unregulated on-street trading seemed to be a big problem in the City, which can partly be attributed to the current levels of unemployment in the formal sector of the economy, as well as the recent global economic meltdown which saw many people losing their jobs and resorting to alternative forms of survival including entering the informal second economy of the City. It is therefore very important that where on-street trading happens in the City, MTC plays a critical role in ensuring that it happens in a regulated and orderly manner so as to contribute to the City's urban management efforts.

Given the short time within which we had to take over this responsibility as an Interim Board, I would like to thank my colleagues on the Board as well as management for their continued commitment in providing leadership, and for the level of enthusiasm demonstrated in the direction that the entity plans to embark upon for long-term financial sustainability and growth of MTC.

Section 3: Chief Executive Officer's Review

The year saw MTC completing the review of its organisational structure which resulted in its redesign to ensure that the organisation is properly defined hierarchically and provides for capacity that is required for the entity to respond effectively to the challenges related to informal trading and public transport operations throughout the seven regions of the City. This structure was presented to the HR Committee and the Board after which it was approved for implementation.

With the launch of the first phase of the Rea Vaya Bus Rapid Transit (BRT) system in the City, MTC took over the management of the stations where the entity was responsible for the provision of security, cleaning, cashiers, ambassadors as well as marshals. This was the most challenging task that the entity had to undertake given that this was a new public transport system in the City, and given the limited timeframe within which the entity had to take it over and mobilise the necessary resources required to ensure successful management and operation of these stations.

In the second half of the year MTC also completed the structural integrity study of the facilities under its management. The aim of the study was to:

- Assess the current condition of the facilities to identify their structural defects;
- Propose the kind of remedies that will need to be effected to refurbish and repair the facilities; and
- Prepare bills of quantities which will estimate the costs of refurbishing these facilities.

This study proved to be a very useful exercise for the entity as these results were used to prepare a comprehensive proposal for funding that was submitted to the City for funding from the Expanded Public Works Programme (EPWP). This saw MTC being allocated R45 million with R20 million allocated to the 2009/10 financial year and the remaining R25 million to the 2010/11 year. About R19.9 million was successfully spent in the first year.

With the new Compliance Manager/Company Secretary starting on 8th June 2009, the secretarial function moved out of the Office of the CEO to the Company Secretary. Matters relating to the Board and its Committees were effectively followed up and it was ensured that, as far as possible, the necessary advice and guidance were given to the Board and its Committees.

To ensure that there is improved performance in the next year, the company will be implementing its new organisational structure that was approved by the Board in November 2009. This will also ensure that there is sufficient capacity within the organisation to effectively respond to the challenges of managing informal trading. Additional capacity will also enable the company to better manage the Rea Vaya BRT stations, and to work effectively with other stakeholders to pool resources.

EXECUTIVE COMMITTEE

Full Name	Age	Designation		Skills/Expertise & Experience	Leadership
Alfred Sam 	41	Chief Executive Officer	- Bachelor of Social Science (Public Administration) – University of Cape Town; - Master of City and Regional Planning – University of Cape Town; Post Tertiary Miscellaneous Course - Professional Communication – Navtel; - Practical Management – Van Gareunen & Associates; - Change Facilitators Programme – Wits Postgraduate School of Public & Development Management; - Conflict Resolution Training – Owen Adendorff and Associates; - Targeted Selection Interview – Deloitte & Touché; - Supply Chain Management – Xavier Corporate Services; - Mentorship Training – Renaissance Network;	- CEO – Metropolitan Trading Company; - Director: Transportation Planning and Regulation – City of Joburg Municipality; also Directorship for Palmer Development Group; - Deputy Director : - Transportation Management – City of Joburg Municipality; - Project & Programme Evaluator – Palmer Development Group; - Analyst (Infrastructure Expenditure) - Palmer Development Group; - Financial Modeling – Mpumalanga Provincial Growth & Development Strategy; also for – Ugu Regional Council - Project Manager – Water Services Development Plan; - Lecturer – School of Public and Development Management; - Integrated Strategic Framework – Greater Johannesburg Metropolitan Council; - Co-ordinator: Greater Johannesburg – Local Councils and Metropolitan Council; - Communication Skills – Verbal & Written);	Member of South African Planning Institution (MSAPI)

Johannes Mashapa 		• Compliance Manager / Company Secretary	• Studying Master's Degree(LLM) in CORPORATE LAW • Bachelor of Laws – LLB Degree • Admitted Attorney • Attended courses on: - Compliance and Contract Management - Service Level Agreements - Risk Management and Public Sector Preferential Procurement System - JBCC Contract and Project Management	• Compliance Manager/ Company Secretary –MTC; • Assistant Director – City of Joburg (Housing Dept.); • Acting Legal Manager – City of Joburg ; • Managing Member – Sebenzile Homes & Accommodations; • Legal Specialist – Finance & Economic & Revenue Dept. (City of Joburg); • Attorney - Hofmeyr Herbststein & Gihwala Inc.; • Strategic • Planning & Implementation • Vetting • Advise • Drafting of Commercial Contracts ; • Projects Management; • Negotiations; • Communications;	• Founder of Sebenzile Homes & Accommodations; • Career Manager for the Law Student Council at University of Pretoria • Project Coordinator for Exchange Programme (SA and Europe) at University Pretoria • Chairperson for Student Human Rights Association at the University of Pretoria • Minister of Culture for IRIS House at University of Pretoria • Chairperson of the Steering Committee on the Implication of the National Credit Act at Revenue Department of City of Johannesburg • Member of Institute of Directors of Southern Africa
Justice Mzela Mashele 		• General Manager	• Certificate in Project Management; • Master of Science in Development Planning; • Bachelor of Science Degree; • Bachelor of Science Degree (Honours) Personnel Management;	• General Manager – MTC; • Project Manager – MTC; • Managing Director – Green Gold Farms Close Corporation; • Deputy Director – Johannesburg Region; • Deputy Director – Bekkersdal Project Coordinator • Deputy Director Planning – Western Region; • Director – Settlement Dynamics	• Founding Member of SANIEF (South African National Informal Economy Forum); • Member of justice and peace Gauteng Dioces; • Coordinator of the formation of the Tiendleleni Development Trust; • Member of ISRDP; • Class representative e for the MSs Development Planning – Wits University; • Secretary General – Housing

				(Pty) Ltd; • Assistant Director – Policy Development; • Research Coder and Analysis; • Assistant Researcher & Fieldworker; • Associate Researcher; • Training & Development • Enumerator; • EPWP Champion - MTC	Committee – University of Natal; • Psychology Class Representative - University of Natal; • Sociology Class Representative – University of Natal; • Social Club Minister – University of Natal; • SEED project coordinator University of Natal; • Media and publicity Minister.
Sipho Moloi 		• Human Resources Manager	• Completed a Commercial Development Diploma(N4-N6 National N. Diploma which encompassed Business Management; • Computer Practice; • Labour Relations; • Communications; • Computerized Financial Systems; • Business Management Diploma; • Certificate in Labour Relations; Other Business Courses - Job Evaluation; - Job Description Writing; - HIV/AIDS Counsellor; - First Aid Attend; - Advanced Management Certificate; - SAP HR Module Super User;	• Trainee – Denel Aviation; • HR Officer – Denel Aviation; • Senior HR Officer – Denel Aviation; • HR Manager – Auto Carriers Agency; • HR Manager – MTC.	SRC President at Kempton College Tembisa Classic FC Captain Best Communication Student Best Financial Management Student Best Business Entrepreneurship Student Best Academic Student at Kempton College Senior Editor Of the St Luke's College Newspaper Club

Victor Kgopa 		• CFO •	• Programme in Management /Development for Municipal Finance – Wits • Bachelor of Commerce – University of the North West •	• CFO – MTC • Manager in Budget and Treasury - Capricorn District Municipality • Acting CFO – Capricorn District Municipality • Budget & Expenditure Analyst – Capricorn District Municipality •	
Vasco Ndebele 		• Development and Research Manager	• LLB – Still to be completed; • Higher Diploma in Journalism – Rhodes University; • Bachelor of Arts – Rhodes University; • Advanced Level Certificate – Foundation College • Ordinary Level Certificate - Cyrene Boys School.	• Business Development and Communication – MTC; • Acting Senior Manager – REA VAYA; • Editor – Umsobomvu Youth Fund • SKILLS & EXPERIENCE - Facilitation - Report Writing - Communication –(Verbal/Non Verbal) - Team player - Outstanding in English (Writing and Public Speaking.	- Political Education Officer – SASCO Rhodes University; - SRC President – Rhodes University; - Committee Member – Rhodes University; - Secretary for International Affairs – South African Universities SRC; - Chairperson – SASCO Rhodes University; - Secretary General – SASCO National; - Secretary General – Southern Africa Student Union; - African Coordinator – International Union of Socialist;\ - Chairperson –MWASA; Chairperson – Board of Trustees Amber Ridge Complex.

Section 4: Chief Financial Officer's Review

For the year under review, the Company posted a deficit of R 394,137, a slight improvement from a deficit of R 1, 033,8735 in the year 2008/09. The operating expenditure is R64, 7 million against an approved budget of R56, 2 million, which represented a 15% or R8,5 million variance over the approved budget, which represents conditional grants received in the 2008/09 financial year but conditions met in the year under review. Major cost drivers in respect of the Company's operating budget were security, cleaning and utilities which constitute 24%, 14% and 16% respectively. In order to improve on operating efficiency, efforts were made to curtail these expenses. However, the expectation for MTC to take over additional facilities without the additional operating budget being allocated by the City continues to put such efforts under enormous pressure.

The Company raised a total revenue of R64, 7 million which exceeded the approved budget by 15% or R8,5 million. The increased revenue resulted from conditional grants amounting to R8,5 million inclusive of VAT which was raised in the prior year but related conditions only met in the current year. Conditions for all the grant allocation were only met in the 2009/10 financial year. This was earlier recorded as deferred income and transferred to revenue in the current year. The City's subsidy constituted 75% of the total revenue raised in the year under review. This calls for a more vigorous approach to optimise the entity's own revenue sources including advertising. During this financial year, the Company entered into an agency arrangement with the City of Johannesburg's Transportation Department to manage the Rea Vaya BRT stations. For this effort, the Company earned a management fee of R1, 6 million which is included in the above stated revenue.

Revenue collection from all traders improved from 51% in the 2008/09 financial year to 59% in the year to June 2010, which represented 8% improvement. Collection from informal traders also improved due to intensified revenue collection and credit control methods. The same cannot be said about collection from taxi associations, which still stands at 4%. This revenue source has been augmented by revenue collection from bus operators who form part of the public transport operators. However, capacity would be further enhanced in the credit control function to ensure consistent improvement with rental collection particularly from informal traders and taxi operators. Overall collection from public transport operators is about 48%.

For the year under review, efforts were made to post at least a breakeven position for the current year but focus on credit control meant that additional bad debts needed to be provided for. In analysing income and expenditure without this additional charge, it is pleasing to note that without additional bad debt provision the Company could have posted a profit as opposed to the current deficit of R394,137. Total bad debts for the year amounts to over R4 million, which would be reduced with improved credit control.. Below are the key cost drivers that have contributed to the deficit that has been realised in the 2009/10 financial year;

➤ Employee Related costs

The annual budgeted personnel cost was R11, 7 million against the annual actual of R11, 3 million, thus resulting in a variance of R400, 000. This was mainly due to a cost cutting exercise that was implemented by the Company during the year. Amongst others; this included the freezing of posts vacated by the resigned employees as well as an instance where MTC staff were redeployed to BRT with the resultant employee

costs carried by the Transportation department. This assisted in keeping personnel costs within the approved budget.

➤ Utilities-Electricity and Waste removal

The Company had projected a minimal increase in electricity costs but the electricity regulatory authority increased tariffs by about 31%. This impacted negatively on the Company's budget since electricity was being supplied across all facilities managed by the Company with minimal cost recovery. However, with the EPWP allocation that was received to upgrade these facilities, the Company installed pre-paid electricity meters at some of the facilities. It is anticipated that at least 50% of the current annual electricity cost of R4, 3 million would be recovered through these measures. This would be done through the selling of pre-paid electricity which MTC has been performing over the years.

➤ Debt Impairment

Actual bad debts for the year to date R4,8 million against a budgeted provision of R1, 3 million resulting in a deficit of about R3,5 million. A thorough analysis of debtors was performed in the month of January 2010 and provision made in line with the Company's credit control policy which resulted in actual bad debts provision being over the budget. However, due to improved credit control and debt collection, bad debts are continuing to reduce. Additional bad debts provision was also made during audit resulting from the incomplete data base of customers where from the 2010 audit, billing was found not to be in line with actual traders allocated trading spaces. This was identified by management as a risk during the year, hence a process is nearing completion to verify and maintain the updated details of all the Company debtors.

The Company has put in place plans to reduce this amount drastically as implementation of the credit control policy is under way. For the year-ended 30 June 2010, all effort was made to pursue all debtors whose arrears are 90 days and above. These require improved credit control capacity which was lacking in the company with only one (1) Credit Controller for over 5,000 customers. Two additional credit controllers are being recruited on a temporary basis to address this challenge.

Although collection has improved, there were some debts that proved irrecoverable amounting to about R3, 2 million and reversals of revenue of about R800,000 which mainly resulted from the billing of taxi associations without any signed user agreements. This has since been approved by the Board for write off whilst concerted effort would still be made to recover them.

➤ Repairs & Maintenance

Included in the Repairs and Maintenance expense for the year to date was an amount of R3, 9 million for projects initiated in the 2008/09 financial year. As this had not been invoiced by the suppliers in that financial year, the auditors requested that the amount be transferred to the 2009/10 financial year. This resulted in an over commitment as opex and capex budget allocations in relation to refurbishment projects for the 2009/10 were not made. Although a budget request was put forward to address this, the budget outcome was not

positive hence the over-commitment. The Company had however already been allocated the said funding through bank transfer in the 2010 financial year.

Statement of Financial Position

A key feature of this statement is an increased accumulated deficit which results from an audited loss for the year under review. Sadly, the Company has been posting deficits year-on-year resulting in a huge accumulated deficit of R76, 1 million in the 2008/09 financial year which deficit has increased slightly by R400,000 to R76, 5 million in the year under review, 2009/10. There has also been an increased bad debt provision from R8,3 million to R10,7 million owing to doubtful debtors identified by management but also those that emerged from the external audit process.

Where bad debt provision is ignored being a non-cash item, the Company would have recorded a record profit of R4,463,686 which could be achieved when the credit control function of the Company reaches its full capacity. In all effort to improve in this respect, additional credit controllers are being recruited to improve on interactions with customers to ensure early settlement of debts.

Financial Ratios

This section reflects on an analysis of the Company's finances in the form of ratios. Key is the Solvency and Liquidity ratios. The solvency ratio for the quarter ending June 2010 is 2.38, indicative of a healthy financial status. This indicates that the Company is still solvent, and this would be further improved by increased levels of collection. This indicates that the Company has sufficient assets to cover its debts. This also proves that the total assets of the Company could cover the Company's debts two-fold.

The Current ratio shows the ability of the Company to pay current liabilities out of current assets. At 1:12, the Current ratio indicates that the Company has sufficient liquid assets to settle current liabilities. However, as the Company is reliant on the fluctuations of the cash flow of the City, it finds itself unable to pay its creditors on time, thereby incurring wasteful expenditure in the form of interest. The situation has since normalised as more creditors are paid within the regulated period of 30 days.

Debtors' age analysis

Total debtors of R50,8 million at the end of June 2010 included R28,9 million owing by the City of Johannesburg in respect of EPWP claims and BRT services. Account analysis indicated that collection levels in respect of this account was very low or it took longer in the beginning for the City of Johannesburg through its Transportation and Economic Development Departments to reimburse claims to the Company but this has since improved. Top management of the said departments were engaged in this matter and commitments have since been made to settle the balance. The balance of R31,9 million represents trade debtors, namely; informal traders, formal retailers as well as public transport operators including bus operators.

Through implementation of the Company's credit control procedures, debtors amounting to about R3, 2 million were identified as irrecoverable as the traders were no longer trading in the Company's facilities and were difficult to locate. There was also revenue amounting to R800, 000 that needed to be reversed as the customers were billed without valid user agreements. A separate report which also included the revenue reversal with a total of R4 million was presented to the Board to write off this amount as it has become costly to pursue by conventional means performed through internal resources but in an outsourced way. For that reason, the company would look at various other measures necessary to recover this amount including handing over to debt collectors.

It has also been discovered that the current credit control policy has limitations in terms of large arrear amounts as most traders cannot afford to settle their arrears within 12 months as per provision of the said policy. A revised policy has been considered by management and would be presented to the Board with a view to increase the payment terms. Whilst this amendment would assist the Company to recover the arrears identified, presently, improved capacity in the credit control function would help ensure that long outstanding debts are minimised.

Section 5: Capital Projects

MTC was not allocated capital budget for the 2009/10 financial year from the City's normal budgeting processes. Through exploring alternative sources of funding, MTC was able to secure a budget allocation of R45 million from the City's Expanded Public Works Programme (EPWP). This funding was for the refurbishment of the Company's facilities, which had deteriorated to a compromising level, also leading to non-compliance with health and safety standards. The facility conditions were also impacting on revenue collection with some traders claiming that poor revenue from their businesses was due to the conditions of facilities from which they are trading.

This EPWP funding has therefore been used towards refurbishment activities that would help improve this and subsequent revenue collection. R20 million of this EPWP grant was for the 2009/10 financial year, and of this amount, a total of R19, 986,222 was spent, which translated to 99.9% total spending. Of this expenditure, R11, 915,358 (59.6%) constituted spending on CAPEX projects and R8, 070,864 (40.4%) was OPEX spending. The two tables below show both the CAPEX and OPEX projects on which the R20 million allocation was spent.

CAPEX PROJECTS FOR 2009/10				
Status	Project Description	Project Name	Township/ Suburb	Total
COMPLETED	Major refurbishment of Metro Mall Block B	Metro Mall Block B	METRO MALL BLOCK B	6,850,301
COMPLETED	Major refurbishment of Metro Mall Block C	Metro Mall Block B	METRO MALL BLOCK C	5,065,057
TOTAL				11, 915,358

OPEX PROJECTS FOR 2009/10				
Status	Project Description	Project Name	Township/ Suburb	Total
COMPLETED	Building repairs including plumbing works and electrical works	Ikwezi	IKWEZI FACILITY	1,031,466
COMPLETED	Building repairs including plumbing works and electrical works	Yeoville	YEOVILLE FACILITY	573,610
COMPLETED	Building repairs including plumbing works and electrical works	Faraday	FARADAY FACILITY	667,483
COMPLETED	Building repairs including plumbing works and electrical works	Kliptown	KLIPTOWN FACILITY	1,617,940
COMPLETED	Building repairs including plumbing works and electrical works	Hilbrow	HILLBROW MARKET	921,025
COMPLETED	Building repairs including plumbing and electrical works	Jeppe	JEPPE MARKET	854,692
COMPLETED	Building repairs including plumbing works and electrical works	Roodepoort	ROODEPOORT FACILITY	355,595
COMPLETED	Building repairs including plumbing works and electrical works	Bara	BARA FACILITY	1,421,704
COMPLETED	Building repairs including plumbing works and electrical works	Diepkloof	DIEPKLOOF	627,349
TOTAL				8,070,864

Section 6: Entity Five-Year Review

	Units	2010	2009	2008	2007	2006
Key financial figures						
Total assets	Rm	128,531,305	125,528,742	116,119,540	108,836,658	80,208,730
Total equity	Rm	87,972,754	87,367,091	88,521,065	79,806,679	89,410,748
Total equity and liabilities	Rm	128,531,305	125,528,742	116,119,540	108,836,658	80,208,730
Bank balance	Rm	(1,668,226.58)	0	0	25,380,480	3,402,996
Capital expenditure	Rm	0				
External Funding Loans	Rm		0	0		
MIG	Rm		0	0		
Revenue	Rm	16,288,449	17,781,620	14,615,686	10,598,357	9,262,837
Grant and Subsidies	Rm	48,059,000	40,135,000	35,972,000	31,354,000	19,445,060
Direct cost (If applicable)	Rm					
Employee costs	Rm	11,312,133	9,283,313	7,941,352	6,553,301	5,687,574
Discounting	Rm	(1,922,962)	(981,860)	(968,056)	(2,048,849)	(924,248)
Finance income	Rm	3,252,980	5,414,573	5,541,856	4,287,808	1,810,835
Finance costs	Rm	966,774	350,458	(118,488)	(722,096)	(204,680)
Surplus before tax	Rm	394,124	(1,295,424)	(625,488)	9,604,069	(1,829,014)
Income tax expense-current	Rm	0	0	0	0	0
Income tax expense – deferred	Rm		0			
Surplus for the year	Rm	(394,124)	(1,295,424)	(625,027)	9,604,069	(1,829,014)
Cash generated from operations	Rm	6,238,220	(3,547,239)	(4,558,473)	19,211,794	(9,747,781)

	Units	2010	2009	2008	2007	2006
Net cash from operating activities	Rm	47,455	1,525,777	887,141	22,777,506	(8,141,626)
Net cash used in investing activities	Rm	(636,120)	(1,413,010)	(735,012)	(541,856)	9,728,084
Net cash from/(used in) financing activities	Rm	317,038	(112,354)	(150,039)	(262,469)	(370,200)
Financial ratios						
Liquidity	%	1.10	1.26	1.15	1.11	1.08
Solvency	%	2.54	2.47	2.40	2.34	2.10
Total operating expenditure/revenue	%	101%	102%	101%	91%	90%
Interest coverage	Ratio	66	57	52	63	53
Other						
Employees	number	411	48	43	42	39
Employment equity	%	W=0.2 C=0.2 A=99.6	W=2 A=98	I=2 W=2 C=5 A=91	I=2 W=2 C=2 A=94	I=3 W=3 A=94
Gender equity	%	52FAND 48M	51M AND 49	51M AND 49F	55M AND 45	55M AND 45F
People with disabilities	%	1/411	1/48	1/43	1/42	1/39
Training cost	Rm	R26.000	R0.00	R184.00	R63.000	R36.000
Black economic empowerment	Rm					
Corporate social investment	Rm					

CHAPTER THREE: PERFORMANCE REVIEW

Section 1: Highlights and Achievements

Below are the key achievements and highlights:

- The company completed the structural integrity study in its facilities, which was used to secure funding from EPWP for the upgrade and refurbishment of these facilities
- Using the EPWP grant of R20 million, MTC was able to successfully refurbish and upgrade eleven of its facilities, with 99.9% expenditure of this allocation by the end 2009/10;

MTC completed the investigation of the model that was intended to demonstrate how MTC can optimally use its facilities for purposes of maximising revenue generation. The model will be implemented in the 2010/11 financial year.

- The company took over the management of the Rea Vaya BRT stations, ensuring that there is security, cleaning, cashiers, ambassadors and marshals to ensure that bus operations happen smoothly at the stations;
- Through the cleaning and security tender processes, MTC was able to award two contracts to ex-combatants, which contributed to the implementation of the City's policy on ex-combatants;
- The organisational review and redesign of the structure was successfully completed and approved by the Board for implementation.

Section 2: Performance against IDP and City Scorecard

Below is a table indicating MTC's performance in relation to the Scorecard, as well as detailed explanations on the key performance areas.

MTC SCORECARD FOR THE 2009/2010 FINANCIAL YEAR

Key Performance Area	Key Performance Indicator	Unit of measure	Baseline	Total Target	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Evidence	Means of verification	Explanation
			Actual	Target	Target	Actual	Target	Actual	Target	Actual	Target	Actual			
	FINANCIAL MANAGEMENT														
A new Business Model for Financial Sustainability	Actual rental collected from traders.	%	51%	61%	0%	0%	56%	55%	58%	63%	61%	70%	Income statement & cash collections	Income statement	More focused attention
	Actual rental collected from public transport operators.	%	4%	8%	4%	3%	4%	4%	6%	14%	8%	38%	Income statement & cash collections	Income statement	Still very low negotiations in progress
	Reduction of current % of Bad and Doubtful Debts.	%	58%	48%	0%	0%	54%		52%		48%	46%	Income statement	Income statement	Bad Debts have gone down by a % higher than projection due to improved credit control
	% Variance against ME's operating budget	%	-2%	0%	0%	-1%	0%	-10%	0%	20%	0%	-3%	Income statement	Income statement	Bad Debts main cause.
	Reduce operational costs	%	New Indicator	10%	0%	0%	3%	0%	6%	0%	10%	0%	Income statement	Income statement	Installation of prepaid meters for gas and electricity will reduce costs in 2011.
	Research and develop a New Business Model to optimise the use of facilities by providing wider range of goods and services to customers using Metro Mall as a pilot¹.	%	New Indicator	100%	0%	0%	25%	0%	50%	50%	100%	100%	Concept Document	Approval by Board	Document presented – implementation 2011.
	Increase revenues from advertising and promotional activities in our facilities	%	R1,500,000	50%	10%	65%	10%	25%	20%	47%	50%	-40%	Income statement	Income statement	Contracts are now being signed. Impact 2011.

¹25% = Status Quo analysis report; 50% = Options to implement model; 25% = Implementation plan on desired option

Internal Management Systems and Policies (including IT)	Develop a Business Process Manual ² .	%	New Indicator	100%	0%	0%	25%	0%	50%	0%	100%	0%	Actual Manual	Approval by Board	IT has had numerous issues, manager resigned. IT strategy to be developed. No budget
	Increase the effectiveness and reliability of IT systems ³	%	New Indicator	80%	0%	0%	50%	10%	65%	20%	80%	0%	Staff survey	Survey Report	
Facilities Management	Together with JTC, conduct aggressive marketing and strategic positioning of MTC markets for 2010-related business opportunities	%	New Indicator	100%	25%	10%	25%	10%	25%	20%	75%	Not done	Quarterly Progress Reports	Approval by Board	
	Together with Pikitup, ensure the management and disposal of waste through separation at source in 5 facilities.	Number	New Indicator	5	0	0	2	%	2	0%	1	Delayed	Quarterly Progress Reports	Approval by Board	Delayed to 2011
	Management of Rea Vaya BRT stations.	24 stations	New Indicator	23	23	24	24		23	23	27	31%	Quarterly performance reports.	Confirmation by Transportation Department	
	Implement the sustainable facilities management and revenue model in the 15 MTC facilities.	Number	New Indicator	15	10%	0	5	5	5	5	5	In progress	Quarterly reports	Approval by Board	
	Complete critical ⁴ repairs and maintenance to identified markets and public transport facilities to ensure compliance with OHASA ⁵ .	Number	1	4	2	0	1	4	4	8	1	12	Certificates of Completion	Certificates of Completion	EPWP Funding received

²25% = Status Quo analysis report; 50% = Investigation of options on business processes; 25% = Business Process Document with preferred option.

³80% connectivity to the domain including email and internet on a 24 hourly basis.

⁴This refers to serious structural defects that are near collapse, and unbearable sanitary and unhygienic conditions.

⁵Subject to availability of budget to repair/renovate/refurbish the facilities.

	STAKEHOLDER MANAGEMENT														
Stakeholder Engagement	Annual internal and external stakeholder survey	%	42%	To 50% by June 2010.	N/A	N/A	N/A		N/A		50%	0%	Annual Customer satisfaction Survey Results	Approval by Board	Delayed due to budget constraints
	Have MoUs signed with strategic stakeholders	Number	4	8	2	0	2		2	0	2	0	Signed MOUs	Signed MOUs	In progress
	CORPORATE GOVERNANCE														
Corporate Governance	Clean Audit Report	Number	1	1	N/A	N/A	N/A		N/A		N/A	N/A	Report of the AG	Unqualified audit report from AG	
	Fully SA GRAP Compliant and up-to-date asset register	%	Partial Compliance	100% Compliance	100%	90%	100%	100%	100%		100%	100%	Compliant Asset Register	Approval by Board	
	DEVELOPMENT, EMPOWERMENT AND CAPACITATION														
Broad-Based Black Economic Empowerment	Procurement spent on BBBEE as a % of total OPEX procurement.	%	75%	90%	90%	98%	90%	98%	90%	98%	90%	100%	Quarterly Operating report with procurement statistics	Approval by Board	
	Through targeted procurement, 5 new SMME/emerging companies in the areas of cleaning and security provision.	Number	New Indicator	5	0	0	2	1%	3	3	3	5	Quarterly Operating report with procurement statistics	Approval by Board	
	Facilitate implementation of 2 business entities for ex-combatants.	Number	New Indicator	2	0	0	0	0	0	0	2	Now DED KPI	Quarterly Operating report with procurement statistics	Approval by Board	

Informal Trader Management	Continue with Implementation rollout of smart-cards.	Number	679	4000	1000	110	1000	0	1000	0	1000	450	Number of smart-cards issued.	Record of recipients.	Resistance from traders. Negotiations in hand.
	Implement a sustainable Informal Trader Business Development Model with the Private Sector and pilot one business.	Number	New Indicator	1	0	1	0	0	1	0	1	DED	Progress report	Approval by Board	
	Jobs created and training undertaken in compliance with EPWP & Learnerships.	Number	New	100	15	22	30	40	30	117	25	747	Quarterly Progress reports on projects.	Plan developed and reported on quarterly.	Projects through EPWP
	HUMAN RESOURCES DEVELOPMENT														
People and Culture	% of Total salary expense for Staff Training in line with requirements of the "National Treasury Minimum skills and competencies for Municipal officials" by Dec 2012	%	1%	3%	0.5%	0%	1.5%	0%	2.5%	0	3%	0%	Quarterly HR reports on staff trained.	Certificates or Confirmation from Trainer(s).	Training did not take place due to budget constraints.
	Develop an HR Strategy ⁶ .	%	Presentation from previous financial year	100%	0%	0%	25%		75%	0	100%	0%	HR Strategy report	Approval by Board	Delayed due to budget constraints.
	Implement Performance Management System (PMS)		Full implementation of PMS	100%	Signed scorecard and review reports	15%	Review reports		Review reports		Review reports		Signed Scorecards and Review reports	Signed Scorecards and Review reports	Union objected but has now come on board.
	% Increase of Designated ⁷ groups employed – Female	%	2%	3%	0	0	0		1%	0	3%	2%	Quarterly HR reports.	Approval by HR Committee.	Will be taken into account in 2011 recruitment.
	% of people living with disability employed ⁸	%	1%	2%	0	0	0		0		2%	0%	Quarterly HR reports.	Approval by HR Committee.	

⁶25% = Draft concept document; 75% = Final HR Strategy document.

⁷Subject to availability of qualified female candidates on the market. However, efforts made to recruit should be clearly demonstrated.

⁸Subject to availability of qualified disabled candidates on the market. However, efforts made to recruit should be clearly demonstrated.

1. **Key performance area:** A new Business Model for Financial Sustainability

Actual Rental Collection from traders

MTC reached its target for Cash Collection from Informal Traders, with 70% actual collection against the target of 61%.

Actual Rental Collection from public transport operators

The entity collected 48% of the expected rental from operators. This includes 4% collected from taxi associations. The challenge with non-payment by taxi associations at MTC facilities is an ongoing matter. The entity has had engagements with the taxi operators and they have demonstrated their willingness to pay, especially after the refurbishments that were undertaken. Given that the process to finalize negotiations was hampered by the 2010 Soccer World Cup, the entity plans to finalize these in the new financial year.

Reduction of current % of Bad Debts

The target for reduction of bad debt was set at 10% for the 2008/2009 financial year. The entity did not meet this target as there were challenges experienced with the rental collection rate. The decline in collections can be attributed to the global economic meltdown, which has impacted on peoples spending patterns and in turn the ability of informal traders to generate revenue. The entity has put in place mechanisms to ensure that in the 2009/2010 collections are significantly improved.

Reduction of current % of Doubtful Debt

The target for reduction of bad debt was set at 48% for the 2009/2010 financial year. The entity did not meet this target as there were challenges experienced with the rental collection rate. However, with the collection rate of 46%, the entity plans to intensify its credit control measures to ensure that there is improvement in collection levels.

% Variance against ME's operating budget

The target for variance against operating budget was set at 0% and MTC could not achieve this target mainly due to increased bad debt provision. This resulted in the Company exceeded its budget but the actual expenses are below budget...

Reduce Operational costs

Although measures were put in place to cut operational costs, the target was not achieved. The installation of gas and electricity prepaid meters would reduce the costs from the 2010/11 financial year.

Research and develop a New Business Model to optimise the use of facilities by providing wider range of goods and services to customers using Metro Mall as a pilot⁹.

The target was achieved.

⁹25% = Status Quo analysis report; 50% = Options to implement model; 25% = Implementation plan on desired option

Increase revenues from advertising and promotional activities in our facilities

The KPI was not achieved as there was a delay in the finalization of the advertising contracts with the companies that were awarded advertising rights. The contracts will be finalized and signed in the new financial year.

2. Key performance area: Internal Management Systems and Policies (including IT)

Develop a business process manual

Target was not achieved due to capacity constraints within the company. The implementation of the new organizational structure will ensure that there is enough capacity created.

Increase the effectiveness and reliability of IT systems

The KPI was not achieved as there were capacity and skills challenges within the company.

3. Key performance area: Facilities Management

Together with JTC, conduct aggressive marketing and strategic positioning of MTC markets for 2010-related business opportunities

Target was not achieved due to budget constraints.

Together with Pikitup, ensure the management and disposal of waste through separation at source in 5 facilities.

Target was not achieved due to budget constraints.

Management of Rea Vaya BRT stations.

Target was achieved with MTC taking over 31 stations against the target of 24.

Implement the sustainable facilities management and revenue model in the 15 MTC facilities.

Target was not achieved as only two companies of ex-combatants were awarded cleaning and security contracts. The KPI is still work in progress.

Complete critical¹⁰ repairs and maintenance to identified markets and public transport facilities to ensure compliance with OHASA¹¹.

¹⁰This refers to serious structural defects that are near collapse, and unbearable sanitary and unhygienic conditions.

Target was achieved through the EPWP funding

4. **Key performance area:** Stakeholder Management

Annual internal and external stakeholder survey

Target was not achieved due to budget constraints

Have MoUs signed with strategic stakeholders

Target was not achieved. This is work in progress.

5. **Key performance area:** Corporate Governance

Clean Audit Report

Target is only measured at the end of the financial year once the final audited financial statements are available.

Fully SA GRAP Compliant and up-to-date asset register

Target was achieved as the entity has an up to date asset register

6. **Key performance area:** Broad-Based Black Economic Empowerment

Procurement spent on BBBEE as a % of total OPEX procurement.

Target was achieved.

Through targeted procurement, five new SMME/emerging companies in the areas of cleaning and security provision.

Target was achieved.

7. **Key performance area:** Informal Trader Management

Continue with Implementation rollout of smart-cards.

¹¹Subject to availability of budget to repair/renovate/refurbish the facilities.

Target not achieved due to trader resistance and some technical challenges experienced with the smartcard system.

Jobs created and training undertaken in compliance with EPWP & Learnerships.

Target was achieved.

8. Key performance area: People and Culture

% of Total salary expense for Staff Training in line with requirements of the “National Treasury Minimum skills and competencies for Municipal officials” by Dec 2012

Training did not take place due to budget constraints.

Develop an HR Strategy¹².

Target delayed due to budget constraints.

Implement Performance Management System (PMS)

Union objected during the financial year but progress has been made in implementing the system in the 2010/11 financial year

¹²25% = Draft concept document; 75% = Final HR Strategy document.

% Increase of Designated¹³ groups employed – Female

Target not achieved as all appointments were frozen due to budget constraints.

% of people living with disability employed¹⁴

Target not achieved as all appointments were frozen due to budget constraints.

Section 3: Assessment of Arrears on Service Charges

3.1 Assessment of Municipal Taxes and Service Charges owed to the Entity

Detail	Current	30 days	60 days	90 days	120 days	Total
Debtor's Age Analysis by income source	13,572,461	15,856,179	5,074,087	6,848,669	9,505,082	50,856,478

The total debtors' amount of R50,8 million includes debt owing by the City of Johannesburg amounting to R24,555,431. Of this amount, R4, 569,209 is from the Rea Vaya BRT station management contract which started in August 2009. The remaining R19, 986,222 was owed by the Department of Economic Development as part of the EPWP allocation of R45 million. Bad debt provision in respect of the balance amounts to R9, 203,625, which represents 18% of the total debtors.

3.2 Amounts owed by the Entity for service charges

Name of Entity	Amount Owed	Status
City of Johannesburg Metropolitan Municipality	R7,107,659	Amount provided for in the Entity's books
City Power Johannesburg (Pty) Ltd	R 257,424	Amount provided for in the Entity's books
Pikitup	R 41,396	Amount provided for in the Entity's books

¹³Subject to availability of qualified female candidates on the market. However, efforts made to recruit should be clearly demonstrated.

¹⁴Subject to availability of qualified disabled candidates on the market. However, efforts made to recruit should be clearly demonstrated.

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

Name of Director/Senior Managers	Designation	Name of Municipality	Municipal Account Name/ Number	Account Status as at June 2010
Nzimakwe T	Chairperson	City of Joburg	206922545	Up to date
Mabaso N	Non-Executive Director	City of Joburg	400764321	Up to date
Dakile K	Non-Executive Director	City of Joburg	202282580	Up to date
Egbers A	Non-Executive Director	City of Joburg	205616815 205435625	Up to date Up to date
Mbatha K	Non-Executive Director	Pretoria	2078709633	Up to date
Tlhacoane T	Non-Executive Director	City of Joburg	402400827	Up to date
Mgidi F	Non- Executive Director	City of Joburg	202471919	Up to date
Sam A	Executive Director	City of Joburg	403080231	Up to date
Moloi S	HR Manager	City of Joburg	1700570806	Up to date
Makhoba N	Communications/ Marketing Manager	City of Joburg	17103068	Up to date
Mashele J	General Manager: Operations	City of Joburg	504134839	Up to date
Ndebele V	Research and Development Manager	City of Joburg	505567257	Up to date
Mashapa J	Entity Secretary	City of Joburg	505148538	Up to date
Kgopa V	Chief Financial Officer	City of Tshwane	005004470140	Up to Date
Theunissen R	Independent Audit Committee Member	City of Joburg	400848532	Up to Date
Moolla H	Independent Audit Committee Member	City of Joburg	403613296	Up to Date

Section 4: Statement on amounts owed by Government Departments and Public Entities

Not applicable to the Entity.

Section 5: Recommendation and Plans for next financial year

MTC intends to improve the manner in which it conducts its business and strengthen the relationship it has with stakeholders, so that the company can be placed on a path towards long-term financial and operational sustainability. The following are the core areas that the entity will be focusing on:

- MTC will be piloting the revenue maximisation model that was investigated during 2009/10. This is a model that seeks to develop MTC as a business by focusing on the entity's facilities and how they can be used optimally to generate revenue, including exploring attracting large anchor tenants, promoting mixed land use and development of facilities, as well as optimising advertising spaces.
- Ensuring that all facility users enter into user and lease agreements to formalise the company's relationship with its customers;
- Ensuring that all users start settling historical debt and continue to pay current rentals;
- Initiate a process to manage uncontrolled and unregulated street trading through the establishment of Informal Trading Management Areas (ITMAs), starting in the Inner City;
- Continue with intensifying the management of contracts for cleaning and security service providers to ensure that MTC receives efficient contracted services;
- Especially in the context of the improvements and refurbishments that have been done in MTC facilities, continue to build on the working relationship with the facility committees, and where necessary, facilitate election processes in accordance with the charters/terms of reference.

CHAPTER THREE: DIRECTORS'S REPORT AND GOVERNANCE

Section 1: Corporate Governance Statement

The King III Code advocates for the development of risk management structures and internal control systems. Effective corporate governance must, therefore, incorporate formalised risk management strategies aimed at safeguarding stakeholder interests.

The Code entrenches the principles of sound risk management and outlines a number of risk management-related requirements for South African organisations (including a Committee to review the risk management process, the completion of an annual risk assessment and a number of disclosure requirements). MTC's commitment to comply with good corporate governance practices in accordance with the provisions of King III Code has led in part to the formulation and revision of the framework to ensure good risk management across the municipal entities and departments. This framework sets out the methodology for ensuring effective risk identification, strategies and objectives.

In terms of the provisions of the Local Government: Municipal Finance Management Act, 2003 (MFMA) and the Local Government: Municipal System Act, 2000 (as amended), the City takes the ultimate responsibility for the financial performance of its municipal and departments. The MFMA aims to modernise budget and financial management practices by placing local government finances on a sustainable footing in order to maximise the capacity of the City to deliver services to all its residents, customers, users and investors. It also aims to put in place a sound financial governance framework, by clarifying and separating the roles and responsibilities of the mayor, executive and non-executive councillors, and officials. This framework, through risk management, will support the requirements of the MFMA by identifying and minimising strategic, operational and financial risks, which may materially impact on MTC meeting the regulatory requirements of the MFMA.

Risk management is widely recognised as an essential part of an organisation's infrastructure to secure and demonstrate a robust and effective process of corporate governance.

According to the King III Report, Board should be responsible for the governance of risks as outlined in principles 1 to 10. The report further requires the Board to exercise this responsibility through a formal process, which include the total system and process of risk management. The Board is additionally required to exercise leadership to prevent risks management from becoming a series of activities that are detached from the realities of the company's business.

Register of Directors interest in contracts

All Directors declare their interest in contracts or matters before the Board, per meeting, by completing the declaration of interest forms. A register of interests is also being finalised, which will be given to all Directors and the Non-Executive Directors for their completion and return to company. The register will be renewed quarterly, so that it is updated accordingly, but Directors will still complete the declaration forms per meeting. (NB: All officials who participate in the evaluation and adjudication of tenders also complete the declarations of interests in accordance with the Supply Chain Management Policy).

The Board of Directors and Executives recognise that Corporate Governance is an important element of the management and operations of MTC. The Board ensures that MTC i meet the need for accountability, integrity, transparency, independence, and responsibility and discipline ("the principles"). In this regard, the Board will continue to develop and improve its corporate governance practices to ensure best practice.

The Board of Directors and Executive are committed to the principles of openness, integrity and accountability advocated by the King III Code on Corporate Governance. 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.

During the year under review MTC entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the Municipal Finance Management Act (MFMA).

Section 2: Board of Directors

MTC has a unitary board, which consist of nine (9) Non-Executive Directors and a single Executive Director who is the Chief Executive Officer. During the period under review, the Board was chaired by a Non-Executive Director, Mr Thulani Nzimakwe. However, on the 19th of August 2010 MTC an Interim Board was appointed, following the resignation of seven members of the previous Board during the months of July and August, with only two members remaining. The resignations were as a result of the resolution that was taken by the Mayoral Committee requesting the reinstatement of the entity's Chief Executive Officer who had been suspended in April 2010 following a series of allegations of misconduct that were levelled against him. The City had asked that an independent person be appointed to conduct an investigation into the allegations so as to attain an outcome that would comply with the standard of fair administrative justice.

The Board meets at least quarterly and retains full control over the entity. The Board remains accountable to the City of Johannesburg Metropolitan Municipality, the sole member and its stakeholder, the citizens of Johannesburg. A Service Delivery Agreement (SDA) concluded in accordance with the provisions of the MSA governs the relationship. The Board provides Quarterly, Mid-yearly and Annual Reports on its performance and service delivery to the parent municipality as prescribed in the SDA, MFMA and the MSA.

Non-Executive Directors contribute an independent view to matters under consideration. The roles of the Chairperson and the Chief Executive Officer 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 rules and procedures, statutory regulations and best corporate practices. The Board, or any of its members, may in appropriate circumstances and at the expense of the entity, obtain the advice of independent professionals.

Board Composition

The Board of Directors up until 30 July 2010 consisted of the following members:

- Mr T Nzimakwe (resigned)
- Mr A Sam
- Mr M Luus
- Ms A Egbers (resigned)
- Dr K Mbatha
- Dr K Dakile (resigned)
- Ms F Mgidi (resigned)
- Ms N. Mabaso (resigned)
- Ms M van Eeden (resigned)
- Mr T Tlhacoane (resigned)
- Ms L. Mpuru

PREVIOUS BOARD OF DIRECTORS

Full Name	Age	Designation	Qualifications	Skills/Expertise & Experience	Leadership
Thulani Nzimakwe 		• Chairperson	• B. Comm; • B. Accounting Degree; • Certificate Programme in Industrial Relations; • Chartered Accountant;	• Worked for Anglo American Corporation in their Corporate Finance and Investments Departments before leaving to become one of the founder directors of AloeCap in 1998; • Advised on various public and private sector transactions including restructuring, asset disposals, acquisition for licences for regulated business, public private partnerships;	• Director at AloeCap, a financial advisory firm based in Johannesburg; • Former Non-Executive Director at Joburg City Parks; • Chairman of the Audit Committee at Joburg City Parks; • Non-Executive Director at National Urban Housing & Reconstruction Agency; • Chairman of Audit Committee at National Urban Housing & Reconstruction Agency;
Xolani Alfred Sam		• Executive Director	• Bachelor of Social Science (Public Administration) – University of Cape Town;	• CEO – Metropolitan Trading Company; • Director: Transportation Planning and Regulation – City of Joburg Municipality;	• Chief Executive Officer – Metropolitan Trading Company; • Member of South African Planning

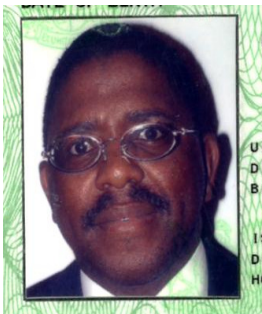
			• Master of City and Regional Planning – University of Cape Town; Post Tertiary Miscellaneous Course - Professional Communication – Navtel; - Practical Management – Van Gareunen & Associates; - Change Facilitators Programme – Wits Postgraduate School of Public & Development Management; - Conflict Resolution Training – Owen Adendorff and Associates; - Targeted Selection Interview – Deloitte & Touché - Supply Chain Management – Xavier Corporate Services; - Mentorship Training – Renaissance Network;	also Directorship for Palmer Development Group; • Deputy Director : - TRANSPORTATION Management – City of Joburg Municipality; • Project & Programme Evaluator – Palmer Development Group; • Analyst (Infrastructure Expenditure) - Palmer Development Group; • Financial Modeling – Mpumalanga Provincial Growth & Development Strategy; also for – Ugu Regional Council • Project Manager – Water Services Development Plan; • Lecturer – School of Public and Development Management; • Integrated Strategic Framework – Greater Johannesburg Metropolitan Council; • Co-ordinator: Greater Johannesburg – Local Councils and Metropolitan Council; • Communication Skills – Verbal & Written);	Institution – (MSAPI);
Kennedy Dakile		• Non-Executive Director	• Bachelor of Medicine and Surgery (MBCHB) Degree; • Post-Graduate Diploma in Marketing ; • Coursework for a Diploma in Company Directorship ;	• Founding Director of Philani Healthcare Group, the First Black-owned multidisciplinary primary healthcare group in South Africa. Philani health care group had the Iscor Pension Fund and the Public Investment Corporation (PIC) as shareholders; • His extensive healthcare experience spans primary health care, occupational health, health risk management as well as wellness; • He has provided consultancy work for both private and public sector clients including South African Breweries, Metropolitan Group, Metrorail, Spoornet, National Ports Authority, City Power, The Legal Aid Board and Joburg Water to name a few;	• Board Member of the Johannesburg Fresh Produce Market (The biggest fresh produce market in Africa and the third biggest in the world); • He also serves on the Audit Committee at Johannesburg Fresh Produce Market; • Remuneration Committee at Johannesburg Fresh Produce Market; • Chairperson of Marketing and Advertising Committee at Johannesburg Fresh Produce Market; • Founding shareholder and Non-Executive Director of Jessen Dakile (Pty) Ltd, a company which provides accessibility and lifting equipment for the physically disabled;
Adrienne Egbers		• Non-Executive	• Certificate in the Theory of Accountancy of Accountancy; board examination of the	• COO of National Housing Finance Corporation;	

		Director	PAAB; Qualified as a Chartered Account (Completion of Articles in 1967).	- Finances and Special Projects Divisions as Senior General Manager; - Financial Director of Constantia Greetings (Pty) Ltd, promoted to General Manager; - Financial Director Designate; - Served in various capacities in Group of Companies, including a spell with Charter Consolidated in London.	
Dr Khulu Mbatha 	1	Non-Executive Director	- Diploma in Public Management; Certificate in Macro-Economic and Social Development; - PhD: Doctorate in Philosophy; MA: Master of Arts; - BA: Bachelor of Arts German Language Certificates; - BA: Bachelor of Arts Incomplete due to the June 16, 1976 uprisings; - Ekukhanyeni Relief Project (HIV/AIDS); - Certificate in Forensic Accounting; - Fraud Investigation;	- Has had a working career spanning for 8 years. Due to political uprisings, he was unable to complete his junior degree at the University of Zululand in 1976; - Also became an expert in foreign languages in particular German and Greek whilst abroad. Altogether he spent about 20 years in different countries in Europe and America. After completing his studies in Germany; - Went to Lusaka, in exile, and served the African National Congress (ANC) in the Education Department and as its Chief Representative in Greece. 'When the ANC re-established itself after the unbanning, - He became the co-ordinator of its National Executive and National Working Committees (1991-1994).; - Since 1994 he has served the government in various positions, for example, as the first private secretary to the late Foreign Affairs Minister, Mr Alfred Nzo (1994-1995), as Minister Counsellor at the United Nations, New York (1995-1996), as Consul-General to Munich, Gennany (1996-1998) and as Deputy Director-General of the Department of Home Affairs;	- Chairman of the Local Committee of the Gauteng Licpior Board (Tshwane Metro); - Chairman of the South African-German Alumni Association Member of the Senior Council of the Southern African-German Chamber of Commerce and industry Member of Institute of Directors in Southern Africa; - Director and Chairman Singqobile Equestrian Security Services; - Director Nsele Trading; - Director African Sky innovative Solutions; - Director Trade and Investment Limpopo;

				- Dr. Mbatha served as the CEO of the Road Traffic Management Corporation from 1 May 2002 to end June 2005 - Dr. Khulu Mbatha has worldwide experience in international relations;	
Merle Van Eeden 		Non-Executive Director	- An MBA and B.Proc graduate with insurance and risk management qualifications. - A well-established track record in the set-up, growth and turnaround of companies and business units, general management, new business development, client servicing on local and international level.	- Set-up, turnaround and winning companies of business units, - Managing client servicing teams, development of new products, sales execution, redesign of business processes, strategy formulation and implementation. - Experience ranges across short term insurance, consulting, risk management, risk financing and information technology industries. Clients have ranged from individuals to small commercial entities and large multi-nationals.	

Zin Mabaso		Non-Executive Director	- Bachelor of Arts – University of Cape Town Majors: History; English; - BA (Honours) History; - Postgraduate Diploma in Organisation and Management; - Specialist Marketing Management Certificate Natal Technikon Subjects: Human Resources; Marketing; Finance; Strategy; Economics; - MBA – Milpark Business School (Thames Valley University)	- Client Relationship Management; - Enterprise Value Optimisation; - Supply Chain Improvement/Integration; - Strategic Sourcing; - Business Concept Development; - Feasibility Assessment & Business Case Development; - Merger & Acquisition Strategy & Enablement; - Development & Implementation of Sales Strategies; - Business & Functional Strategy; - Organisation Profit Improvement; - Performance Measurement & Management; - Executive Coaching & Mentoring; - Information Technology & Business Management.	
Martin Luus		Non-Executive Director	- Masters of Commerce – Economics; - Bachelors of Commerce ; - Honours – Risk Management; - Bachelors of Commerce – Economics, Money & Banking; Additional Qualifications: - Business Tax; - Econometric Analysis of Economic Data; - Buying & Selling of Shares; - Managing a Shares Portfolio; - Statistical Analysis System;	- Manager – Personal Lending Collections Strategy; - Manager – Portfolio MIS; - Manager – Reporting & Analytics; - Intern Economist; - Econometrics; - Risk Management; - MIS; - Report Writing; - Presentation Skills; - Collections Strategy;	

			• Alman Risk Analysis; • Regulations of SA Financial Markets; • Introduction to Financial Markets; • The Equity Market; • Foundation Leadership Course; • Graduate Development Programme;		
Fundisa Sheila Mgidi 		• Non-Executive Director	• Qualifications: B.Comm (1990) ; • In 1991-1992 I did non-degree purpose courses (Auditing; Management Accounting and Income Tax with Estate Duty Planning). Qualifications; • Post Grad Diploma in Tax Law (1993); - and LLM in Tax Law (1995) Qualifications; • Higher Diploma in International Tax Law (2001) MSc in Development Economics (2003/2004) Achievements. • In 2003 I was awarded the Nelson Mandela Scholarship (making the selected 14 scholars out 8,000 applicants). • Improved annual report content, presentation of information and overall reporting. As a result Telkom's 2005 annual report (my first) was ranked 3rd in the country in the Ernst & Young's Excellence in Corporate Reporting Awards.	• Investor Relations Executive; • Manager International Tax; • Deputy Director; • Tax Consultant; • During my study year in London I was, on occasions, selected as a spokesperson for and on behalf of the Nelson Mandela Scholars in functions and other occasions; • I was chairperson of a select Enterprise Magazine Forums; • I was one of the writers and liaison persons of the articles in the Arthur Andersen newsletter as well as at Telkom for tax newsletter. I participate in community development initiatives within communities, e.g. the Engcobo Development Initiative (EDI), established for the upliftment of the Ngcobo town and it surroundings. This Initiative has given me an opportunity to work with and learn from people such as Saki Macozoma; Zam Titus, Max Sisulu; who are members of this EDI; • I was a member of the Commerce Student Society at the University of Transkei and of the Streewise Movement programmes at the University of Cape Town;	• Currently Non-Executive Director of the Metropolitan Trading Company (City of Johannesburg).

			• In 2007 this gained Telkom a few accolades in the IR Global Rankings – Number 1 in Corporate Governance; 2nd for Disclosure Procedure and Top 3 Best IR websites in SA & Africa. • Certificates: 1. Executive program on The Theory and Practice of Investor Relations at the University of Michigan, Ross School of Business in July/August 2006.2. • Investor Relations briefing course in December • The Dubai EEMEA Depository Receipts Issuer's Conference March 2007.		
Thekiso Terrence Tlhacoane 		Non-Executive Director	• Master of Laws Degree; • Bachelors of Laws Degree; • Bachelor of Arts Degree; • Various in-house Management Training Sessions • New Managers Programme; • Certificate of Participation;	• Consultant for Own Account on Business Development for various clients, particularly in Licencing aspects of Mining; • Group Executive – Legal Services in SA Post Office Limited; • General Counsel – South Africa Enterprise Development Fund; • CEO – Sterling Benefit Consulting; • Company Lawyer – Uthingo Management (National Lottery); • Director Designate – Uthingo Management; • Company Secretary – Uthingo Management;	• Non-Executive Director – MTC; • Member of Audit Committee; • Non-Executive Director – Ubuntu-Botho Investment; Directorships in small companies, mainly related to ventures attempted for own benefit on various ventures;

Current Board of Directors

The Interim Board that was appointed in 19 August 2010 consist of the following members:

- Ms Xolisa Hloma (Chairperson)
- Ms Linda Mpuru (Chairperson of HR & Remuneration Committee)
- Ms Nadira Singh (Chairperson of Audit & Risk Committee)
- Ms Doris Dondur
- Ms Fikile Segole
- Ms Busi Skenjana
- Mr Francis Matabane (Chairperson of Operations Committee)
- Mr Martin Luus
- Mr Jerry Nkeli

Board Induction and Information

The previous Board members were inducted on the 12th of March 2009 following their appointment to serve in the MTC Board. The areas covered for the induction included the City of Johannesburg's Delivery Agenda with a focus on the service delivery agenda of the Economic Development Sector. MTC as the service delivery agent was required to set key deliverables in terms of its business plan in line with those of the Sector Plan.

Secondly, an overview of the company was presented focusing on the mandate of the entity, its core business and service delivery challenges and the need for a new approach for sustainable facilities and revenue model. Lastly the Board was presented with the City's Institutional Governance Overview.

Board Evaluation

The Board evaluation is conducted annually by the Shareholder Unit.

Remuneration

NON EXECUTIVE DIRECTORS REMUNERATION						
	Name	Designation	Meeting Fee R	Other R	Retainer R	Total R
BOARD MEMBERS						
1	Mr T Nzimakwe	Chairperson of the Board	60,382	69,220	00	129,602
2	Ms A Egbers	Chairperson of Audit & Risk	86,476	78,890	00	165,366
3	Ms FS Mgidi	Non-Executive	19,840	9,920	00	29,760
4	L. Mpuru	Non-Executive	4,960	0	00	4,960
5	Ms N Mabaso	Non-Executive	39,680	55,603	00	95,283
6	Dr K Dakile	Chairperson of Operations	49,600	45,675	00	95,275
7	Mr T Tlhacoane	Non-Executive	54,560	50,676	00	105,236
8	Mr M Luus	Non-Executive	19,840	18,546	00	38,386
9	Dr K Mbatha	Non-Executive			00	0
10	Ms M van Eeden	Non-Executive	39,680	35,416	00	75,096
	Total		375,018	363,946	00	738,964

These fees include compensation for ad hoc work such as visits to markets performed by respective Directors outside the ordinary meetings as determined by Shareholder. This relates to breakaway sessions, site visits as well as involvement in critical matters with management as directed by the Board. Board members were not paid retainer as they resigned before retainer fees were paid.

INDEPENDENT AUDIT AND RISK COMMITTEE MEMBERS REMUNERATION						
	Name	Designation	Meeting Fee R	Other R	Retainer R	Total R
1	Ms D Ndaba	Independent Members	24,800	44,208	00	69,008
2	Mr R Theunissen	Independent Members	24,800	1,078	00	25,878
3	Ms R. Kenosi	Independent Members	4,960	0	00	4,960
4	Mr. Moolla	Independent Members	4,960	0	00	4,960
TOTAL			59,520 -	45,286 -	00 -	104,806

Independent members of the audit and risk committee do not get paid a retainer.

Schedule of attendance of meetings

The table below shows attendance of Board meetings held during the financial year; of which seven members have since resigned during July and August 2010.

Directors	No of meetings held	No of meetings attended
Mr. T Nzimakwe (Chairperson of the Board)	7	7
Mr. A Sam		7
Dr K Mbatha		0
Ms. A Egbers		7
Dr. K Dakile		7
Ms. F Mgidi		4
Ms. M van Eeden		5
Ms. N Mabaso		5
Mr. M Luus		3
Mr. T Tlhacoane		7

The Board of Directors has adopted the Board Charter which encapsulates the City of Johannesburg 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 and Senior Management. 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 3: Board Committees

Introduction

The following committees were formed, each of which is chaired by a Non-Executive Director.

- Audit & Risk Committee;
- HR & Remuneration Committee;
- Operations Committee.

3.1 Audit & Risk Committee

3.1.1 Functions and Mandate

The role of the Audit & Risk Committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. It exercises its functions through close liaison and communication with Senior Management and the internal and external auditors. The committee met seven times during the year under review.

The Audit & Risk Committee operates in accordance with a written charter 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 reports;
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Review/approval of external audit plans, findings, problems, reports and fees;
- Compliance with the King Code of Corporate Practices and Conduct; and
- Compliance with code of ethics.
- Risk management.

The Audit & Risk Committee executed its responsibilities properly in terms of the charter during the year under review, and no changes to the charter were made. The Audit & Risk Committee has reviewed the annual financial statements prepared by Management.

3.1.2 Key Activities

The Audit & Risk Committee considered the annual financial statements of the Entity to be a fair presentation of the financial position of the company as at 30 June 2010, and the results of its operations, changes in equity and cash flow for the period then ended in accordance with GRAP and the Companies Act.

The Committee has also been delegated the task of overseeing the quality, integrity and reliability of the entity 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.

3.1.3 Members

The Audit & Risk Committee consisted of the following Non-Executive Directors:

- A Egbers (Chairperson of the Audit & Risk Committee
- who resigned in July 2010)
- T Tlhacoane (who resigned in August 2010)
- M Luus

The independent members of this Committee were:

- D Ndaba (retired)
- R Theunissen
- R Kenosi (appointed in August 2010)
- H Moolla (appointed in August 2010)

At the Annual General Meeting of the 26th January 2010, D. Ndaba was retired.

3.1.4 Schedule of Attendance for Audit & Risk Committee

The table below shows attendance of Audit Committee meetings held during the financial year.

Directors	No of meetings held	No of meetings attended
Ms A Egbers (Chairperson of the Audit & Risk Committee)	6	6
Mr. T Tlhacoane		6
Mr. M Luus		4
Ms D Ndaba		6
Mr R Theunissen		5
Mr H Moolla		1
Ms R Kenosi		1

3.2 HR & Remuneration Committee

3.2.1 Functions and Mandate

The Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for all Directors, Senior Management and employees.

3.2 Key Activities

The specific terms of reference for the Committee include recommendations to the Board on matters relating to *inter alia*,

- Formulating policy on non-executive and senior management remuneration of MTC;
- Determining specific remuneration packages for non-executive directors of MTC, including but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, in accordance with the City of Johannesburg Metropolitan Council (“COJ”) and
- Determining any criteria necessary to measure the performance of non-executive directors in discharging their functions and responsibilities in line with the policies of COJ.

3.2.3 Members

The HR & Remuneration Committee consisted of the following Non-Executive Directors:

- Ms N Mabaso (Chairperson of the HR & Remuneration Committee)
- Ms M van Eeden

3.2.4 Schedule of Attendance for HR & Remuneration Committee

The table below shows attendance of HR & Remuneration Committee meetings held during the financial year

Directors	No of meetings held	No of meetings attended
Ms N Mabaso (Chairperson)	3	3
Ms M van Eeden		3

3.3 Operations Committee

3.3.1 Functions and Mandate

The Committee advises the Board on matters pertaining to the operations of the Company. This includes providing strategic guidance for the day to day running of the company managed facilities, the Rea Vaya BRT stations, as well matters related to revenue maximisation.

3.3.2 Key Activities

The Committee gives input to company policies and procedures relating to the sustainable operation and maintenance of facilities, as well as approving and reviewing operational plans.

3.3.3 Members

The Operations Committee consisted of the following Non-Executive Directors:

- Dr Dakile;
- Ms N Mabaso.

3.3.4 Schedule of Attendance

The table below shows attendance of Operations Committee meetings held during the financial year

Directors	No of meetings held	No of meetings attended
Dr K Dakile (Chairperson)	3	3
Ms N Mabaso		3

SECTION 4: SENIOR MANAGEMENT REMUNERATION

It is important to note that as per the City's decision, 13th cheques were paid to all employees including the Section 57 employees who would ordinarily get a performance-based bonus. Since the bonus is linked to a financial year and paid pro-rata depending on when an employee joined the company, the Chief Financial Officer and the Compliance Manager/Company Secretary were paid only for the months that they had been with the company before the end of the financial year.

Name	Designation	Salary	Pension	Medical Aid	Cell Phone	Travel	Accommodation	Subsistence	Housing	Leave Pay	Insurance	Bonus	Total
Mr. Alfred X. Sam	Chief Executive Officer	981,000	N/A	N/A	12,000	N/A	N/A	N/A	N/A	N/A	N/A	82,806.86	1,075,806.86
Mr. Victor Kgopa	Chief Financial Officer	703,080	N/A	N/A	9,000	N/A	N/A	N/A	N/A	N/A	N/A	23,279.19	735,359.19
Mr. Johannes Mashapa	Compliance Manager & Company Secretary	562,440	N/A	N/A	9,000	N/A	N/A	N/A	N/A	N/A	N/A	3,003.42	574,443.42
Ms. Nhlanhla Makhoba	Communications & Marketing Manager	246,645	N/A	N/A	4,800	N/A	N/A	N/A	N/A	N/A	N/A	N/A	251,445
Mr Justice Mashele	General Manager: Operations	525,020	N/A	N/A	9, 000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	534,021
Mr. Sipho Moloi	Human Resource Manager	336,696	N/A	N/A	4, 800	N/A	N/A	N/A	N/A	N/A	N/A	N/A	341,496
Mr. Vasco Ndebele	Research & Development Manager	574,820	N/A	N/A	4, 800	N/A	N/A	N/A	N/A	N/A	N/A	N/A	579,620
Total		3,929,701	-	-	53,400	-	-	-	-	-	-	109,089.47	4,092,191.47

Section 5: Entity Secretarial Function

With the Compliance Manager/Company Secretary on Board, having started with the Company on 8th June 2009, the secretarial function moved out of the Office of the CEO as it was being undertaken and managed from there while this position was vacant. .

The Company Secretary has a key role to play in ensuring that Board procedures are both followed and reviewed regularly, and the Board performs its oversight role. The Company Secretary also makes sure that the Board meets regularly and all members of the Board are aware of and provided with guidance as to their powers, duties, roles and responsibilities.

The Company Secretary also serves as an Advisor to the Board and its Committees, while ensuring that all Board resolutions are adhered to and implemented by Management.

Section 6: Risk Management and internal controls

Effective risk management is integral to the entity objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks and mitigation thereof. For the year under review, a risk register was compiled to effectively manage the identified risks and mitigate their impact on the entity's business operations.

Operating risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems. Key policies and procedures which are in place to manage operating risk involve segregation of duties, transaction authorisation, supervision, monitoring and financial and managerial reporting. Financial risk management is dealt with in the financial statements on page 36.

In order to meet its responsibility with respect to providing reliable financial information, MTC 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 those transactions are properly authorised and recorded. The system includes a documented organisation structure and division of responsibility, established policies and procedures, including a Code of Ethics to foster a strong ethical climate. It also includes the careful selection, training and development of human capital.

Accordingly, an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of internal control systems can change with circumstances. A documented business continuity plan exists to ensure the continuity of business-critical activities. The entity assessed its internal control systems as at 1 July 2009 in relation to the criteria for effective internal control over financial reporting described in its Internal Control Manual. The internal control process has been in place up to the date of approval of the annual report and financial statements. Based on its assessment, the company believes that, as at 30 June 2010 its system of internal control over

financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, reasonably met those criteria.

Section 7: Internal Audit Function

Internal auditors monitor the operation of the internal control systems and report findings and recommendations to Management and the Board of Directors. Corrective action is taken to address control deficiencies and other opportunities for improving the system as they are defined. The board, operating through the audit committee, provides oversight 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.

The Entity outsourced its internal audit function to Deloitte & Touché' from the 1 July 2009. The firm has a specific mandate from the Audit & Risk Committee and independently appraises the adequacy and effectiveness of the company's systems, financial internal controls and accounting records, reporting its findings to management and to the Audit & Risk Committee.

The internal audit coverage plan is based on the risk assessment performed. The coverage plan is updated annually, based on the risk assessment and results of the audit work performed. This ensures that the audit coverage is focused on and identifies areas of high risk.

Section 8: Response to the Auditor-General Report

MTC is continuously endeavouring to ensure that it puts in place systems that seek to address findings by the Auditor General, and the Audit and Risk Committee has also played a pivotal role in ensuring that all matters are addressed accordingly. Attached are the reports by the Auditor General and the Chairperson of the Audit and Risk Committee respectively marked as Annexure A and B.

Section 9: Corporate Ethics and Organisational Integrity

MTC has formulated a set of entity values that support the entity's Code of Conduct, which has been fully endorsed by the Board and applies to all Directors and employees.

The MTC Values are: Trust, Honesty, Integrity, Transparency, Communication, Fairness and Respect.

The Code of Conduct together with the Values put emphasis on encouraging all entity personnel to act with utmost integrity.

Section 10: Sustainability Report

MTC aligns itself with the strategic requirements of being a responsible corporate citizen. The entity fully supports the concept of sustainability in all respects. The Executive Committee, with strategic direction from the Board, is charged with ensuring that the environmental, economic and social challenges facing the entity are identified, policies defined and mitigating strategies implemented and monitored. Good corporate governance

forms the foundation for the entity's efforts to improve its sustainability practices and performance. MTC remains committed to, and embraces, the principles of good corporate governance contained in the Code of Corporate Practices and Conduct as set out in the second report of the King Commission on Corporate Governance ("King Report") and Companies Act, 61 of 1973, as amended ("the Companies Act") in the conduct of its business.

Section 11: Corporate Social Responsibility Report

Due to the limited budget, the entity could not participate in other corporate social responsibility activities during this year. However, the company continued its collaboration with the Aurum Institute for Health Research (Emthonjeni) based at the Metro Mall facility. Emthonjeni continued to provide Voluntary Counselling and Testing (VCT) for HIV/AIDS to traders, taxi operators, and other members of the public like the domestic workers, the youth and couples. Since the service also extends to other diseases, there were also referrals for tuberculosis screening, sugar diabetes and blood pressure.

CHAPTER FOUR: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

During the year under review, much work was done with regards to capacity building within the organisation. There has been movement in terms of employees leaving and coming in, since some members of staff resigned and other temporary personnel were appointed towards the end of the financial year to assist with critical functions in the company.

Section 1: Human Resources Management

MTC's drive has been that of ensuring that its employment practices and remuneration policies motivate, retain and attract talented employees and create an attractive, conducive environment for its employees.

In November 2009 a new organisational structure was approved for implementation in the new financial year, depending on the availability of funds, with priority being given to the most critical positions. An additional amount of approximately R2 million was earmarked for the implementation of this new structure. While the finalisation of the role description and job grading were being undertaken, some of the positions had to be filled by temporary staff to help MTC to continue to function more effectively. These positions were the Contract Officer, Procurement Officer, and Accountant.

In order to build more capacity in the compliance management function, and to ensure that the entity got value for money for the services received from service providers, one of the current staff members was redeployed to focus on the performance of the cleaning and security companies to ensure that they provided the levels of services expected in terms of their contracts.

Section 2: Employment Equity

MTC is an equal opportunity employer and fully supports the principles underpinning the Employment Equity Act. The entity is compliant as it has 54 employees, 50 of which are Africans, 3 Coloureds and 1 White. There are 26 females and 28 males. Of the 11 managers, 3 are females. However, there is still room for improvement in terms of female employees, people with disabilities and race groups other than African. MTC has employment policies it believes to be appropriate to the business. The Entity endorses:

- Elimination of discrimination;
- Promotion of employee diversity;
- Reduction of barriers to the advancement of the disadvantaged; and
- Introduction of measures and procedures for transformation.

MTC has an Employment Equity Committee which looks after the Employment Equity issues as identified by the Employment Equity Act.

Section 3: Skills Development and Training

MTC is dedicated to upholding performance standards by continually supporting and training staff in line with its Training and Development programme. The entity bought a new finance package, Pastel Evolution, and all the employees in the finance department had to undergo training to improve their skills and to understand the package better. The budgeted amount for training in 2009/2010 was 3% of the gross salary budget.

Computer literacy training will continue in the next year, and will focus on programmes specific to the execution of various tasks, including the Smart trade system. With the introduction of the Minimum Competency Levels in the Regulations of the MFMA for officials at local government, most of the budget in the coming year will be utilised towards achieving those minimum competencies

Section 4: Performance Management

MTC adopted a Performance Management System as a performance enhancement tool to increase the organisation's productivity, and foster a positive employee attitude towards work and the organisation. Thus performance management at MTC, like in any other City Department and Entity, is undertaken through the balanced scorecard system. The performance indicators are linked to the objectives and the IDP scorecard. Additional objectives are included to reinforce the culture of governance and risk management especially amongst managers.

However, it has not been an easy exercise to have staff members signing performance scorecards at MTC. Although MTC as an entity had an organisational scorecard in the 2009/10 financial year, none of the staff members, including middle management who are union members, had individual scorecards to ensure that they take responsibility, collectively and individually, for the achievement of deliverables for the year. Only senior management had scorecards due to protestations from the union and staff members.

The primary reason for staff members to not have scorecards since 2007/08 was the manner in which the whole PMS was presented to them, especially linking bonuses of all permanent staff to the achievement of their scorecards. The Labour Union ended up intervening and there was a stalemate in terms of staff signing scorecards and in the end, these were never signed although staff were notified of their expectations. Various meetings and interventions ensued up to 2009 in order to implement the performance management system and scorecards.

A Performance Management Training Workshop was eventually held with all staff members on the 27th of March 2009 where employees were work shopped on the PMS and its importance for purposes of managing and monitoring performance. It was at this stage that staff members had comfort with the system, its purpose and how it can also benefit them professionally as individuals. It was then agreed that given that agreement has only been reached at this time of the financial year, the PMS will be properly implemented in the new-year starting in July 2009. However, the union then indicated that they cannot allow their members to sign performance contracts as that was one of the issues they were still bargaining on with the City of Joburg, so they wanted a resolution which not only covers MTC but the City as a whole.

Management at MTC continued with engaging the union and towards the end of the last quarter of 2009/10, the union had a change of heart and requested that members be taken for yet another training in PMS, after which they will all sign scorecards. The training took place on the 23rd September 2010, after which the scorecards will be finalised and signed.

Section 5: HIV/AIDS on the Workplace

MTC has taken a stance to approach the management of HIV/Aids as an important challenge facing every entity and has therefore adopted the City's HIV/AIDS Policy and has been able to leverage from the partnerships and services provided by the City through various forums. MTC has joined hands with a Non-Governmental Organisation, Aurum Institute to form Emthonjeni which assists, amongst other things, with HIV and Aids in the Workplace, including Voluntary Counselling and Testing.

1.1. HIV/Aids Structures

In order to ensure that the objectives of the HIV/AIDS policy are met, MTC appointed a Workplace Wellness Co-ordinator, a member of senior management who is the champion of the HIV/AIDS Wellness Local Forum, which will consist of three peer educators. The three peer educators, who are fulltime employees and who have volunteered for this role have demonstrated a willingness to assist their colleagues to ensure that a better understanding of HIV/AIDS is achieved and that positive employees receive the care and support they need.

1.2. Prevalence rate

Members of staff have been encouraged to visit various clinics that are part of the network established to manage the prevalence of HIV/AIDS within the organisation. This will assist the Entity in identifying the current prevalence rate and providing adequate support to those employees who are infected. The Emthonjeni Centre within the Metro Mall facility has ensured that this service is easily accessible to staff. From all the tests that were done at the Centre, the following were the results:

- The yearly HCT target for the centre has been increased from 6 000 to 8 000, hence the monthly target is now 670. The centre managed to reach the targeted 857 clients, out of which 14.5% tested positive;
- 92.7% of those tested (857) were done CD4 count, and at the time of reporting 57.4% had already collected their CD4 results;
- 31.3% out of the total number of 857 were tested for the first time;
- 33.3% of the traders tested (18), were positive;
- 28.5% of the taxi operators tested (61), were positive tested, (14) were positive;
- 5.8% of the youth 20 – 24 years tested (156), were positive;
- 40.6% of the domestic workers tested (32), were positive;
- 20.6% of the couples tested (29) were discordant, and 18.6% both partners tested positive;
- 68% of those tested (857) were actively mobilised by the mobilising officers to come and test.

1.3. Awareness of the disease

A qualified counsellor has been made available to all staff members, where they can ask questions related to the virus and receive the necessary counselling. This process will assist the Local Forum to establish the levels of awareness of the disease within the organisation.

1.4. Education

An on-going education programme has been established and is being managed and co-ordinated by the HIV/AIDS Workplace Wellness Co-Coordinator. Five Peer Educators received training on lay counselling, grief management; entity benefits for HIV infected employees, and treatment of workplace injuries. The Peer Educators provide HIV/Aids education to all staff on an on-going basis.

Section 6: Employee Benefits

Since MTC offers total cost to company packages employees arrange their own medical aid and pension funds, for which they must produce proof. Those who cannot find their own they are encouraged to join either Liberty Medical Scheme or Discovery Health. Old Mutual is the recommended and generally used Provident Fund.

Section 7: Supply Chain Management and Black Economic Empowerment

MTC adopted the Supply Chain Management Policy in compliance with the provisions of the MFMA and the National Treasury: Municipal Supply Chain Management Regulations, 2005, during the 2006/2007 financial year. A Compliance Management Unit was established to ensure that compliance with the Supply Chain Management Policy and other relevant legislation is improved. The MTC's SCM policy provides for the exclusion of awards to persons in the service of the state. MTC has also implemented the two –stage bidding processes with separate Bid Specification, Bid Evaluation and Bid Adjudication Committees having been established.

MTC has continuously been striving to tighten up on its supply chain management practices to ensure full compliance with its supply chain policy by all members of staff, using the SCM checklist that the Entity has developed to manage procurement.

In terms of Black Economic Empowerment, the Entity always strives to ensure that goods and services are procured from the previously disadvantaged groups and companies. This is done in line with and informed by the City's approved Broad Based Black Economic Empowerment Policy and Strategy Framework and the BBBEE Three-Year Action Plan.



THE METROPOLITAN TRADING COMPANY (PTY) LTD
Annual Financial Statements
for the year ended 30 June 2010

The Auditor-General
Issued 31 August 2010