ANNUAL REPORT 2010/2011

METROPOLITAN TRADING COMPANY (SOC) LTD

(STATE OWNED COMPANY, LIMITED)

Registration No: 1990/011422/07

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Management of retail markets for formal and informal traders, ranking and holding facilities for public transport operators, provision of support to traders. The company provides support to traders and taxi operators in the form of market promotions and business training. Management of ticket sales, security and cleaning of Bus Rapid Transit System on behalf of the City of Johannesburg Metropolitan Municipality.
CHIEF FINANCE OFFICER (CFO)	Mr V Kgopa
DIRECTORS	Ms X Hloma (Chairman) Mr A Sam (CEO) Ms B Skenjana Ms D Dondur Mr F Matabane (resigned 20/7/2011) Ms F Segole Mr J Nkeli (resigned 3/2011) Ms L Nxumalo Mr M Luus (resigned 8/3/2011) Ms N Singh
REGISTERED OFFICE	171 Bree Street Metro Mall Top Deck Johannesburg 2113
POSTAL ADDRESS	P O Box 870 Newtown Johannesburg 2113
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality
BANKERS	ABSA Bank Limited
AUDITORS	The Auditor-General South Africa
SECRETARY	Mr MJ Mashapa
COMPANY REGISTRATION NUMBER	1999/011422/07

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GLOSSARY

Abbreviation	Full Description
MTC	METROPOLITAN TRADING COMPANY
BoD	BOARD OF DIRECTORS
CEO	CHIEF EXECUTIVE OFFICER
DED	DEPARTMENT OF ECONOMIC DEVELOPMENT
MMC	MEMBER OF THE MAYORAL COMMITTEE
CoJ	CITY OF JOHANNESBURG
SHU	SHAREHOLDERS UNIT
JPC	JOBURG PROPERTY COMPANY
CJP	CENTRAL JOHANNESBURG PARTNERSHIP
ITMA'S	INFORMAL TRADING MANAGEMENT AREAS
KPI'S	KEY PERFORMANCE INDICATORS
EPWP	EXPANDED PUBLIC WORKS PROGRAMME
CAPEX	CAPITAL EXPENDITURE
OPEX	OPERATING EXPENDITURE
I.T.	INFORMATION TECHNOLOGY

EXCO	**EXECUTIVE COMMITTEE**
MANCO	**MANAGEMENT COMMITTEE**
CFO	**CHIEF FINANCIAL OFFICER**
HR	**HUMAN RESOURCES**
KPI	**KEY PERFORMANCE INDICATOR**
KPA	**KEY PERFORMANCE AREA**
BRT	**BUS RAPID TRANSIT**
AGM	**ANNUAL GENERAL MEETING**
MIG	**MUNICIPAL INFRASTRUCTURE GROWTH**
JRAS	**JOHANNESBURG RISK & AUDIT SERVICES**
GRAP	**GENERAL RECOGNISED ACCOUNTING PRACTICE**
IDP	**INTERGRATED DEVELOPMENT PLAN**
SDA	**SERVICE DELIVERY AGREEMENT**
MFMA	**MUNICIPAL FINANCE MANAGEMENT ACT**
MSA	**MUNICIPAL SYSTEMS ACT**
PMS	**PERFORMANCE MANAGEMENT SYSTEM**
MIG	**MUNICIPAL INFRASTRUCTURE GRANT**
VOIP	**VOICE OVER INTERNET PORTAL**

1. INTRODUCTION

The annual report covers the MTC's governance, financial and social responsibilities, environmental and broader economic 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:

- Comparative information
- Performance information
- Sustainability report
- Operational reports

Corporate Profile

The Metropolitan Trading Company (MTC), an entity of the City of Johannesburg (CoJ), was established in 1999 to manage certain informal trading markets and taxi ranking facilities in the City of Johannesburg. With the implementation of the Rea Vaya Bus Rapid Transit (BRT) system in August 2009, the mandate 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 association between the CoJ and MTC is through the Department of Economic Development (DED) as well as the Shareholder Unit (SHU). The political champion of MTC is the Member of the Mayoral Committee (MMC) responsible for Economic Development, Mr Sello Lemao.

The company's articles of association make provision for the Board of Directors (BoD) as the highest decision making body of the organisation. The BoD exercises fiduciary responsibilities over the company. In 2010/11, the BoD comprised of 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 Integrated Development Plan and the five year Growth and Development Strategy of the City.

By its incorporation, the entity relies on the annual subsidy from the parent municipality in order to execute its mandate. The mandate of the entity is four-fold, namely:

- ***Directly manage or oversee the management of public transport facilities and informal trading markets***
- ***Promote customer and user satisfaction in respect of commuters, consumers, taxi drivers and traders***
- ***Participate in ensuring that facilities are well planned and designed so that they operate effectively and respond to user needs***
- ***Actively facilitate developmental support for public transport operators and traders, and directly manage the BRT stations in the CoJ.***

Organisational Structure

MTC embarked on a review of its organisational structure which resulted in its redesign which was aimed at ensuring that the organisation has the necessary capacity that will ensure that it delivers on its mandate.

2. MANDATE, VISION, MISSION VALUES & STRATEGIC OBJECTIVES

Our Mandate

The Metropolitan Trading Company is a wholly owned entity of the City of Johannesburg. It has, as its mandate, the management of informal trading markets and public transport facilities including the Rea Vaya Bus Rapid Transport system at key locations within the City. Our mandate is to ensure that these facilities maximise their revenue generation potential whilst fully meeting the developmental needs of their users.

More than 5 000 traders across the various facilities, and approximately 400 000 to 500 000 commuters make use of the 9000 commuter taxis that pass through our facilities on a daily basis. MTC also manages the operations of 33 Rea Vaya BRT stations. This number will increase with another 16 stations in the 2011/2012 financial year.

The company currently has four key performance areas namely:

- Maximise revenue collection;
- Enhance stakeholder management and relations;
- Ensure financial viability and sustainability; and
- Extend the company's management to other additional facilities within available resources.

The above key performance areas were in line with the following Economic Development Sector programmes:

- 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

Four of the six Priorities of the Executive Mayor were also met, namely:

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

Our Vision

To provide clean, secure and integrated public transport and trading facilities in the City of Johannesburg.

Our Mission

To enhance stakeholder value by managing world class, safe and eco-friendly facilities whilst facilitating development opportunities for small business operators and convenience for commuters and consumers.

Our Values

The values that MTC as a company and its staff espouse include Respect, Integrity, Trust and Responsibility.

Our value proposition lies in our ability to provide safe, secure and clean facilities that enable convenience for our users in terms of affordable public transport and access to essential purchases. Furthermore, we pride ourselves in being not only a commercial organisation but a developmental one, insofar as facilitating training opportunities for our users and enabling access to certain healthcare.

3. LEADERSHIP OVERVIEW

Member of the Mayoral Committee Review

Councillor Sello Lemao
MMC of Economic Development

The impact of the global economic meltdown saw an increase in the number of people engaging in informal trading which resulted in the company being pressurised to provide more trading areas. This impacted negatively in the company's ability to generate revenue as facility users, in particular informal traders, could not afford to pay rentals as result of influx of illegal traders.

The CoJ views the company as a critical component with regards to creating employment opportunities. The company continues to play a pivotal role in the informal trading sector, particularly in the upliftment of the poorest of the poor, thus contributing to poverty alleviation and promoting social mobility. The CoJ, through MTC, recognises that is not only small and medium enterprises that promote job creation but also those businesses operating in the informal economy, and is aggressively exploiting the survivalist entrepreneurship sector fully so that it can reach the potential that has been obtained elsewhere in the world.

MTC together with Department of Economic Development (DED) established the Informal Trading Forum to provide a formalised structure through which traders could voice their issues and grievances and be engaged on other general issues affecting them as traders on a daily basis.

The entity however experiences a number of challenges particularly concerning the collection of user fees from the taxi industry as they continue to refuse to pay, maintaining that since government does not subsidise they see no need to pay. The company is a critical component to the CoJ commitment to realise the Millennium Development Goals and would unwaveringly support initiatives aimed at eradicating the scourge of poverty in South Africa.

The implementation of good corporate governance at the company contributed to the delivery of its mandate in the most effective and efficient manner possible.

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Councillor Sello Lemao
MMC: Economic Development

Chairman of the Board of Directors Review

The year 2011 marks the tenth year of the existence of Metropolitan Trading Company. The early part of the financial year 2010/2011 saw Metropolitan Trading Company (MTC) experiencing a change in leadership at Board level which led to the review of the company strategy as well as the Vision, Mission and Values of the organisation. The revised Business Plan together with the new performance targets were approved by the Mayoral Committee in February 2011 and were pursued rigorously.

MTC realises that the informal sector's contribution to the economy of Johannesburg is significant as it employs the majority of workers and offers increasing employment, more so-under the current economic conditions, as that the potential of other sectors to create jobs is declining. It is therefore imperative that the sector be supported. However, the critical challenge facing MTC is insufficient operational funding for the maintenance of facilities as well the provision of security, cleaning, water and electricity so that holistic support is given to this sector.

As the economy continues to shed jobs because of the economic downswing, MTC has seen a marked increase in the number of informal traders, and as the scramble for trading space increases, so does the burden of policing and controlling the unregulated on-street trading.

Because MTC regards informal trading as the gateway to other opportunities and possibilities, such as further education, formal employment, larger and more lucrative businesses, the company continues to partner with various institutions and facilitates programmes that aim to equip these developing entrepreneurs with business and life skills.

The growth of the informal sector has seen MTC growing from a staff complement of 50 to 450 in a period of 5 years. The Board reviewed the organogram so as to ensure that the company is fully equipped to serve the citizens of Johannesburg. The challenge of insufficient funding is however preventing the company from realising the ambitious targets it had set itself. For the better part of the year the company has been operating without the CEO, the Information Technology Manager and recently without the Chief Financial Officer and the HR Manager. The moratorium in the filling of senior positions has not assisted us in filling these vacant positions by employing temporary staff as people are understandably reluctant to leave their full time positions to take up temporary contracts with MTC.

Despite these setbacks MTC has seen an improvement in rental collection from traders and retailers as well in the generation of revenue from advertising in the facilities. MTC however continues to experience resistance from the taxi industry, which has been quite vocal on the issue of non-subsidy from the state. Taxi bosses are refusing to pay for using the City's facilities while on the other hand MTC has to keep on providing the necessary amenities, including payment for the utilities and maintenance. The lack of payment has also led to serious audit queries from the Auditor General in terms of not complying with some of the requirements of the MFMA. In this regard the Board is in the process of elevating the matter to the MMC's of Economic Development and Transport to assist in resolving this matter.

As a result of the above constraint in acquiring the necessary resources that MTC needs, during the second half of the 2010/2011 financial year MTC management has had to allow personnel to carry over accumulated leave days into the 2011/2012 financial year. As a result the leave days that have been accrued have led to over expenditure of R1.6million. However, to mitigate against the company having to pay employees for leave days not taken, management asked affected employees to take the leave due to them during the December break, a decision which has been supported by the Board.

In addition to the current function of managing the Rea Vaya Bus Rapid Transit (BRT) stations, MTC was asked by Transportation to provide hard core maintenance at the 33 BRT stations in addition to the soft core maintenance they currently provide. The recurring disagreements and misunderstanding between the Taxi association and Transportation continued to impact negatively on MTC in that the company was plagued with work stoppages and management had to be involved in meetings to address these conflicts.

The institutional review being undertaken by the City of Johannesburg has been unsettling to employees who have since joined the Union en masse in anticipation of possible retrenchments. Notwithstanding this situation, having adopted an approach of 'business as usual', management is forging ahead with getting the organisation's basics right.

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Ms Xolisa Hloma

Board Chairman:Metropolitan Trading Company

Acting Chief Executive Officer's Review: Mzela Justice Mashele

This financial year also saw MTC completing the review of its organisational structure which resulted in its redesign to ensure that the organisation 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.

With regards to transportation, significant strides have been made with the taxi industry in terms of paying-user fees. It is anticipated that in the 2011/2012 financial year MTC will be making headways in securing agreements with its major facility users to agree to pay for using its facilities. On the other hand the number of Rea Vaya Bus Rapid Transit (BRT) stations will have increased from 27 to 33 stations by end of 2010/2011 year. In addition MTC has taken over the management of the BRT stations from the private companies that managed stations and personnel. This led to absorption of 382 employees who were previously employed by Notha HR Management Company into full time MTC employees. This increased the number of MTC full-time staff to 449 (four hundred and forty nine) employees.

In this financial year MTC also completed the refurbishment of an additional thirteen facilities as part of the R25 million allocated through the EPWP budget. The scope of work included the construction of new cooking and Barber stalls in Hillbrow, as well as improvements of trading conditions in various facilities. Upgrades were also done to ablution facilities and air purification systems, roller shutter doors to trader shops were installed as well as, energy efficient lighting, prepaid electricity and gas meters to various facilities.

MTC created a total of 1 522 jobs over the past 12 months, mostly in the area of the operational management of the Rea Vaya stations and through refurbishment of various facilities.

As an organisation we are passionate about the empowerment and development of our traders and users of our facilities. In recent months MTC has facilitated the training of a number of our traders, which included attending an Absa Financial Training Workshop. We have also recruited traders for "Grow Your Own Business" training as well as Adult Basic Education and Training.

Furthermore, we have provided access for our facility users to HIV AIDS testing and counselling as well as Tuberculosis (TB) testing in partnership with Aurum Institute located at our busiest Metro Mall facility.

In order to regulate and manage the informal traders within our allocated areas and to ensure appropriate rental collections, MTC has commenced with the rollout of the Smart Trade programme. To date over 2729 smartcards have been issued to informal traders.

MTC has commenced with the implementation of the sustainable facilities management model that was approved by Council. This model seeks to further empower MTC facility users so that they can tender for services within the various facilities, such as the provision of cleaning and security services. This saw employment of companies owned by facility users gaining meaningful employment.

The financial report will indicate overspending on various items. The good news however is that in real terms MTC performed better financially, except in two areas, namely:

- ***Over-expenditure in contracted services; and***

- ***Salaries.***

Over expenditure emanates from under budgeting on contracted services due to additional new facilities that had recently been taken over by the company, this was not previously budgeted for.

MTC has concluded an agreement with JMPD where the parties will co-manage the Street Ambassadors project. For the first time in the history of the Inner City informal trading, this project will introduce a gate keeping system by ensuring that law and order is enforced in previously unmanaged and unregulated trading areas.

Mzela Justice Mashele
Acting Chief Executive Officer

Financial Manager's Review: *Gert Theron*

For the year under review, the Company posted a deficit of R 2,349,021, compared to a deficit of R478, 316 in the 2010/11 financial year. The operating expenditure is R64,9 million against an approved budget of R62,6 million, which represented a 3,7% or R2,3 million variance over the approved budget. Major cost drivers in respect of the Company's operating budget were security, cleaning and utilities which constitute 27.7%, 9.5% and 12.9% respectively. In order to improve on operating efficiency, efforts were made to curtail these expenses. But, 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 R62,5 million which is in line with the approved budget of R62,6 million. The City's subsidy constituted 72.4% 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 earned a total of R1.05 million from the Rea Vaya BRT agency fees.

Revenue collection from all traders improved from 59% in the 2009/10 financial year to 65% in the year to June 2011, which represented 6% improvement. Collection from informal traders also improved due to intensified revenue collection and credit control methods. The collection from taxi associations stands at 75% of the taxi associations that are billed. At the moment, the company resolved not to bill the associations that have not signed the user agreements. There has been a 98% 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.

There was a decrease in bad debt of 12% to R4.3 million (2010 - R4.9 million).

Key cost drivers that have contributed to the deficit in the 2010/11 financial year include:

Employee Related costs

The annual personnel cost was R17.4million against a budget R13,3 million, thus resulting in a negative variance of R4,1 million. This was mainly due to leave accrued and expenditure on temporary personnel.

Utilities-Electricity and Waste removal

The Company had projected a minimal increase in electricity costs but the electricity regulatory authority increased tariffs by approximately 25.1%. 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, which led to recovery of R1.5 million from electricity supplied.

Debt Impairment

Bad debts for the year to date is R4,3 million against a budgeted provision of R2.1 million, resulting in a negative variance of R2.2 million. A thorough analysis of debtors was performed in the month of June 2011 and provision made in line with the Company's credit control policy which resulted in the bad debts provision being over the budget. However, due to improved credit control and debt collection, bad debts are continuing to reduce.

The Company has put in place plans to reduce this amount by enforcing the credit control policy and improving collection. Additional credit controllers were employed on a temporary basis to enhance effort to collect outstanding debtors.

Statement of Financial Position

Current assets increased by R4.9 million mainly due to the increase in related party debt balance. In this reporting period the current liabilities increased by R6 million also largely due to related party creditors balances.

Financial Ratios

This section reflects on the Company's finances in the form of ratios. Key is the Solvency and Liquidity ratios. The solvency ratio for the quarter ending June 2011 was 1.99 (2010 - 2.54), indicative of a healthy financial status. This indicates that the Company is still solvent (improving further by increased levels of collection), as well as indicating that the Company has sufficient assets to cover its debts. This proves that the total assets of the Company could cover the Company's debts in two-fold. Although the company was solvent, a significant portion of its working capital was tied up in debtors. This resulted in pressure on the company's cash flow. This situation was corrected in the first quarter of the next financial year when 96% of outstanding intercompany debtors was collected**.**

The Current ratio shows the ability of the Company to pay current liabilities out of current assets. At 1:20 (2010 - 1.10), the current ratio indicates that the Company has sufficient liquid assets to settle current liabilities. The ability to settle current liabilities is dependent on the company's ability to collect from its debtors. This was problematic during the year under review but the situation was stabilised in the fourth quarter and reflected in a significantly improved collection subsequent to the year end.

Debtors' age analysis

The collection level of intercompany debtors was very low throughout the year under review. The root cause of the poor collection was addressed by new management in the fourth quarter and R51.6 million of the intercompany debtors (outstanding at the year-end) was collected by the end of August 2011.

A concerted effort also led to improved collection for other major categories of debtors. Collection from informal traders was up to 74% of the billed amount (from 64% in the third quarter). The collection amount for the retailers improved to 135% in the fourth quarter (from 79% in the third quarter). The drastic improvements could be ascribed to the new management as well as improvements in efficiency. As these changes were made in the last quarter of the year, the full year's performance does not reflect the vast improvement that was made in the final quarter.

Capital Projects

MTC was allocated a total of R7 million capital budget for the 2010/11 financial year from the City's normal budgeting processes, in addition to the R25 million received through the City's Expanded Public Works Programme (EPWP) to capitalise Metro Mall. The funding was used to refurbish Metro Mall and other facilities that had deteriorated to a compromising level, leading to non-compliance with health and safety standards. The facility conditions were impacting on revenue collection with some traders claiming that poor revenue from their businesses was due to the conditions of the facilities from which they were trading.

The two tables below show both the CAPEX and OPEX projects on which the R25 million allocation was spent.

CAPEX PROJECTS FOR 2010/11

Status	Project Description	Project Name	Township/ Suburb	Total
COMPLETED	Major refurbishment of Metro Mall Block B	Metro Mall Block B	METRO MALL BLOCK B	15,645,157
COMPLETED	Major refurbishment of Metro Mall Block C	Metro Mall Block B	METRO MALL BLOCK C	12,997,117
Finalising Completion	Upgrade and Refurbishment of Kwa Mai Mai facility	Kwa Mai-Mai	Jeppestown	2,500,000
Upgrade and refurbishing still in progress	Upgrade and Refurbishment of Hillbrow facility	Hillbrow	Joubert Park	2,500,000
Finalising Completion	Upgrade and Refurbishment of Faraday facility	Faraday	Ellof Extension	2,000,000
TOTAL				**35,642,274**

Entity Five-Year Review

Key financial figures	Units	2011	2010	2009	2008	2007
Total assets	Rm	135,537,938	128,531,305	125,528,742	116,119,540	108,836,658
Total equity	Rm	88,132,315	87,972,754	87,367,091	88,521,065	79,806,679
Total equity and liabilities	Rm	135,537,938	128,531,305	125,528,742	116,119,540	108,836,658
Bank balance	Rm	(10,331,549)	(1,668,226,58)	0	0	25,380,480
Capital expenditure	Rm	7,000,000	0			
External Funding Loans	Rm			0	0	
MIG	Rm			0	0	
Revenue	Rm	17,407,114	16,288,449	17,781,620	14,615,686	10,598,357
Grant and Subsidies	Rm	45,293,000	48,059,000	40,135,000	35,972,000	31,354,000

Key financial figures	Units	2011	2010	2009	2008	2007
Direct cost (If applicable)	Rm					
Employee costs	Rm	15,872,077	11,312,133	9,283,313	7,941,352	6,553,301
Discounting	Rm	(513,399)	(1,922,962)	(981,860)	(968,056)	(2,048,849)
Finance income	Rm	735,004	3,252,980	5,414,573	5,541,856	4,287,808
Finance costs	Rm	301,154	1,029,288	350,458	(118,488)	(722,096)
Surplus before tax	Rm	(778,786)	(405,107)	(1,295,424)	(625,488)	9,604,069
Income tax expense-current	Rm	0	0	0	0	0
Income tax expense – deferred	Rm			0		
Surplus for the year	Rm	(778,786)	(405,107)	(1,295,424)	(625,027)	9,604,069
Cash generated from operations	Rm		6,238,220	(3,547,239)	(4,558,473)	19,211,794
Net cash from operating activities	Rm	1,461,340	1,438,305	1,525,777	887,141	22,777,506
Net cash used in investing activities	Rm	(602,608)	(636,120)	(1,413,010)	(735,012)	(541,856)
Net cash from/(used in) financing activities	Rm	(843,311)	296,159	(112,354)	(150,039)	(262,469)
Financial ratios						
Liquidity	%	1.20	1.10	1.26	1.15	1.11
Solvency	%	1.99	2.54	2.47	2.40	2.34

PERFORMANCE REVIEW

The Metropolitan Trading Company, being a municipal entity of the City of Johannesburg ("CoJ"), has aligned its performance measurement approach with that of the CoJ's IDP and GDS strategic objectives. Although the Service Delivery Agreement (SDA) in force between the City of Johannesburg and MTC is still subject to renewal, the entity endeavoured through the implementation of a matrix to maximally align its activities to the imperatives contained in the SDA. At present a draft new SDA is being considered by the shareholder for implementation.

All performance areas and indicators are regularly reviewed by MTC management and quarterly reports are submitted to the CoJ as required by the MFMA. With the appointment of the board, in August 2010, the company in December 2010 revised the scorecard from 18 KPI's to 54 KPI's to enhance service delivery and performance. The revised scorecard was approved in February 2011.

Highlights and Achievements

- Overall cash collection increased from 49% in last financial year to 65%, which translates into a 16% overall collection.
- Following the appointment of Street Programme Officers, the rental collection from informal traders increased from 59% of the billing in the previous financial year to 75% in this reporting period, which represented a 16% increase.
- The company secured additional R2 million from Municipal Infrastructure Grant (MIG), which was used to build new trading stalls at Faraday market.
- The attainment of an unqualified audit opinion on our prior year end audit.
- The Smart Trade programme has been rolled out to more areas. It seeks to improve the regulation and management of the informal traders within our facilities and further seeks to maximise revenue generation through the enforcement of binding lease agreements with our tenants. The number of informal traders issued with smart cards increased to 2,729 by the end of the quarter.
- The enforcement of the company's credit control policy was further tightened, which saw a slight improvement in the payment of rentals, particularly by informal traders. Given

the budget challenges that MTC is currently facing, the company is trying to ensure that there is significant improvement in the payment of rentals so as to improve its financial position in order to deliver on its mandate, primarily targeting public transport operators.

- Reduction of cash shortages from R300 000 to R9 000 from BRT operations.
- There is stability in terms of staff discipline, for example, absenteeism has reduced.
- There is improvement from the procurement unit in terms of addressing maintenance problems

Performance against IDP and City Scorecard

Below is an indication of the Entity's performance in relation to the Scorecard.

KPA Number & Corresponding KPA	Key Performance Indicators	Target Performance (Annual)	Actual Performance (Annual)	Reason for variance and remedial action
Financial Sustainability	Improved revenue collection from informal traders.	75%	65%	The target was not achieved. The entity has only recently completed the verification process of all informal traders, this should see the entity improving its billing and collection in the new financial year.
	Improved revenue collection from retailers.	100%	110%	The entity achieved the target.
	Improved revenue collection from retailers' prepaid utilities (e.g. gas, electricity).	100%	100%	The entity achieved the target
	Improved revenue collection from taxis.	20%	39%	The entity achieved the target
	Improved revenue collection from buses.	100%	48%	The target was not achieved. All buses signed the lease agreements, but in Bara facility they could not use the facility due to violence between taxi operators and buses. This matter will be dealt with in the new financial year with the assistance of JMPD.
	Reduction in operating costs (excluding personnel costs)	5%	0%	The target was not achieved due to additional facilities that were handed over during the year. Security and cleaning had to be put in place in these new and additional facilities.
	Increase revenues from advertising and promotional activities in our facilities	R1,5m	R2,15m	The entity exceeded the target by 43%. This is due to the appointment of the Advertising Manager who focused in driving the advertising.
	Implementation of the revenue maximisation model through piloting at	2 markets	0 markets	The pilot was stopped as it needed to comply with the requirement of the PPP by going through Mayoral, Council and National Treasury for approval.

KPA Number & Corresponding KPA	Key Performance Indicators	Target Performance (Annual)	Actual Performance (Annual)	Reason for variance and remedial action
	Metro Mall and Yeoville facilities.			
	% Variance against ME's operating budget.	0%	4%	The target was not achieved due to the additional facilities which were transferred to the company, thereby leading to security and cleaning costs exceeding the budgeted amounts. This is also as a result of bad debts that would be reduced with increased credit control capacity.
	Reduction of bad debts	30%	12%	The Trader database has been updated and this should result in reductions in bad debt in the next financial year. The credit control function has also been strengthened to improve rental collection.
	Source additional funding from MIG	R2m	R2m	The entity achieved the target.
	Procurement spent on BBBEE as a total OPEX procurement.	90%	81%	Target not achieved because of contracts that were awarded in prior years.
Operations Management	Average emergency maintenance response lead time (hrs)	24 hrs	8 hrs	Target was not achieved as there are only two resources responsible for the 21 facilities. The company plans to employ additional electricians and plumbers, and purchase a maintenance vehicle.
	Average maintenance response lead time (hrs) for soft maintenance.	2 weeks	1 day	Target achieved
	Report on state of compliance with OHASA.	20	15%	Due to insufficient capex allocation for this financial year, not all the facilities were covered.
	Compliance with cleaning and security	100%	100%	The entity achieved the target

KPA Number & Corresponding KPA	Key Performance Indicators	Target Performance (Annual)	Actual Performance (Annual)	Reason for variance and remedial action
	contracts, including BRT stations.			
	Accuracy of rent roll in relation to the database of traders operating in MTC facilities.	100%	100%	The entity achieved the target
	Up-to-date waiting list database in electronic format	100%	100%	Target achieved
	Response time to resolve trader complaints	2 weeks	7 days	Target achieved
	Policy for the allocation of trading spaces and determination of user tariffs.	100%	90%	The target was not achieved, the draft policy tariff will be submitted with the tariffs for the 2011/12 financial year.
	Informal traders in MTC managed facilities (including streets) issued with Smartcards.	100%	43%	The target was not achieved but the indicator has been carried over to the next financial year. As and when traders are allocated stalls they are now issued with the smart cards.
	User agreements signed with Taxi Operators	20%	0%	The target was not achieved. Currently the taxi industry is refusing to sign user agreements. Management has organised a meeting with senior management of the Taxi Industry and Political leadership to resolve this matter.
	User agreements signed with Bus Operators.	100%	100%	Target was achieved.
	User agreements signed with Informal Traders.	100%	44%	Target was not achieved. The traders are refusing to sign the Lease agreement, requesting that they be translated into their languages. The tender was issued and the service provider has been appointed.

KPA Number & Corresponding KPA	Key Performance Indicators	Target Performance (Annual)	Actual Performance (Annual)	Reason for variance and remedial action
	Management of illegal and unregulated traders through establishment of Informal Trading Management Areas (ITMAs).	4 streets	4 streets	The entity achieved the target
	Ensure the management and disposal of waste through separation at source in 5 facilities.	5	0	The target was not achieved as the tender was issued in May 2011. The appointment will be made in September 2011.
	Customers billed	100%	100%	The target was achieved.
Internal Management Systems, Processes and Policies	Real time connection to I.T. network on and offsite.	1 hr	0	The target was not achieved due to delays in the company purchasing computers so that there is real time connectivity in the markets.
	Turnaround time from purchase request to purchase order	7 days	7 days	Target achieved
	Turnaround time for open tender finalisation including actual tender award	90 days	120 days	Target was not achieved due to the lack of capacity internally to adjudicate the tenders. The Procurement Manager has been appointed.
	Reconciliation of tickets sold against cash collected	100%	99.97%	The target was not achieved. The reconciliations will be continuously performed.
	Development of a communications and marketing strategy.	100%	0%	The target was not achieved. This is work in progress and strategy will be finalised end of December 2011.
	Development of a new website	100%	0%	Target was not achieved. The tender was issued and the adjudicated. The tender was rejected and will be re-issued in the new financial year.

KPA Number & Corresponding KPA	Key Performance Indicators	Target Performance (Annual)	Actual Performance (Annual)	Reason for variance and remedial action
Branding and Marketing	Branding of MTC facilities	70%	60%	The Entity did not achieve the target. The adjudication and awarding of branding tender wasn't completed due to capacity challenges. The Procurement Manager has been appointed to finalise the backlog in the tender awarding.
	Develop House Rules for traders and taxi operators	100%	100%	No variance as the target was achieved.
	Empower targeted beneficiaries through participation in the management of MTC facilities.	1	5	No variance as the target was achieved.
Trader Development	Regularise and facilitate demarcation of additional streets to absorb more informal traders.	10	5	Target was not achieved due to protracted process of consulting affected property owners.
	Jobs created and training undertaken in compliance with EPWP & Learnerships	1180	1682	The target was achieved.
	Percentage improvement of Customer satisfaction index, including BRT station management.	60	0%	Target was not achieved, a tender was issued and it will be finalised in the new financial year.
	Initiatives started with the private sector.	3	0	Target was not achieved. A tender will be advertised in the new financial year.
Stakeholder Relations & Management	Quarterly Road shows by the CEO to facilities.	3	1	The target was not achieved but the verification process took place instead of the CEO road show.

KPA Number & Corresponding KPA	Key Performance Indicators	Target Performance (Annual)	Actual Performance (Annual)	Reason for variance and remedial action
	Clean Audit Report	3	1	This will be determined after the audit has been completed.
	Regular fortnightly EXCO meetings.	12	7	Target not achieved due to changes in management leadership.
People and Culture	Full Implementation of Performance Management	100%	100%	The unit achieved the target (Office back-up staff signed score cards and reviews were done)
Corporate Governance	Quarterly monitoring of compliance with relevant policies and legislation.	2	2	Target achieved
	Quarterly reviews of risk register.	100%	100%	Target achieved
	Regular monthly internal audit management meetings.	6	6	Target achieved
	Establish an anti-corruption hotline or other facility to report corruption (e.g. comment box)	100%	90%	Target was not achieved but the Hotline will be fully operational in the new financial year. An SLA has been signed with JRAS in July 2011.
	% of Total salary expense for Staff Training in line with requirements of the "National Treasury Minimum skills and Competencies for Municipal officials" by 2012.	3%	1%	Target was not achieved. The entity underwent a review process and training had to be aligned with the new organisational structure, which was frozen after the moratorium.
	Implement Performance Management	100%	8%	Target was not achieved but Senior Managers signed scorecards and the staff were given

KPA Number & Corresponding KPA	Key Performance Indicators	Target Performance (Annual)	Actual Performance (Annual)	Reason for variance and remedial action
	System			tasks lists after refusing to sign scorecards on SAMWU's advice
People and Culture (HR development)	Development of a change management programme	100%	100%	No variance as the target was achieved
	Implementation of the new organisational structure	100%	0%	Target was not achieved. The new structure was approved in June 2011 and can be implemented after the lifting of the moratorium and availability of funds
	Develop Individual learning Plans (ILP's)	100%	0%	Target was not achieved. The new structure was approved in June 2011 and Individual Learning plans had to be aligned to the new approved structure as there are movements and changes in terms of job scopes for employees.
	Undertake Skills Gap Analysis	100%	0%	Target was not achieved. The new structure was approved in June 2011 and the Skills Gap Analysis had to be done in line with the individuals' current duties. This will be done in the new year when the structure is implemented as there are movements and changes in terms of job scopes for employees.
	Develop an HR Strategy	100%	90%	The HR strategy is being developed concurrently with the City of Johannesburg Group Strategy and has not yet been finalised. This will be completed once the Group Strategy is in place.
	% Increase of designated groups employed – female	3%	11%	No variance as the target was achieved
	% Increase of people living with disability employed	2%	0%	No response to job adverts by people with disabilities. The appointment criterion of the BRT employees did not assist as the employees were nominated by tax operators.

Assessment of Arrears on Service Charges

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 December 2010	Comments
Hloma X	Chairman	City of Johannesburg	440678735 / 202263073	Current	Current
Segole F	Non-Executive Director	City of Johannesburg	2601534187	Current	Current
Nxumalo L	Non-Executive Director	City of Johannesburg		Current	Current
Singh N	Non-Executive Director	City of Johannesburg	5003906687 / 6006220223052	Current	Current
Matabane F	Non-Executive Director	BODY CORPORATE		Current	Current
Dondur D	Non-Executive Director	City of Johannesburg	440736049	Current	Current
Luus M	Non-Executive Director	BODY CORPORATE		Current	Current
Nkeli J	Non-Executive Director	City of Johannesburg		Current	Current
Skenjana B	Non- Executive Director	City of Johannesburg	302017748	Current	Current
Sam A	Executive Director	City of Johannesburg	403080231	Current	Current
Moloi S	HR Manager	City of Johannesburg	1700570806	Current	Current
Ndebele V	Business Development, Communications and Marketing (Acting)	City of Johannesburg	505567257	Current	Current
Mashele J	Acting Chief Executive	City of Johannesburg	504134839	Current	Current
Mashapa J	Acting General Manger Operation	City of Johannesburg	505148538	Current	Current
Kgopa V	Chief Financial Officer	City of Tshwane	005004470140	Current	Current

Statements on amounts owed by Government Departments and Public Entities

Not applicable to the Entity

Recommendations and Plans for the next financial year

MTC intends to improve the manner in which it conducts its business and strengthens its relationship 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 in the next year:

- MTC will be piloting the revenue maximisation model that was investigated during the year under review. This is a model that seeks to exploit the entity's facilities and ensure that these are be used optimally to generate revenue, including looking at bringing in 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 with the entity so as to formalise the company's relationship with its customers.
- Ensuring that there is agreement by all users to 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 and better services as per the contract terms.
- Continue to build on the working relationship with the facility committees where necessary.

Mr Mzela Justice Mashele

Acting CEO: Metropolitan Trading Company

CORPORATE GOVERNANCE

Introduction

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 entities 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, the 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 includes the total system and process of risk management. The Board is additionally required to exercise leadership to prevent risk management from becoming a series of activities that are detached from the realities of the company's business.

Code of Ethics

The company has a code of conduct, which has been fully endorsed by the board as part of the supply chain management policy and procedure and applies to all its directors and employees. This code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism.

In summary, the code requires that at all times, all company directors and employees act with utmost integrity and objectivity and incompliance with the letter and spirit of both the law and company policies. Failure by employees to act in terms of the Code results in disciplinary action. A copy of code is available to interested parties upon request.

A toll-free anonymous telephone facility exists for reporting non-adherence to the code or ethic related matters. Furthermore, any breach of the code is considered a serious offence and is dealt with accordingly; as a result, this acts as a deterrent.

The company also has values that employees are expected to live by, always with integrity. The values are continuously communicated to all employees. These values are *Respect, Integrity, Trust and Responsibility.*

Governance Structure

Board of Directors

MTC has a unitary board, which consists of nine (9) Non-Executive Directors and a single Executive Director who is the Chief Executive Officer. During the period under review, a Board was appointed on the 19 August 2010, and is chaired by a Non-Executive Director, Ms Xolisa Hloma.

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-year 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.

Composition of the Board of Directors:

Board member	Capacity	Board Committee Membership
Ms Xolisa Hloma	Chairperson, Non-Executive	Operations Committee
Mr Alfred Sam	Chief Executive Officer	None
Ms Linda Nxumalo	Non-Executive Director	Chairperson: HR & Remunerations Committee
Ms Nadira Singh	Non-Executive Director	Chairperson: Audit & Risk Committee Operations Committee

Board member	Capacity	Board Committee Membership
Ms Doris Dondur	Non-Executive Director	Audit & Risk Committee, HR & Remunerations Committee
Ms Fikile Segole	Non-Executive Director	Operations Committee
Ms Busi Skenjana	Non-Executive Director	HR & Remunerations Committee
Mr Francis Matabane	Non-Executive Director	Chairperson: Operations Committee
Mr Martin Luus	Non-Executive Director	Audit & Risk Committee
Mr Jerry Nkeli	Non-Executive Director	HR & Remunerations Committee

Board Induction and Information

The Board is inducted annually after the AGM should new Board members be appointed.

Information on the Board members, including leadership information, can be found in the table which follows:

BOARD OF DIRECTORS

Full Name	Age	Designation	Qualifications	Skills/Expertise & Experience	Leadership
Xolisa Hloma	57	• Chairman of the Board	• B. Admin in Industrial Psychology & Public Administration • Higher Diploma in Personnel Management • Certificate Programme in Industrial Relations • Master of Management (HR) • Certificate Programme in Finance & Accounting	• Human Resources • General Management • Industrial Relations • Project Management • Strategist and Turnaround Specialist • Change Management and Human Capital Development	• Chairperson of the Remuneration & Corporate Services Committee of the Johannesburg Road Agency • Member of the Johannesburg Roads Agency Board • Chairman of the Remuneration and Human Resource Committee of ICASA
Xolani Alfred Sam	41	• Executive Director	• Bachelor of Social Science (Public Administration) – University of Cape Town • Master of City and Regional Planning – University of Cape Town -	• CEO – Metropolitan Trading Company • Director: Transportation Planning and Regulation (COJ), Directorship for Palmer Development Group • Deputy Director : TRANSPORTATION Management (COJ) • Project Manager – Water Services Development Plan • Lecturer – School of Public and Development Management • Integrated Strategic Framework – Greater Johannesburg Metropolitan Council	• Executive Director – Metropolitan Trading Company • Member of South African Planning Institution – (MSAPI)

Fikile Segole 	49	• Non-Executive Director AND Member of Operations Committee	• MBA • Business Administration Certificate • Post Graduate Programme • B. Admin **Other Business Courses:** - Microsoft Office - SAS Basic Training - BASIC Programming Language - Computer Stock Control - Financial Decision Process	• Portfolio Manager • Programme Manager • Program Administration • Properties Manager • Strategic Planning Analyst • Training & Development • Stakeholder Management & Communication • General Management (HR, Finance, Admin, Production) • Financial Management • Procurement • Information Systems	• Non-Executive Director – JOSHCO • Member – Formal Investigations Chairperson Committee • Workplace Skills Plan Committee • Member of ISRDP • Member of Distribution Division Investment Committee • Member of Distribution Division Procurement Tender Committee
Doris Dondur 	44	Non-Executive Director and Member of Audit Committee and also Member of REMCO	• Chartered Accountant • MBA • Honours in Administration • Certificate in the Theory of Accounting • Honours B Compt • Bachelor of Accounting • Certificate in Labour Relations • WITS International Executive • Development Programme • Gaming Development Program	• Chief Finance Officer • Financial Director • Provincial Auditor • General Manager • Admin Manager • Article Clerk	• City Power Johannesburg • Non Executive Director • Chairperson of the Audit Committee • Member of the Remuneration & HR Committee • Member of the Turnaround Strategy Committee • South African National Blood Services • Non Executive Director • Chairperson of the Risk Committee • Member of the Audit Committee • Member of the IT Governance

			Current Studies • Advanced Programme in Human Resources		Committee • Member of the Nomination Committee • Services SETA
Nadira Singh 		• Non-Executive Director and she is also Chairman for Audit & Risk Committee AND Member of Operations Committee	• B.Comm • Chartered Accountant • Hons in B.Compt • CCSA • CGAP • Certificate in Forensic Accounting • Fraud Investigation	• Chief Executive Officer • Chief Financial Officer • Internal Audit • Chartered Accountant	• Non-Executive Director – MTC • Chairman of Audit Committee of Johannesburg Market
Busi Skenjana 		• Non-Executive Director and Member of REMCO	• Graduated with Bachelor of Administration and Marketing Honours Other Business Courses: - Microsoft Office - Strong Writing Skills	• Consultant – BSK Marketing & Associates • Marketing Concepts – Experiential Marketing • In-Store Promotion Campaigns Formal & Informal Retail Sector • Freelancing – Move Magazine • Managing Director – Dinaledi Outdoor • Deputy Managing Director – Tricor/Ixesha Marketing (Pty) Ltd	• Board Member – Chris Hani Bara Hospital • Non-Executive Director – MTC

Francis Matabane		• Non-Executive Director and Chairman of Operations Committee	• Chartered Accountant • Post Graduate Certificate in Engineering Business Management • Senior Executive Development Programme from Harvard	• Client Relationship Management • Enterprise Value Optimisation • Supply Chain Improvement/Integration • Strategic Sourcing • Business Concept Development • Feasibility Assessment & Business Case Development • Merger & Acquisition Strategy & Enablement	
Jerry Nkeli		• Non-Executive Director	• Attorney at Law	• Legal Officer – Offering Legal advice to the Community • Development Officer – Disable People SA • Candidate Attorney – Malcolm Lyons & Munro • Attorney – Dhlamini, Mhlongo & Nkeli • Commissioner – SA Human Rights Commission	• Chairperson & Founder - Zicabangeleni Self Help Ass • Acting Chairperson Director – Soweto (SHAP) • Director – Disability ITC (Pty) Ltd • Director – Arimanje Investment (Pty) Ltd • Director –Vhangana Resources (Pty) Ltd • Director – Tshwane International Convention & Entertainment Centre • Non-Executive Director – Metrobus
Martin Luus	28	• Non-Executive Director	• Masters of Commerce – Economics • Bachelors of Commerce • Honours – Risk Management	• Manager – Personal Lending Collections Strategy • Manager – Portfolio MIS • Manager – Reporting &	

Martin Luus …(continued)			• 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	Analytics • Intern Economist • Econometrics • Risk Management • MIS • Report Writing • Presentation Skills • Collections Strategy	
Lindani Sibongile Nxumalo 		• Non-Executive Director and Chairman of REMCO	• Bachelor of Arts – Law • Professional Certificate – Dutch • Bachelor of Arts – Business Management • Professional Diploma in Project Management • Report Writing Certificate • Finance for Non-Financial Managers • Advanced Project Management	• Transformation Manager • Integration Manager • Programme Manager • General Manager • Project Manager • People & Talent Management • Corporate Sales Consultant • New Business Consultant • Personnel Consultant	• Domba Empowerment Corporation • Non-Executive Director • Tshisimane Woman's Investment Company • Non-Executive Director • Shareholder • Vice Chairperson • Meropa Casino • Non-Executive Director • Shareholder

INDEPENDENT AUDIT COMMITEE					
Rene Aloise Kenosi	40	• Independent Audit Member	• B. Compt. • B. Compt. Honours • Certified Theory in Accounting • CA	• Internal audit • Risk management • Corporate training • BEE & management consulting	• Director: PUSH (Perservere Until Something Happens) – Non-profit organisation • Director: SEDA (Small Enterprise Development Agency • Audit Committee Membership: o Local Government SETA (LGSETA) o Metrobus o Chairperson: Dr. Kenneth Kaunda District Municipality o Chairperson: City of Matlosana o SA Council for the Architectural Profession o SAMAF o CIPRO
R.H. Moolla		• Independent Audit Member	• Bachelor in Commerce Degree • Post Graduate Diploma in Accounting • Chartered Accountant	• Chief Financial Adviser • General Manager: Finance • Chief Financial Officer: Mining Qualifications Authority	• Appointed by MEC for Economic Affairs as a non-executive director of Gauteng Tourism Authority in February 2007- original 3 year extended indefinitely • Independent audit committee member of: Johannesburg Metropolitan Trading Company since January 2010; Johannesburg City Power since February 2007; Gauteng Enterprise Propeller from January 2009 to March 2011 • Panel Member of South African Institute of

					Chartered Accountants disciplinary committee. • Previously Independent Chairperson of the Gauteng Provincial Audit Committee (January 2008-September 2008); • GPG cluster 3 Audit Committee (comprising Gauteng Departments of Education, Safety and Security, Sports Recreation Arts and Culture) (June 2001-September 2008)
Robin Neill Theunissen 	57	• Independent Audit Member	• Bachelor of Accounting • Chartered Accountant (SA) • Estate Agency Affairs Board Examination • Institute of Personnel Service Consultants • Diploma in Criminal Justice & Forensic Auditing	• Project Accountant • Chartered Accountant • Workshop/Seminar presenter • Registered Auditor • Registered Tax Practitioner with SARS	• Chairman: Audit Committee of the National Department of Agriculture • Trustee & EXCO Member of Profmed Medical Aid Scheme • Chairman: Governance, Strategy & Risk Committee of Profmed Medical Aid Scheme • Audit Committee Member: National Department of Correctional Services (Chairman until July 2011) Johannesburg Fresh Produce Market

EXECUTIVE COMMITTE

Full Name	Age	Designation	Qualifications	Leadership
Johannes Mashapa	35	• 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	• 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 • Assist Minister of Social Welfare at Kollege Hius 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
Mzela Justice Mashele	37	• General Manager	• Certificate in Project Management • Master of Science in Development Planning • Bachelor of Science Degree (Honours) Personnel Management • Bachelor of Science Degree	• 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 for the MSs Development Planning – Wits University • Secretary General – Housing 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	35	• 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	

Victor Kgopa	39	• CFO	• Programme in Management /Development for Municipal Finance – Wits • Bachelor of Commerce – University of the North West	• Budget & Expenditure Analyst – Capricorn District Municipality
Vasco Ndebele	37	• 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	- 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 .

Remuneration : Directors and Top Management Remuneration

Non-Executive Directors

SURNAME	POSITION	Total
Ms X Hloma	Chairperson	274,876
Mr F Matabane	Board Member	140,672
Ms D Dondur	Board Member	163,710
Ms L Nxumalo	Board Member	124,000
Ms B Skenjana	Board Member	99,210
Mr J Nkeli	Board Member	29, 762
Mr M. Luus	Board Member	34, 720
Ms N Singh	Board Member	235,110
Ms F Segole	Board Member	111,110
		R1,213,170

Independent Audit Committee Members

SURNAME	POSITION	Total
Ms R Kenosi	Independent Audit Member	82,340
Mr R Theunissen	Independent Audit Member	101,190
MR H Moolla	Independent Audit Member	88,290
		R271,820

Executive Committee Members

SURNAME	POSITION	Total
Mr A.X Sam	Chief Executive Officer	1,068,809.06
Mr J. Mashapa	Compliance and Company Secretary / Acting General Manager: Ops	635,279.58
Mr V Kgopa	Chief Financial Officer	745,912.17
Mr M. J Mashele	Acting Chief Executive Officer	594,716.53
Mr VZ Ndebele	Acting Business Development, Marketing and Communications	533,268.78

Mr M Makhunga	Acting IA Manager	168,990.45
Mr S Moloi	HR Manager	336,765.26
Mr L Chepape	Senior BRT Operations Manager	443,383.01
		R4,527,124.84

Schedule of Attendance of Meetings

All Board and Committee meetings for the 3rd Quarter of the 2010/2011 financial year:

Directors	Board	Board Work-shops	Audit	HR & Remuneration	Operations
NO OF MEETINGS HELD	11	1	9	2	2
X Hloma	11	1			
F Matabane	11	1			2
D. Dondur	7	1	9	1	
L Nxumalo	8	1		4	
B Skenjana	8	0		4	
J Nkeli (Resigned 30.03.11)	2	0			
M Luus (Resigned 08.03.11)		0			
N Singh	8	1	9		1
A Sam	9	0			
F Segole	11	1			2
Independent Audit Committee					
R Kenosi			8		
H. Moolla			9		
R Theunissen			9		
DATES OF MEETINGS : *1ST APRIL – 30TH JUNE 2011*	04.04.11 09.05.11 14.05.11 28.05.11	09.05.11	02.04.11 05.04.11	08.04.11 30.05.11	0

Board Committee

Introduction

The Board met eleven times during the financial year. The Board has the following sub-committees, each of which is chaired by a non-executive director.

- Audit Committee
- Human Resources and Remuneration Committee
- Operations Committee

Members and Key Activities

Audit Committee:

The Audit Committee consists of the following non-executive directors; Nadira Singh (Chairperson), Ms D Dondur and three Independent Members: Mr H Moolla, Mr R Theunissen and Ms R. Kenosi.

The Audit Committee operates in accordance with a written charter authorised by the Board, and provides assistance to the Board with regards to:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities
- Matters relating to financial accounting, accounting policies, reporting and disclosures
- Matters relating to risk management
- Internal and external audit policy
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans
- Reviewing and recommending the approval of external audit plans, findings, reports and fees
- Compliance with the Code of Corporate Practices and Conduct
- Compliance with the code of ethics

The Audit Committee adequately addressed its responsibilities in terms of the charter during the period under review. The Audit Committee met twice during the period under review.

Human Resources and Remuneration Committee:

The Human Resources and Remuneration Committee consists of the following non-executive directors: Ms L Nxumalo (Chairperson), Ms B Skenjana and Ms D Dondur (one executive director).

The Human Resources and Remuneration Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for senior management. Its specific terms of reference also include recommendations to the Board on matters relating to general staff policy remuneration, profit bonuses, executive remuneration, director remuneration and fees and service contracts. The Committee met twice during the period under review.

Operations Committee:

The Operations Committee consists of the following non-executive directors: Mr F Matabane (Chairperson) (resigned from the committee), Nadira Singh, Ms X Hloma and Ms F Segole.

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.

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.

Functions and Mandates of the Committees

Entity Secretarial Function

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.

Audit Committee: 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 procedure to improve the mechanisms for identifying and monitoring risks and mitigation thereof. The corporate risk register for the 2011/12 financial year was finalised in the last quarter of the 2010/11 financial year. The process of reviewing the risk register was undertaken by management and JRAS. Audit and Risk Committee approved the risk register after interrogating it. The risk register was then presented for approval on the 9 May 2011 and it was approved.

In line with the risk standards set by the CoJ the entity continued to refine its risk management programme. Such risk management programmes are executed in terms of Sections 62 (c) and 95 (c) of the MFMA. In addition to independent risk assessments and valuations conducted by JRAS the Audit & Risk Committee conducts oversight of all matters of risk and through the expertise represented on the committee provide guidance to the entity in respect of risk controls

Audit Committee: Internal Audit Function

The Committee performed, inter alia, the following main activities:

- Considered the effectiveness of Internal Audit, which included reviewing and approving the annual internal audit plan and the internal audit charter and monitoring Internal Audit's adherence to its annual programme
- Received and reviewed reports from the internal auditors concerning the effectiveness of the Company's internal control environment, systems and processes
- Reviewed the adequacy and appropriateness of management's corrective action plan as a consequences of audit findings
- Considered all material forensic reports and established that appropriate corrective action was taken by management
- Made appropriate recommendations to the Board regarding the corrective actions to be taken as a consequence of the audit findings
- Monitor and supervise the effective functioning and performance of the internal auditors

- Ensure that the scope of the internal audit function has no limitations imposed by management and that there is no impairment on its independence.

The head of Internal Audit, the Manager: Internal Audit, reports functionally to the chair of the committee and administratively to the Chief Executive Officer. The Internal Audit Function was performed by an outsourced service provider and in the latter part of the year by Manager: Internal Audit assisted by co-source partners.

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.

Human Resources and Remuneration Committee

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.

Human Resources and Remuneration Committee: Human Resource 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 December 2010 a review of the structure was undertaken and approved in June 2011 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, Accountant, IT Manager, Electrician, Audit and Enterprise Risk Manager, Business Development Manager, Company Secretariat and Credit Controllers.

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. This was as a result of an observation that was made at the Metro Mall facility where the entity was not receiving the number of security guards and cleaners from the service providers as per the contracts.

Human Resources and Remuneration Committee: Employment Equity

MTC is an equal opportunity employer and fully supports the principles underpinning the Employment Equity Act. The entity is not fully compliant as it has 549 employees, 543 of which are Africans, 5 Coloureds and 1 White. There are 307 females and 242 males. Of the 11 managers, 3 are females. However, there is still room for improvement in terms of female employees in management positions, 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.

Human Resources and Remuneration: 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 2010/2011 was 3% of the gross salary budget. This was not fully utilised as a result of the organisational review as some of the roles were going to change resulting in the training being aligned to what roles employees would be performing.

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

Human Resources and Remuneration Committee: Performance Management

The Entity has 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 Entity 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, no staff members, including middle management who were union members, had individual scorecards to ensure that they took 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 staff members were then given tasks which are measurable and can monitor performance.

Management at MTC continued with engaging the union and, the union had a change of heart and requested that members be taken for yet additional training in PMS, after which they would all sign scorecards. The training will be taking place early in the new-year.

Human Resources and Remuneration Committee: HIV/AIDS in 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 centre managed to reach 10 884 clients, out of which 961 (8.83%) tested positive;
- 612 of those tested did their CD4 count, and at the time of reporting 57.4% had already collected their CD4 results
- 2 235 out of the total number of 10884 were tested for the first time
- 29 of the traders tested (206), were positive
- 30 of the taxi operators tested (180), were positive
- 148 of the youth 20 – 24 years tested (3 903), were positive
- 63 of the domestic workers tested (363), were positive
- 35 of the couples tested (340) were positive
- 8 945 of those tested (10 884) were actively mobilised by the mobilising officers to be tested.

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.

Human Resources and Remuneration Committee: 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 are encouraged to join either Liberty Medical Scheme or Discovery Health. The Provident Fund which is generally chosen/used by employees is Old Mutual.

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 third report of the King Commission on Corporate Governance (" King Report") and Companies Act 71 of 2008 ("the Act") in the conduct of its business.

Business Risk Performance & Enterprise Risk Management

Risk Management Process

Background

Metropolitan Trading Company is a municipal-owned enterprise (MOE), owned by the City of Johannesburg (CoJ) and, as such, is continuously ensuring alignment and compliance to CoJ requirements. MTC's risk management process is aligned to and has adopted the CoJ risk management framework.

Update on Risk Management Process

The corporate risk register for the 2011/12 financial year was finalised in quarter 4 of the financial year ending 30 June 2011. The process of reviewing the risk register was undertaken by management and JRAS. Audit and Risk Committee approved the risk register after interrogating it. The risk register was approved by the Board on 9th May 2011. The risk register for the current financial year is attached below.

In this quarter, Johannesburg Risk and Audit Services (JRAS) performed the operational risk assessment as per the units at MTC which was scheduled from the 5th September until 9th September 2011. The report of the risk assessment will be shared with the Audit and Risk Committee once the JRAS has finalised it. The report will enable each unit to directly manage the risks faced by different units which will eventually assist in mitigating the top 13 risks that are as per the corporate risk register.

Listed below are some of the risks that MTC is currently facing:

Finance and Shareholder

- **Revenue management collection**

  MTC is currently facing a risk of insufficient generation and collection of revenue. This is due to lack of or poor payments by taxi associations and informal traders.

- **Affordability of Capex**

  The company is challenged to fulfil some of the Capex due to limited City budget allocation in relation to the needs of the stakeholders of MTC.

- **Service delivery and customer risk**

  MTC has some facilities that have poor structural conditions for the intended use by the traders. Majority of the facilities are OHASA compliant, however there are some facilities that do not comply with OHASA. Some of the facilities are being vandalised by criminals.

- **Human resource and people risk**

  MTC is facing a shortage of skilled staff. A skills audit has not yet been conducted throughout the organisation so that the skills gap can be analysed and training can be offered.

Monitoring and reporting

Monthly, quarterly and annual reporting is in progress with status of action items.

Auditing

This process will be audited continuously

MTC's top 13 risks

Using this process, MTC has identified its top 13 risks and developed mitigating strategies for each of these as shown in the table.

Risk No.	Risk Description	Background to the risk	Current controls	Perceived Control Effectiveness	Residual risk Exposure		Actions to improve management of the risk
1	Inefficient processes to collect revenue	Poor or ineffective implementation of collection controls and Capacity (quantity and quality) to carryout tasks	**Management controls:** **Data bases** Prop Lit: Is used for billing (it has limited function in a sense that it does not accept financial figures) and is currently being phased out and specify the deadline for phasing out; **Smart Trade:** Is used for billing and administrative matters (e.g. reconciliation the space users and the deposited fees on monthly basis) Facility records reconciled with billing records Signing of contractual agreements: MTC and facility users	Fair		12	**Strategy:** Develop, approve and implement a revenue collection strategy **Managerial controls**: Policies, procedures (commitment from management to the internal control system) **Administrative controls**: Monthly reports
2	Under collection of revenue	'- Non-payment by some tenants e.g. Taxi operators - Unregulated trading and - Sub-letting - Capacity (quantity and quality) to carryout tasks	Credit control: Credit control procedures and Signing of contractual agreements: MTC and facility users	Fair		12	Referral of defaulters to debt collectors
3	Inadequate budgeting	Lack of evidence to support projections and budgeting	No control was identified or documented for this risk	Poor		14.4	Development, approval and implementation of budget controls Effective contract management procedures Effective projections should be implemented

4	Capacity and skills shortages	'- There is insufficient funding for the structure that will ensure smooth implementation and speeding of services; - Poor staff discipline of staff members - The mandate of the company has increased, however, the positions have not been filled;	Structure currently under review Temporary employment Increased scope of work	Fair		12	Management to claim from the skills fund Management to consider skills audit
5	Poor financial management and controls	'- Lack of skills and capacity; - Lack of compliance with prescripts; - Weak internal controls; - Breach of controls; - Poor management of expenditure and - Overlapping of roles and responsibilities	Financial reporting on month to month basis; Policies and procedures (e.g. Credit control and Supply Chain); Internal Audit Function	Fair		12	'- Penalties on breach of controls; - Fraud prevention plan - Training of employees
6	Non-compliance to relevant legislation	Failure to comply with legislation	Risk management practices Supply Chain Policy and Procedures Segregation of duties	Fair		15	'- Disciplinary proceedings - Disclosure of non-compliance in Annual Financial Statements of MTC
7	Reputational risk	'- Poor branding of facilities; - Media allegations - Poor or lack of marketing strategy - Litigations and - Unrealistic expectations by stakeholders	Pro-active maintenance and refurbishment of facilities	Fair		12	'- Clear media strategy to be developed; - Code of conduct and - Marketing strategy
8	Labour unrest	Performance Management System Poor relationship between the union, employees and management	No control is in place for labour unrest whilst line management gives assigned tasks on a monthly basis	Fair		12	Management to continue monitoring the court outcome; Labour forums and monthly meetings

9	Sub-letting of stalls	Tenants sub-letting their stalls Poor management of the stalls by programme officers Poor implementation and monitoring of house rules	Appointment of street ambassadors to monitor occupation of the stalls	Fair		12	Usage of smart card hand held device to identify tenants Enforcement of house rules by Programme Officers Continuous refresher training for Programme Officers
10	Inadequate budget	'- Limited city budget allocation in relation to the OPEX and CAPEX needs - Over- reliance on COJ subsidy - Inadequate optimisation of alternative revenue streams; - Insufficiently funded mandate and - Poor revenue collection	'- Exploring alternative funding through other government agencies - Advertising within MTC facilities	Poor		14.4	Diversification of trading opportunities
11	Inadequate IT governance and infrastructure	Lack of IT framework and strategy; The following are non-existent: - IT steering committee - IT Charter and procedures - Risk Assessment and register	Informal procedures and an IT policy in place; An external service provider appointed on a short term basis to provide IT support	Fair		12	'- Terms of reference for Steering Committee to be drafted; - To design and implement an IT framework (Board to assist); - Develop and implement an IT strategy and - To review existing policy and update as necessary
12	Political change risk	On-coming local government elections may bring about new changes or political decisions that could have an impact or strategies of the entities	Executive Management is part of Mayoral Lekgotla and also participates in other spheres	Good		4.8	Residual too low for further mitigation action(s)
13	Litigation risk	'- Poor contract management - Lack of repository for all contracts that have been signed	Contract manager recently appointed to oversee the contract matters of the company	Fair		12	A repository for contracts to be put together

Audit & Risk Committee Report

FOR THE YEAR ENDED 30 JUNE 2011

The Audit and Risk Committee (the Committee) is pleased to present its report for the financial year ended 30 June 2011.

INTRODUCTION

Metropolitan Trading Company SOC Ltd (the Company) is a municipal entity wholly owned by the City of Johannesburg (the Shareholder). This report is therefore presented in accordance with the requirements of the statutory responsibilities of Audit Committees, as contained in Section 166 of the Municipal Finance Management Act, 56 of 2003 (MFMA), Section 270A of the Companies Act, 61 of 1973, (as amended) (the Companies Act 1973) and Section 94 of the Companies Act. 71 of 2008 (as amended) (the Companies Act 2008), which came into effect on 01 May 2011 and the recommendations contained in the King Report on Governance for South Africa and the King Code of Governance Principles (King III).

The committee is a statutory committee which also has an independent role with accountability to the Board and the Shareholders. The Committee is constituted as a statutory committee of the Company in respect of its statutory duties in terms of section 94 (7) of the Companies Act 2008 and a committee of the Board in respect of all other duties assigned to it by the Board. The Audit Committee is also an independent body established by the Board in terms of Section 166 of the MFMA.

The Committee has documented its objectives, authority and responsibilities in a formal Audit and Risk Committee Charter (the Charter). The Charter was last reviewed on 2 June 2011 by the Committee. The Charter will be reviewed on a regular basis to incorporate, inter alia, the requirements of King III and the Companies Act 2008. The Committee's role and responsibilities include its statutory duties and other responsibilities the Board may assign to the Committee from time to time.

The Committee conducted its affairs in accordance with its mandate as set out in its Charter, executed its responsibilities in terms of its statutory duties and has endeavoured to comply with the requirements of King III with the exception of integrated and sustainability reporting, the applicability of which is being researched and considered

COMMITTEE COMPOSITION

The Committee comprises two independent non-executive Directors and a further three Independent Members, who are not members of the Board or employees of the company or its Shareholder. The Chairperson of the Board is not the Chairperson of the Committee and is not a member of the Committee. The Committee has no executive Directors as members; however the Chief Executive Officer, the Chief Financial Officer and other members of the executive management have standing invitations, and are expected, to attend meetings of the Committee. The Committee met ten times during the period under review and appropriate feedback was provided to the Board on matters that are within the mandate of the Committee.

The Committee consists of the following independent non-executive Directors and Independent Members;

NAME OF MEMBER	ROLE	APPOINTMENT DATE	QUALIFICATIONS	ATTENDANCE
Ms Nadira Singh	Chairman	August 2010	CA (SA)	09/10
Ms Doris Dondur	Non-Executive Director	August 2010	• MBA • CA (SA)	09/10
Mr Haroun Moolla	Independent Committee Member	January 2010	• CA (SA)	09/10
Mr Rob Theunissen	Independent Committee Member	February 2007	• CA (SA)	09/10
Ms Rene Kenosi	Independent Committee Member	January 2010	• CA (SA)	07/10

The effectiveness of the committee is reviewed as part of the Board and Committee evaluation process each year All members of the Committee are suitably skilled, experienced and independent and the Committee has collectively and individually, sufficient skills and experience to fulfil their duties, including an understanding of the financial and sustainability reporting, internal financial controls, external audit process, internal audit process, corporate law, risk management, sustainability, information technology governance as it relates to integrated reporting and governance processes within the Company.

ROLE OF THE COMMITTEE

The Committee performed, inter alia, the following main activities:

External Auditors

- Received and reviewed reports from the external auditors concerning the effectiveness of the Company's internal control environment, systems and processes;
- Made appropriate recommendations to the Board regarding the corrective actions to be taken as a consequence of the audit findings
- Obtained assurance from the external auditors that adequate and accurate accounting records are being maintained by the Company and appropriate internal controls are in place and which are consistently applied;
- Reviewed and approved the external audit plan
- Approved the annual audit fee; and Question: Does the Audit Committee approve the fee???
- Ensured that the scope of the external audit has no limitations imposed by management and that there is no impairment on its independence.

The Auditor-General South Africa is the External Auditor of the company in terms of Section 92 of the MFMA. The independence and objectivity of the Auditor-General is confirmed.

Internal Audit

- Considered the effectiveness of Internal Audit, which included reviewing and approving the annual internal audit plan and the internal audit charter and monitoring Internal Audit's adherence to its annual programme;
- Received and reviewed reports from the internal auditors concerning the effectiveness of the Company's internal control environment, systems and processes;
- Reviewed the adequacy and appropriateness of management's corrective action plan as a consequences of audit findings;
- Considered all material forensic reports and established that appropriate corrective action was taken by management; and
- Made appropriate recommendations to the Board regarding the corrective actions to be taken as a consequence of the audit findings.
- Monitored and supervised the effective functioning and performance of the internal auditors; and
- Ensured that the scope of the internal audit function had no limitations imposed by management and that there was no impairment on its independence.

The head of Internal Audit, the Manager: Internal Audit, reports functionally to the Chair of the Committee and administratively to the Chief Executive Officer. The Internal Audit Function was performed by an outsourced service provider during the first part of the year and in the remainder by the Manager: Internal audit assisted by co-sourced partners.

Risk Management

- Performed oversight in respect of financial reporting risks, internal financial controls, fraud risk and IT risk as it relates to financial reporting ;
- Assisted the Board in assessing the adequacy of the risk management process. However, the Board remains ultimately responsible for the maintenance of an effective risk management process;
- Fulfilled an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as they relate to financial reporting.

During the course of the 2011 financial year, the Committee, together with the Board, considered the risk management approach, methodology and key control risks of the Company. The Committee made recommendations on the management approach and structure to ensure an elevation of the risk management profile and to further enhance its effectiveness. The Committee is satisfied that the key control risks are being adequately addressed by management.

General

- Reviewed the accounting practices adopted by the Company;
- Reviewed the accounting policies adopted by the Company and proposed changes in accounting policies and practices, and recommended any changes considered appropriate in terms of GRAP to the Board for approval;
- Reviewed and recommended disclosed financial information for adoption by the Board;
- Considered the programmes introduced to improve the overall ethics of the Company and reviewed reports from management and the internal auditors relating to material issues;
- Monitored ethical conduct by the Company, its Executives and senior management;

- Monitored the Company's compliance with legislation and regulations, including without limitation, the Companies Act, the MFMA, and the Treasury Regulations;
- Reported on terms of unauthorized and fruitless and wasteful and irregular expenditure in terms of the MFMA.
- Ensured cooperation between the External Auditor and Internal Audit and management by clarifying and co-ordinating their roles and functions and that the combined assurance received is appropriate to address all significant risks;
- Assisted the Board in carrying out its risk management and IT responsibilities; and
- Received and dealt appropriately with any complaints and/or allegation of wrongdoing including fraud.

The Committee is presented with regular quarterly management reports to assist the Committee to perform their mandated and statutory functions. The Committee has requested that, in the current financial year ending 30 June 2012, a review of the whistle blowing policy and the development of a comprehensive prevention of fraud and corruption policy be undertaken. The Committee will review the reporting requirements and structure of the report as part of its continuous improvement programme.

The Internal Auditors and External Auditors have direct access to the Chairperson of the Committee and its members. The Committee's agenda provides for confidential one-on-one in-committee meetings with the members.

King III Recommendations

Assessment of the Finance Function

The Chief Financial Officer (CFO) has been suspended and an Acting CFO appointed since May 2011. The Committee assessed whether the finance function was suitably resourced and skilled to carry out its obligations. Based on the assessment and its recommendation to strengthen the finance function, a suitable resource was utilised.

Internal Financial Control Environment

Concerted efforts were made to address the findings of internal and external audit reports and management has been given the Committee the assurance that adequate corrective measures have been put in place. The Committee is monitoring the steps being taken by management to address the issues raised.

Based on the above and discussions held with the External Auditors on the results of their audit and the assurance given by the Shareholder, the committee is of the opinion that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements for the year under review.

ANNUAL FINANCIAL STATEMENTS

AUDITOR GENERAL AUDIT REPORT

REPORT OF THE AUDITOR-GENERAL TO GAUTENG COUNCIL ON METROPOLITAN TRADING COMPANY SOC LTD

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Metropolitan Trading Company SOC Ltd, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages … to ….

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Companies Act of South Africa, 2008 (Act No. 71 of 2008), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and General Notice *1111 of 2010* issued in Government Gazette *33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a

basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Metropolitan Trading Company SOC Ltd as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and Companies Act of South Africa, 2008 (Act No. 71 of 2008).

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 29 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of an error discovered during 30 June 2011 in the financial statements of the MTC at, and for the year ended, 30 June 2010.

Funding of operations/ financial sustainability/ going concern

10. Attention is drawn to note 31 to the financial statements, the ability to continue as a going concern is dependent on the City of Johannesburg continuing to provide funding to MTC.

11. As disclosed in note 32 to the financial statements, significant doubt is cast on the ability to continue as a going concern as the City of Johannesburg undertook an institutional review and in principle it has been decided that the MTC mandate will be taken over by the City of Johannesburg and various other municipal owned entities.

Irregular and fruitless and wasteful expenditure

12. The municipal entity incurred irregular expenditure of R1.4 million as the expenditure incurred was in contravention of MFMA relating to supply chain management bid specifications and quotations.

13. The municipal entity incurred fruitless and wasteful expenditure of R697 236 due to interest and penalties arising from late payment of supplier invoices and for lease payments made for the installation of IT equipment which was not utilised.

Material losses/ Impairments

14. As disclosed in note 19 to the financial statements, material losses to the amount of R1, 5 million were incurred as a result of a write-off of irrecoverable debt from Informal Traders.

15. Attention is drawn to note 23 to the financial statements, R257 718 were incurred as a result of a write-off of capital work in progress.

Over expenditure

16. The municipal entity incurred over expenditure of R2 million due to expenditure being incurred in excess of the approved budget.

Unaudited supplementary schedules

17. The supplementary information set out on page 36 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

18. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010,* I include below my findings on the annual performance report as set out on pages … to … and material non-compliance with laws and regulations applicable to the municipal entity.

Predetermined objectives

Usefulness of information

19. The reported performance information was deficient in respect of the following criteria:
    - Measurability: The indicators are not well defined, and targets are not specific and measurable.
20. The following audit findings relate to the above criteria:
    - For the selected objectives, 26% of the planned and reported targets were not:
      - Specific in clearly identifying the nature and the required level of performance
      - Measurable in identifying the required performance

Compliance with laws and regulations

Budgets

21. Expenditure was incurred in excess of the approved budget which is in contravention of section 87(8) of the MFMA.

Annual Financial statements, performance and annual report

22. The financial statements submitted for audit did not comply with section 122(1) of the MFMA. Material misstatements were identified during the audit; these were subsequently corrected by management.

Procurement and contract management

23. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).
24. Quotations were accepted from prospective providers who are not on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulation 16(b) and 17(b).
25. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a).
26. Sufficient appropriate audit evidence could not be obtained that awards were made to suppliers based on preference points that were allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
27. Sufficient appropriate audit evidence could not be obtained that awards were made to

suppliers that scored the highest points in the evaluation process as per the requirements of section 2(1)(f) of Preferential Procurement Policy Framework Act.

28. Awards were made to providers who are persons in service of other state institutions in contravention of the requirements of SCM regulations 44. Furthermore the provider failed to declare that he/she is in the service of the state as required by SCM regulation 13(c).

29. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2)

Expenditure management

30. In certain instances, the accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure, as required by section 95(d) of the Municipal Finance Management Act.

31. Certain payments due to creditors were not settled within 30 days from receipt of an invoice or statement, as per the requirements of section 99(2) (b).

32. In certain instances, the accounting officer did not take all reasonable steps to ensure that the municipal entity had and maintained a management, accounting and information system which recognised expenditure when it was incurred, as required by section 99(2)(c) of the Municipal Finance Management Act.

Revenue management

33. In certain instances, the accounting officer did not take all reasonable steps to ensure that the municipal entity had and maintained a management, accounting and information system which recognised revenue when it is earned, as required by section 97(h) of the Municipal Finance and Management Act.

34. Revenue received by the municipal entity was not always reconciled at least on a monthly basis, as required by section 98(a) of the Municipal Finance Management Act.

INTERNAL CONTROL

35. In accordance with the PAA and in terms of General notice *1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010,* I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

36. Both the CEO and CFO were on special leave for a portion of the year therefore there was a lack of oversight responsibility regarding financial and performance reporting, compliance with laws and regulations and related internal controls. Policies and procedures were not established and communicated to enable and support understanding and execution of internal control objectives, processes, and responsibilities. Action plans to address internal control deficiencies were not adequately developed and the implementation thereof was not adequately monitored.

Financial and performance management

37. Proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. There was a lack of controls over daily and monthly processing and reconciling of transactions. Accurate and complete financial and performance reports were not prepared and were not supported by reliable information. Compliance with applicable laws and regulations were not monitored and reviewed.

OTHER REPORTS

Investigations

38. An investigation is being conducted by MTC management to probe 5 contracts entered into by previous management as proper SCM procedures were not followed.

Auditor General

Johannesburg
30 November 2011

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annual Financial Statements

The Committee has evaluated the audited Annual Financial Statements for the year ended 30 June 2011 and reviewed it for material compliance with legislation, regulations and the appropriate accounting policies, standards and practices.

The Institutional Review process currently taking place within The City of Johannesburg Metropolitan Municipality and its entities and the consequential moratorium on senior appointments, resulted in significant challenges for the company. The moratorium resulted in a shortfall in crucial areas of expertise and thus posed significant challenges within the company.

The Committee has noted the contents of The Auditor-General's report in particular the finding regarding irregular expenditure. Management has been instructed to investigate the matter comprehensively and institute remedial action.

The Audit Committee concurs and accepts the Auditor-General's report on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Nadira Singh CA (SA)
Chairperson: Audit and Risk Committee

THE METROPOLITAN TRADING COMPANY SOC LTD
Annual Financial Statements
for the year ended 30 June 2011

The Auditor-General South Africa
Issued 31 August 2011

THE METROPOLITAN TRADING COMPANY SOC LTD

(Registration number 1999/011422/07)
Annual Financial Statements for the year ended 30 June 2011

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Management of retail markets for formal and informal traders, ranking and holding facilities for public transport operators, provision of support to traders. The company provides support to traders and taxi operators in the form of market promotions and business training. Management of ticket sales, security and cleaning of Bus Rapid Transit System on behalf of the City of Johannesburg Metropolitan Municipality.
CHIEF FINANCE OFFICER (CFO)	Mr V Kgopa
DIRECTORS	Ms X Hloma (Chairman) Mr A Sam (CEO) Ms B Skenjana Ms D Dondur Ms F Segole Ms L Mpuru Ms N Singh
REGISTERED OFFICE	171 Bree Street Newtown Johannesburg 2113
BUSINESS ADDRESS	171 Bree Street Metro Mall Top Deck Johannesburg 2113
POSTAL ADDRESS	P O Box 870 Newtown Johannesburg 2113
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality
BANKERS	ABSA Bank Limited
AUDITORS	The Auditor-General South Africa
SECRETARY	Mr MJ Mashapa
COMPANY REGISTRATION NUMBER	1999/011422/07

THE METROPOLITAN TRADING COMPANY SOC LTD

(Registration number 1999/011422/07)
Annual Financial Statements for the year ended 30 June 2011

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

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ABBREVIATIONS

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

Directors' Responsibilities and Approval

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

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

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

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

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

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 37, which have been prepared on the going concern basis, were approved by the directors on 31 August 2011 and were signed on its behalf by:

Mr MJ Mashele
Chief Executive Officer (Acting)

Ms X Hloma (Chairman)
Non-executive director

LEAVE 33 PAGES FOR THE REST OF THE AFS