



a world class African city

City of Joburg Property Company (SOC) Limited
(Registration number 2000/017147/07)
Annual Financial Statements
for the year ended 30 June 2012

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

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Property Management & Property Development functions and, where appropriate, to provide property services in respect of the City of Johannesburg Metropolitan Municipality and the Municipal Owned Entities
DIRECTORS	Ms H M Botes - Managing Director Mr A Mabizela - Chairperson Prof AN Nevhutanda Mr J Mabaso Mr T Hickman Ms M Vuso Ms S Childs Ms L Msengana-Ndlela Dr D Sekhukhune Mr L Itholeng Mr H Mashele
REGISTERED OFFICE	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
BUSINESS ADDRESS	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
POSTAL ADDRESS	P O Box 31565 Braamfontein 2017
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	ABSA
AUDITORS	The Auditor-General:Gauteng
COMPANY SECRETARY	Ms V Morgan
COMPANY REGISTRATION NUMBER	2000/017147/07
TAX REFERENCE NUMBER	9292/129/14
ATTORNEYS	Panel of Attorneys
PREPARER	The annual financial statements were internally compiled by: Imraan Bhamjee City of Joburg Property Company (SOC) Ltd

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Abbreviations

GRAP	South African Statements of Generally Recognised Accounting Practice
IAS	International Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act No 56 of 2003
PANEL OF ATTORNEYS	Attorneys-at-law, Gumede, Dehai Inc, Hofmeyer Herbestein & Ghiwala Inc, Kunene Rampala Botha Law firm, LLR Attorneys, M S Shaik, Mathopa Inc, Mape Inc, Mokonyane Inc Attorneys, Mokuena Attorneys, Molefe-Diepu Attorneys & Conveyancers, Mphahlele MS, Negota SS, Nkaiseng Cheina Baba Pienaar & Swart Inc, Ntlangula Inc, Raborifi R Inc, Selebogo Inc, Tasneem Moosa Attorneys, Tsebane Molaba Inc, Twala Attorneys and Conveyancers and Tyrone Pather & Associates Attorneys/Prokureurs.

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Board of Directors' Responsibilities and Approval

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

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

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 company's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, they are satisfied that the company has or will have access to adequate resources to continue in operational existence for the foreseeable future.

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

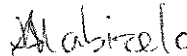
Although the Board of Directors are primarily responsible for the financial affairs of the company, they are supported by the company's external auditors.

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

The annual financial statements set out on pages 6 to 42, which have been prepared on the going concern basis, were approved by the Board of Directors on 2012/12/30 and were signed on its behalf by:



Ms H M Botes - Managing Director



Mr A Mabizela - Chairperson

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 30 June 2012.

Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed below, who should have met at least 4 times per annum as per its approved terms of reference. During the current year the committee met 7 times

Name of member	Number of meetings attended
Ms J Armstrong (Chairperson) resigned 25/04/2012	5
Mr T Hickman (Non executive director)	0
Ms T Molala (Independent member)	6
Mr V Mokwena (Independent Member)	6
Mr H Mashele (Non executive director)	7
Mr P Moodley (Independent Member)	0

Audit and Risk Committee responsibility

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

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

The effectiveness of internal control

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

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

Evaluation of annual financial statements

The Audit and Risk Committee has:

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

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

City of Joburg Property Company (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2012

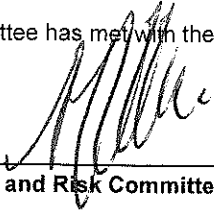
Audit and Risk Committee Report

Internal Audit

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

Auditor-General of South Africa

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



Chairperson of the Audit and Risk Committee

Date: _____

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**REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE
AND THE COUNCIL OF THE CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
ON CITY OF JOHANNESBURG PROPERTY COMPANY (SOC) LIMITED**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the City of Johannesburg Property Company (SOC) Limited set out on pages xx to xx, which comprise, the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and the directors' report.

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 the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2001) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Property Company (SOC) Limited as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the MFMA and Companies Act.

Emphasis of matters

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

Irregular expenditure

8. As disclosed in note 32 to the financial statements, the municipal entity incurred irregular expenditure of R14 215 888 as a result of non compliance with SCM regulations.

Additional matter

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

Unaudited supplementary schedules

10. The supplementary information set out on page 42 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Other reports required by the Companies Act

11. As part of our audit of the financial statements for the year ended 30 June 2012, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

PAA REQUIREMENTS

12. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.

14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

15. There were no material findings concerning the usefulness and reliability of the information.

Additional matter

16. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Achievement of planned targets

17. Of the total number of 23 targets planned for the year, 5 of targets were not achieved during the year under review. This represents 22% of total planned targets that were not achieved during the year under review.

Compliance with laws and regulations

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

Budgets

19. The municipal entity incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the Municipal Finance Management Act.

Annual financial statements, performance and annual reports

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

Procurement and contract management

21. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids as required by SCM regulation 19(a).

22. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).

Expenditure management

23. Money owing by the municipal entity was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

Internal control

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Financial and performance management

25. Management did not review and monitor compliance with applicable laws and regulations.

Auditor General
Johannesburg

30 November 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Board of Directors' Report

The Directors have pleasure in submitting to the Shareholders their report together with the annual financial statements for the year ended 30 June 2012.

1. INCORPORATION

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

2. REVIEW OF ACTIVITIES

Main business and operations

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

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

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

Net surplus of the company before taxation was R 29 652 490 (2011: deficit R 7 296 147), after taxation it was a net surplus of R 21 458 523 (2011: deficit R 5 456 775).

3. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. SUBSEQUENT EVENTS

The Directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosure in the annual financial statements.

5. DIRECTORS' PERSONAL FINANCIAL INTEREST

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

6. SHARE CAPITAL

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

7. BORROWING LIMITATIONS

In terms of the sale of business agreement, the City of Joburg Property Company (SOC) Limited does not have the authority to borrow funds on its own behalf. All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality.

8. NON-CURRENT ASSETS

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

9. DIVIDENDS

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

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Board of Directors' Report

10. DIRECTORS

The directors of the company during the year and to 30 June 2012 were as follows:

Name	Nationality	Changes in appointment
Ms H M Botes - Managing Director	South African	
Mr A Mabizela - Chairperson	South African	Appointed 25 April 2012
Prof AN Nevhutanda	South African	Appointed 25 April 2012
Mr J Mabaso	South African	Appointed 25 April 2012
Mr T Hickman	South African	Appointed 25 April 2012
Ms M Vuso	South African	Appointed 25 April 2012
Ms S Childs	South African	Appointed 25 April 2012
Ms L Msengana-Ndlela	South African	Appointed 25 April 2012
Dr D Sekhukhune	South African	
Mr L Itholeng	South African	
Mr H Mashele	South African	
Mr J Buys - Chairperson	South African	Retired 25 April 2012
Ms J Armstrong	South African	Retired 25 April 2012
Adv D Maritz	South African	Retired 25 April 2012
Mr S Dzengwa	South African	Retired 25 April 2012

11. COMPANY SECRETARY

The entity appointed Ms V Morgan as a Company Secretary effective from the 1st February 2012 she was acting in the current position from 05 September 2011.

Business address

33 Hoofd Street
Forum II
Braampark Building
Braamfontein
2000

Postal address

P O Box 31565
Braamfontein
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12. CORPORATE GOVERNANCE

12.1 General

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

The City of Joburg Property Company confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King III Report on Corporate Governance for South Africa 2010. The Board of Directors discuss the responsibilities of management in this respect, at Board meetings and monitor the company's compliance with the code on a yearly basis.

12.2 Board of Directors

The Board:

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

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Board of Directors' Report

12.3 Chairperson and Managing Director

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

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

12.4 Remuneration

The upper limits of the remuneration of the senior managers including the Managing Director who is the only executive director of the company, are determined by the Shareholder and ratified by the Board of Directors. The members of the HR Sub-committee are Dr D Sekhukhune, Ms S Childs, Mr T Hickman and Prof AN Nevhutanda.

12.5 Board of Directors' meetings

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

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

Name	Board Meeting	Audit and Risk committee meeting	Other committee meeting - City	Transaction Committee meeting	Remuneration and HR Committee meeting
Ms J Armstrong	7	5			
Adv D Maritz	7			5	3
Mr S Dzengwa	8			5	1
Mr H Mashele	7	7			
Mr L Itholeng	9			4	4
Mr J Mabaso	1				
Ms S Childs	1				
Prof AN Nevhutanda	1				
Mr T Hickman	1				
Ms Vuso					
Mr A Mabizela	1				
Ms L Msengana-Ndlela	1				
Dr D Sekhukhune	8		1		4
Mr J Buys	9		3		
Total number of meetings held	9	7	4	5	4

12.6 Audit and Risk Committee

The chairperson of the Audit and Risk Committee is Mr H Mashele, who is a non-executive director. The Audit and Risk Committee met 7 times during the 2012 financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, City of Johannesburg, as a parent municipality, must appoint members of the Audit and Risk Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit and Risk Committees, National Treasury policy requires that parent municipalities should appoint further members of the municipal entity's Audit and Risk Committees who are not directors of the municipal entity onto the Audit and Risk Committee and these independent members are Ms T Molala, Mr V Mokwena and Mr P Moodley (who was appointed during the year). The Audit and Risk Committee has fulfilled its responsibilities as provided for in Section 166 of the Municipal Finance Management Act.

12.7 Social and Ethics committee

The company established the above committee during the year under review and there were no meetings held. The members of this committee are : Mr L Itholeng (Chairperson), Ms S Childs, Ms E Pedro and Ms K Muthwa

12.8 Internal Audit

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Board of Directors' Report

The company's internal audit function is performed by PricewaterhouseCoopers. This is in compliance with the Municipal Finance Management Act, 2003.

13. CONTROLLING ENTITY

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

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Board of Directors' Report

14. AUDITORS

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

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
ASSETS			
Current Assets			
Loans to shareholders	3	53 908 562	1 917 966
Current tax receivable		203 502	-
Receivables from exchange transactions	5	37 221 599	70 775 147
Prepayments		220 611	692 942
Cash and cash equivalents	7	2 000	2 000
		91 556 274	73 388 055
Non-Current Assets			
Property, plant and equipment	8	8 514 482	2 192 200
Intangible assets	9	13 248 860	12 460 159
Deferred tax	10	8 747 094	9 810 943
Prepayments		1 194 138	-
		31 704 574	24 463 302
Total Assets		123 260 848	97 851 357
LIABILITIES			
Current Liabilities			
Loans from shareholders	3	5 281 675	6 580 414
Current tax payable		-	3 141 985
Finance lease obligation	11	2 404 183	530 330
Operating lease liability	4	997 336	-
Payables from exchange transactions	12	12 965 913	6 550 107
Deferred income	13	8 851 747	8 208 921
		30 500 854	25 011 757
Non-Current Liabilities			
Finance lease obligation	11	4 261 473	464 223
Retirement benefit obligation	6	697 000	542 000
Deferred income	13	17 429 750	23 793 750
Deferred tax	10	2 681 272	1 807 651
		25 069 495	26 607 624
Total Liabilities		55 570 349	51 619 381
Net Assets		67 690 499	46 231 976
NET ASSETS			
Share Capital	14	5 142 722	5 142 722
Accumulated Surplus		62 547 777	41 089 254
Total Net Assets		67 690 499	46 231 976

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue	15	99 033 038	53 068 853
Other income	16	2 237 000	47 942
Operating expenses		(74 874 542)	(64 358 485)
Operating surplus (deficit)		26 395 496	(11 241 690)
Investment revenue	19	3 841 449	6 402 613
Finance costs	20	(584 455)	(2 457 070)
Surplus (deficit) before taxation		29 652 490	(7 296 147)
Taxation	21	(8 193 967)	1 839 372
Surplus (deficit) for the year		21 458 523	(5 456 775)



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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)
Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share Capital	Share Premium	Total share capital	Accumulated Surplus	Total equity
Balance at 01 July 2010		1 000	6 235 368	6 236 368	46 546 029	52 782 397
Changes in net assets		-	-	-	(5 456 775)	(5 456 775)
Deficit for the year		-	(1 093 646)	(1 093 646)	-	(1 093 646)
CAPEX loan raised against share premium		-	(1 093 646)	(1 093 646)	(5 456 775)	(6 550 421)
Total changes		-	(2 187 292)	(2 187 292)	(5 456 775)	(6 550 421)
Balance at 01 July 2011		1 000	5 141 722	5 142 722	41 089 254	46 231 976
Changes in net assets		-	-	-	21 458 523	21 458 523
Surplus for the year		-	-	-	21 458 523	21 458 523
Total changes		-	-	-	21 458 523	21 458 523
Balance at 30 June 2012		1 000	5 141 722	5 142 722	62 547 777	67 690 499

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		132 755 724	62 024 640
Interest income		3 841 449	6 402 613
Capital receipts - deferred income		-	32 287 149
		<u>136 597 173</u>	<u>100 714 402</u>
Payments			
Employee costs		(48 807 169)	(42 056 202)
Suppliers		(20 257 473)	(23 732 483)
Finance costs		(105 048)	(2 191 689)
Taxes on surpluses	24	(9 601 983)	(813 503)
		<u>(78 771 673)</u>	<u>(68 793 877)</u>
Net cash flows from operating activities	23	<u>57 825 500</u>	<u>31 920 525</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(9 428 201)	(140 603)
Proceeds from disposal of property, plant and equipment	8	235 657	198 444
Purchase of other intangible assets	9	(1 267 639)	(1 609 881)
Proceeds from disposal of other intangible assets	9	280 920	18 882
Loss from disposal of intangible assets		(280 920)	(18 882)
Other cash item		732 322	-
Net cash flows from investing activities		<u>(9 727 861)</u>	<u>(1 552 040)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of project funding		-	(885 985)
(Repayment)/Advance of shareholders loan		(53 289 335)	(27 243 384)
Finance lease payments		5 191 696	(1 158 809)
Reduction of share capital or buy back of shares		-	(1 093 647)
Net cash flows from financing activities		<u>(48 097 639)</u>	<u>(30 381 825)</u>
Net (decrease)/increase in cash and cash equivalents		-	(13 340)
Cash and cash equivalents at the beginning of the year		2 000	15 340
Cash and cash equivalents at the end of the year	7	<u>2 000</u>	<u>2 000</u>

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Provisions

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

Expected manner of realisation for deferred tax

Deferred tax is provided for based on the expected manner of recovery i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 10 – Deferred tax .

Taxation

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

Post retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

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

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

Item	Average useful life
Furniture and fixtures	16 years
Office equipment	8 years
IT equipment	7 years
Leasehold improvements	3 years

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

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

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

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Property, plant and equipment (continued)

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

Assets held under finance lease agreement are depreciated over the term of lease.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

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

Item	Useful life
Computer software	7 years

Intangible assets are derecognised:

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

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Intangible assets (continued)

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

1.4 Financial instruments

Initial recognition and measurement

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

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

Loans to (from) Group Companies

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

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

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. Loans to group companies are classified as loans and receivables.

Loans to shareholders

These financial assets are initially measured at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

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

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to group company (City of Johannesburg Metropolitan Municipality) are classified as loans and receivables.

Receivables from exchange transactions

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

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

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Financial instruments (continued)

Trade and other receivables are classified as loans and receivables.

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

Payables from exchange transactions

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

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

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

Derecognition

Financial assets

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

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

Financial liabilities

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

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Current and Deferred Tax

Current tax assets and liabilities

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

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

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

Deferred tax assets and liabilities

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

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

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

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

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

Tax expenses

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

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

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

1.6 Leases

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the incremental borrowing rate.

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Leases (continued)

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Finance charges are charged to surplus or deficit, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy of borrowing costs.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Payments made in entering into or acquiring leasehold that is accounted for as an operating lease are amortised over the lease term.

1.7 Impairment of assets

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

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

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

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

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

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

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

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

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

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

1.8 Share Capital

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

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

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.8 Share Capital (continued)

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

1.9 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Other post retirement obligations

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

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

1.11 Revenue

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

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

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.11 Revenue (continued)

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

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

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

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

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

1.12 Revenue from non-exchange transactions

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

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have met or where the contributions is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.13 Borrowing costs

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

1.14 Deferred Income

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

1.15 Budget information

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

City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

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

GRAP 23: Revenue from Non-exchange Transactions
GRAP 24: Presentation of Budget Information in the Financial Statements
GRAP 25: Employee Benefits
GRAP 104: Financial Instrument

These statements does not have any impact on the financial statements of the entity.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	None
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	None
• GRAP 25: Employee benefits	01 April 2013	None
• GRAP 104: Financial Instruments	01 April 2012	None

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

The following Standards of GRAP have been issued but are not yet effective for the year ended 30 June 2012:

GRAP 18: Segment Reporting

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2013.

The company expects to adopt the standard for the first time in the 2014 annual financial statements.

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

3. Loans to/(from) shareholders

City of Johannesburg Metropolitan Municipality - No interest bearing The loan relates to overpayment of subsidy amount paid by the City of Johannesburg to JPC, with no fixed terms of repayment.	(4 880 412)	(5 080 412)
City of Johannesburg Metropolitan Municipality - Unsecured (Portfolio) The City of Johannesburg Metropolitan Municipality Portfolio Loan Account includes commissions accrued. The loan does not bear any interest and is repayable within 12 months.	34 170 132	622 794
City of Johannesburg Metropolitan Municipality - Unsecured loan - CoJ Housing The loan is interest bearing at average rate of 9.05% and has no fixed terms of repayment.	69 795	288 210
City of Johannesburg Metropolitan Municipality - Capex Loans The loan is unsecured and is repayable in equal quarterly installments over 3 to 6 years, and bears interest at the interest rate of 10.9%.	(401 263)	(1 500 002)
City of Johannesburg Metropolitan Municipality - Sweeping account The Sweeping Account bears interest at an average call rate of 5.53% p.a irrespective of the balance being favourable or not.	19 668 635	1 006 962

48 626 887 (4 662 448)

Current assets	53 908 562	1 917 966
Current liabilities	(5 281 675)	(6 580 414)

48 626 887 (4 662 448)

4. Operating lease asset/liability

Current assets	-	-
Current liabilities	(997 336)	-

The operating lease liability was as a result of office rental agreement concluded the during the year under review.

5. Receivables from exchange transactions

Trade debtors	37 221 599	70 415 626
Rental deposit	-	359 521
	37 221 599	70 775 147

5.1 Trade and other receivables

Trade debtors	37 221 599	70 415 626
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5.2 Trade and other receivables due but not impaired

As at 30 June 2012 trade receivables amounting to R37 221 599 were due but not impaired. One client made up the largest part of the outstanding balance and have made arrangements to pay in monthly instalments of R1 000 000 until the account is fully settled.

The ageing of these debtors are as follows:

Over 6 months	35 294 099	55 595 626
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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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6. Employee benefit obligations

6.1 Post retirement medical plan

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

Carrying value

Present value of the defined benefit contribution - The City of Joburg Property Company (SOC) Limited	(697 000)	(542 000)
---	-----------	-----------

6.1.1 Post retirement medical aid plan

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

Movements for the year

Opening balance	542 000	880 000
Net expense recognised in the statement of financial performance	155 000	(338 000)
	697 000	542 000

Net expense recognised in the statement of financial performance

Current service cost	24 000	21 000
Interest cost	47 000	80 000
Actuarial losses/(gains)	84 000	(439 000)
	155 000	(338 000)

Key assumptions used

Assumptions used on last valuation on 30 June 2012.

Discount rates used	8.60 %	8.60 %
Health care cost inflation rate	7.70 %	7.10 %
Rate of increase in employer post-retirement medical contribution subsidy payments	8.60 %	8.60 %

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

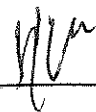


Employees over the age of 55 on 1 July 2003 will get a 60% subsidy on retirement. Employees over the age of 50 but under the the age of 55 on 1 July 2003 will get a 50% subsidy on retirement. Employees under the age of 50 on 1 July 2003 will not receive any post-retirement medical aid subsidy.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 000	2 000
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The company's cheque account is swept on a daily basis in terms of an agreement with The City of Johannesburg Metropolitan Municipality (COJ) in order to facilitate better cashflow management on an entity wide basis. Cash is readily available all the time and the sweeping has no effect on its availability.

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

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Notes to the Annual Financial Statements

Figures in Rand

2012 2011

8. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1 252 957	(1 039 871)	213 086	1 407 673	(1 257 673)	150 000
Office equipment	234 942	(119 224)	115 718	472 338	(193 487)	278 851
IT equipment	562 766	(239 120)	323 646	1 781 973	(754 808)	1 027 165
Leasehold improvements	957 190	(25 518)	931 672	817 638	(817 638)	-
Capitalised leased office equipment	8 516 165	(1 585 805)	6 930 360	1 966 902	(1 230 718)	736 184
Total	11 524 020	(3 009 538)	8 514 482	6 446 524	(4 254 324)	2 192 200

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	150 000	594 663	(447 511)	(84 066)	213 086
Office equipment	278 851	4 850	(121 912)	(46 071)	115 718
IT equipment	1 027 165	7 240	(527 755)	(183 004)	323 646
Leasehold improvements	-	957 190	-	(25 518)	931 672
Capitalised leased office equipment	736 184	7 864 258	(272 199)	(1 397 883)	6 930 360
	2 192 200	9 428 201	(1 369 377)	(1 736 542)	8 514 482

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Furniture and fixtures	907 185	38 163	(1 633)	(80 471)	(713 244)	150 000
Office equipment	311 216	52 293	(38 967)	(45 691)	-	278 851
IT equipment	1 215 185	25 129	(54 207)	(158 942)	-	1 027 165
Leasehold improvements	200 381	25 018	-	(225 399)	-	-
Capitalised leased office equipment	1 482 703	-	(187 564)	(558 955)	-	736 184
	4 116 670	140 603	(282 371)	(1 069 458)	(713 244)	2 192 200

9. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	12 761 889	-	12 761 889	11 498 803	-	11 498 803
Computer software	1 120 809	(633 838)	486 971	1 828 364	(867 008)	961 356
Total	13 882 698	(633 838)	13 248 860	13 327 167	(867 008)	12 460 159

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

9. Intangible assets (continued)

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, internally generated	11 498 803	1 263 086	-	-	12 761 889
Computer software	961 356	4 553	(280 920)	(198 018)	486 971
	12 460 159	1 267 639	(280 920)	(198 018)	13 248 860

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, internally generated	9 888 922	1 609 881	-	-	11 498 803
Computer software	986 441	-	(18 882)	(6 203)	961 356
	10 875 363	1 609 881	(18 882)	(6 203)	12 460 159

10. Deferred tax

Deferred tax (liability)/asset

Prepaid Expenses	(21 015)	(92 480)
Provision for leave pay	957 287	626 093
Smoothing of the operating lease	279 254	-
Finance lease liability	(74 118)	72 342
Provision for Post Retirement Medical Aid	195 160	151 760
Income received in advance	7 315 393	8 960 748
Property, Plant and Equipment & Intangibles	(2 586 139)	(1 715 171)
	6 065 822	8 003 292

Deferred tax asset(liability)

At beginning of the year	8 003 292	8 003 292
Prior year adjustment	(732 324)	-
Movement in timing differences	(1 205 146)	-
	6 065 822	8 003 292

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
11. Finance lease obligation		
Minimum lease payments due		
- within one year	2 398 139	662 644
- in second to fifth year inclusive	4 797 862	507 120
	<u>7 196 001</u>	<u>1 169 764</u>
less: future finance charges	(530 345)	(175 211)
Present value of minimum lease payments	6 665 656	994 553
Present value of minimum lease payments due		
- within one year	2 404 182	530 330
- in second to fifth year inclusive	4 261 474	464 223
	<u>6 665 656</u>	<u>994 553</u>
Non-current liabilities	4 261 473	464 223
Current liabilities	2 404 183	530 330
	<u>6 665 656</u>	<u>994 553</u>

It is company policy to lease certain equipment under finance leases. These assets are leased over a period of 2 to 5 years at an average interest rate of 15%, and are secured by the assets financed, refer to Note 8.

12. Payables from exchange transactions

Trade and other payables	6 024 779	2 977 950
Accrued leave pay	3 277 438	2 259 083
Accruals	3 663 696	1 313 074
	<u>12 965 913</u>	<u>6 550 107</u>

13. Deferred income

Movement during the year

Balance at the beginning of the year	32 002 671	60 839
Additions during the year	-	34 381 249
Income recognition during the year	(5 721 174)	(2 439 417)
	<u>26 281 497</u>	<u>32 002 671</u>
Non-current liabilities	17 429 750	23 793 750
Current liabilities	8 851 747	8 208 921
	<u>26 281 497</u>	<u>32 002 671</u>

The above deferred income relate to commission received on the conclusion of the 5 year lease agreement relating to outdoor advertising and land sales transaction not yet finalised.

14. Share Capital

Authorised

1000 Ordinary shares of R1 each	1 000	1 000
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Issued

1000 Ordinary shares of R1 each	1 000	1 000
Share premium	5 141 722	5 141 722
	<u>5 142 722</u>	<u>5 142 722</u>

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

	2012	2011
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15. Revenue

Commission - City of Joburg Metropolitan Municipality	84 584 818	30 138 958
Third Party Development fees	14 448 220	22 929 895
	99 033 038	53 068 853

The amount included in revenue arising from exchange of goods or services is as follows:

Rendering of services	84 584 818	30 138 958
Third Party Facilitation Development Fees	14 448 220	22 929 895

16. Other income

Donation received	483 000	47 942
Administration and management fees received	1 754 000	-
	2 237 000	47 942

17. General expenses

Advertising	310 256	207 934
Auditors remuneration	1 797 291	1 785 121
Bank charges	54 399	44 272
Cleaning	461 017	280 270
Consulting and professional fees	2 940 069	3 061 702
Insurance	2 633 517	1 816 601
Conferences and seminars	151 900	262 752
IT expenses	1 117 279	1 157 824
Lease rentals on operating lease	6 032 336	2 991 313
Placement fees	422 668	439 298
Postage and courier	62 633	66 853
Printing and stationery	800 555	969 668
Promotions	171 410	290 321
Security	24 138	763 289
Software expenses	334 282	922 082
Staff welfare	524 987	492 024
Subscriptions and membership fees	1 077 957	1 028 448
Telephone and fax	906 915	923 556
Training	235 041	380 188
Travel - local	256 140	328 661
Travel - overseas	571 086	741 214
Assets expensed	-	5 687
Electricity	799 234	461 563
Water	225 787	277 335
Irregular, fruitless and wasteful expenditure (Note 30)	15 736	-
Board Expenses	334 095	290 718
	22 260 728	19 988 694

City of Joburg Property Company (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
18. Employee related costs		
Employee related costs : Salaries and wages	26 149 184	25 488 814
Post-retirement medical aid benefits-Defined contribution plan	6 155 000	(338 000)
SARS site and PAYE	12 098 861	10 296 681
Bonus	3 118 801	1 790 776
UIF	372 879	352 695
SDL	506 707	439 073
Other payroll levies	92 776	123 542
Leave pay provision charge	1 018 355	599 249
Pension costs	5 232 950	3 590 253
	48 745 513	42 343 083

Key Personnel

Remuneration of General Manager : Finance

Annual Remuneration	836 491	687 587
Car Allowance	96 000	96 000
Performance Bonuses - 2011	98 000	-
Performance Bonuses - 2012	106 310	-
Contributions to UIF, Medical and Pension Funds	95 404	-
	1 232 205	783 587

Remuneration of General Manager : Property Management

Annual Remuneration	878 027	827 702
Performance Bonuses - 2011	106 820	-
Performance Bonuses - 2012	88 564	-
Contributions to Pension Funds	131 075	124 155
	1 204 486	951 857

Remuneration of General Manager : Property Development

Annual Remuneration	919 419	866 723
Performance Bonuses - 2011	111 856	-
Performance Bonuses - 2012	70 368	-
Contributions to Pension Funds	137 254	130 008
	1 238 897	996 731

Remuneration of General Manager : Stakeholder Management

Annual Remuneration	169 236	720 000
Contributions to Pension Funds	-	108 000
	169 236	828 000

Remuneration of General Manager : Asset Management

Annual Remuneration	763 776	720 000
Contributions to Pension Funds	114 019	108 000
	877 795	828 000

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
19. Investment revenue		
Interest revenue		
Bank	10 980	6 374
Interest charged on trade and other receivables	3 699 434	6 259 406
Interest earned - sweeping accounts	131 035	-
South African Revenue Services	-	136 833
	3 841 449	6 402 613
20. Finance costs		
Loan from the City of Johannesburg Metropolitan Municipality	105 048	2 191 689
Finance leases	479 407	265 381
	584 455	2 457 070
21. Taxation		
Major components of the tax expense (income)		
Current		
Local income tax - current period	6 985 032	7 115 560
Local income tax - recognised in current tax for prior period	(728 536)	-
	6 256 496	7 115 560
Deferred		
Originating and reversing temporary differences	1 205 146	(8 954 932)
Arising from prior period adjustments	732 325	-
	1 937 471	(8 954 932)
	8 193 967	(1 839 372)
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus (deficit)	29 652 490	(7 296 147)
Tax at the applicable tax rate of 28% (2011:28%)	8 302 697	(2 042 921)
Tax effect of adjustments on taxable income		
Non taxable income (100% Capital Gains)	(135 213)	-
Non taxable/non-deductible expenses	3 998	264 296
Prior year tax adjustment	(728 536)	(60 747)
Deffered tax - prior year adjustment	732 325	-
	8 175 271	(1 839 372)

City of Joburg Property Company (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2012

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22. Auditors' remuneration

Fees	1 797 291	1 785 121
Reconciliation of audit fees		
Audit Fees - External	807 382	808 848
Audit Fees - Internal	989 909	976 273
	1 797 291	1 785 121

23. Cash generated from operations

Surplus (deficit)	21 458 523	(5 456 775)
Adjustments for:		
Depreciation and amortisation	1 934 562	1 075 479
Loss on sale of assets and liabilities	1 414 640	102 809
Finance costs - Finance leases	479 407	265 381
Impairment deficit	-	713 244
Debt impairment	(6 123)	-
Movements in operating lease assets and accruals	997 336	12 077
Movements in retirement benefit assets and liabilities	155 000	(338 000)
Movement in tax receivable and payable	(3 345 487)	6 302 057
Annual charge for deferred tax	1 205 146	(8 954 932)
Other non-cash items	-	(41 894)
Changes in working capital:		
Receivables from exchange transactions	33 553 548	8 839 693
Consumer debtors	6 123	42 083
Prepayments	(721 807)	(319 001)
Payables from exchange transactions	6 415 806	(2 263 528)
Deferred income	(5 721 174)	31 941 832
	57 825 500	31 920 525

24. Tax Receivable

Balance at beginning of the year	(3 141 985)	3 160 072
Current tax for the year recognised in surplus or deficit	(6 256 496)	(7 115 560)
Balance at end of the year	(203 502)	3 141 985
	(9 601 983)	(813 503)

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City of Joburg Property Company (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2012

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Figures in Rand

2012

2011

26. Related parties

Relationships

The company adheres to Section 45 of The Municipal Supply Chain

Management Regulation:

Contracts are entered into in terms of Services Delivery Agreements

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

Controlling entity

Fellow subsidiaries

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

Related party balances

Loan Accounts - Owing from related parties

City of Johannesburg Metropolitan Municipality

53 984 681 1 917 966

Loan accounts - Owing to related parties

City of Johannesburg Metropolitan Municipality

(5 281 675) (6 580 414)

Interest paid to related parties

To the City of Johannesburg Metropolitan Municipality

105 048 2 191 689

Services rendered to related parties

The City of Johannesburg Metropolitan Municipality - Commission received

84 651 588 30 138 958

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

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2012

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27. Directors emoluments

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

Executive

2012

	Emoluments	Car Allowance	Performance bonus	Total
Ms H M Botes - Managing Director	996 461	250 000	286 583	1 533 044

2011

	Emoluments	Car allowance	Total
Ms H M Botes - Managing Director	925 020	250 000	1 175 020

Non-executive

2012

	Emoluments	Retainer fees	Total
Mr J Buys - Chairperson	138 880	33 063	171 943
Ms J Armstrong	84 320	16 533	100 853
Adv D Maritz	66 480	16 533	83 013
Dr D Sekhukhune	68 448	19 840	88 288
Mr S Dzengwa	73 410	16 533	89 943
Mr H Mashele	79 360	19 840	99 200
Mr L Itholeng	76 400	19 840	96 240
Mr A Mabizela - Chairperson	9 920		9 920
Ms L Msengana-Ndlela	4 960		4 960
Ms M Vuso			
Mr T Hickman	4 960		4 960
Mr J Mabaso	4 960		4 960
Ms S Childs	4 960		4 960
Prof AN Nevhutanda	4 960		4 960
	622 018	142 182	764 200

2011

	Emoluments	Retainer fees	Total
Mr J Buys - Chairperson	148 800	39 675	188 475
Ms J Armstrong	138 880	19 840	158 720
Adv D Maritz	64 490	19 840	84 330
Dr D Sekhukhune	73 408	19 840	93 248
Mr S Dzengwa	80 352	19 840	100 192
Mr H Mashele	89 280	19 840	109 120
Mr A Sibanda	64 490	14 880	79 370
Mr L Itholeng	89 300	19 840	109 140
	749 000	173 595	922 595

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City of Joburg Property Company (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2012

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2012

2011

28. Risk management

Financial risk management

Liquidity risk

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

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

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	401 263	-	-	-
Finance lease liabilities	2 404 182	4 261 473	-	-
Trade and other payables	12 975 262	-	-	-

At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 500 002	-	-	-
Finance lease liabilities	530 330	464 223	-	-
Trade and other payables	6 535 224	-	-	-

Interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus/(deficit). The company's interest rate risk arises from financial service assets. Fixed rate borrowings expose the company to fair value interest rate risk.

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

Credit risk

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

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

Financial instrument

Financial assets measured at amortised cost:

-Trade and other receivables	37 341 751	70 775 147
-Cash and cash equivalents	2 000	2 000
	<u>37 343 751</u>	<u>70 777 147</u>

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Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

29. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The existence of the company is dependent on the continued support of its sole shareholder being the City of Johannesburg Metropolitan Municipality by way of management fees paid each year in terms of a service delivery agreement entered into. Development fees received from external parties further support the going concern of the company. To support the continuous collection of management fees, JPC has a 30 year agreement with the Shareholder, of which 19 years are remaining.

30. Unauthorised expenditure

Unauthorised expenditure current year	1 763 997	-
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The above unauthorised expenditure mainly relates to the loss on disposal of assets and rental of premises.

31. Fruitless and wasteful expenditure

SARS penalties and interest	15 736	-
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2012 : The penalties and interest reflected above relates to 2011 financial year which incurred as result of underestimation of second provisional tax payment. An appeal has been lodged with SARS to reverse these interest and penalties.

32. Irregular expenditure

Details of irregular expenditure – current year

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

32. Irregular expenditure (continued)

	Details of the incident	
Recruitment of temp staff	Service provider was appointed more than five years and bid documentation couldn't be located. Only contract could be retrieved which is still valid and currently manages deliverables between JPC and the service provider	488 207
Development of internally generated goodwill	Service provider was appointed more than five years and bid process could not be confirmed, as documentation couldn't be located. There is an SLA in place managing expected deliverables between the service provider and JPC	2 021 768
Consulting services	This contract was initially for a period of 3 months of which the appointment of Strategic Support was meant to be finalized and that didn't materialize as the suitable candidate couldn't be found then. The contract continued on a month to month basis until its cancellation.	1 068 600
Data and mobile services	Tender processed was not followed as the service provider approached act as an agent on behalf of all cellular network operators and through them the entity got better deals for data and mobile services, of which had the company gone directly to the supplier wouldn't have got a better rates. This is currently a contract in place.	343 851
IT support, infrastructure and licenses	The previous service provider's contract expired and was on month to month till tender process was finalized, of which the bidders that responded misunderstood the terms of reference. Since old service provider was given termination notice and the suitable bidder couldn't be found and also the fact that IT functions is critical on the continuity of any operation, the entity then approached the current service provider to assist with rendering of IT services until the new tendering process can be finalised. The current contract is been managed on a month to month basis	899 583
IT infrastructure and licenses	Tender processed was followed, of which the bidders who responded misunderstood the terms of reference, and then due to the critical nature of infrastructure required, the procured the services through the contract which was already secured by CoJ Panel which is in line with the requirements of SCM regulations	1 042 372
Office accomodation - Rental	Sourcing agent was appointed to find suitable accomodation for the company in terms of spacing and location of which these services where procured through panel of CoJ	6 032 336
Advisory services	Sourcing agent was appointed to find suitable accomodation for the company in terms of spacing and location of which these services where procured through panel of CoJ	1 691 971
Risk and Assurance services	The JPC risk manager resigned at a critical point in the middle of the risk management framework and risk identification process. After numerous attempts to advertise the position no adequate person was found and Grant Thornton, who is on the COJ panel, and is a service provider utilized by JRAS was appointed	321 200

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City of Joburg Property Company (SOC) Limited

(Registration number 2000/017147/07)

Annual Financial Statements for the year ended 30 June 2012

Detailed Income statement

Figures in Rand	Note(s)	2012	2011
Revenue			
Rendering of services		84 584 818	30 138 958
Third Party Facilitation Development Fees		14 448 220	22 929 895
Other income	16	2 237 000	47 942
Interest received - investment	19	3 841 449	6 265 780
SARS interest	19	-	136 833
Total Revenue		105 111 487	59 519 408
Expenditure			
Personnel	18	(48 745 513)	(42 343 083)
Depreciation and amortisation		(1 934 562)	(1 075 479)
Impairment loss		-	(713 244)
Finance costs	20	(584 455)	(2 457 070)
Bad debts		6 123	-
Repairs and maintenance		(525 222)	(135 176)
Loss on disposal of assets		(1 414 640)	(102 809)
General expenses	17	(22 260 728)	(19 988 694)
Total Expenditure		(75 458 997)	(66 815 555)
Taxation	21	(8 193 967)	1 839 372
Surplus (deficit) for the year		21 458 523	(5 456 775)

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City of Joburg Property Company (SOC) Limited
 APPENDIX E(1) for the year ended 30 June 2011
 Statement of Financial Performance
 June 2012

	Actual Balance (000's)	Original Budget (000's)	Variance (000's)	Var	Original Budget (000's)	Explanation of Significant Variances greater than 10% versus Budget
Revenue						
Commission received	84 585	37 002	47 583	128.6	37 002	The Commission received from CoJ Portfolio is over the allocated budget, due to the fact CAPEX commission earned on the completion of Soweto Theatre
Third Party Development fees	14 448	35 000	(20 552)	(58.7)	35 000	Few development agreements signed during the year due to a decline in the property development industry.
Other income	99 033	72 002	27 031	37.5	72 002	
Other income	2 237	1 754	483	27.5	1 754	Over budget as result of donated asset received for no consideration
Interest received	3 841	4 264	(423)	(9.9)	4 264	Below budget as the outstanding debtors settled within the given time frame
Gross Profit	6 078	6 018	60	1.0	6 018	
Expenses						
Employee related costs	(48 746)	(48 846)	100	(0.2)	(48 846)	Savings was a result of new appointments been deferred to the new financial year. And this saving was used to cover fixed operating expenditure
Bad debts	6	-	6	-	-	
Depreciation	(1 737)	(1 828)	91	(5.0)	(1 828)	
Amortisation	(198)	(201)	3	(1.5)	(201)	
Repairs and maintenance	(525)	(525)	-	-	(525)	
Finance costs	(584)	(584)	-	-	(584)	
General expenses	(22 261)	(21 712)	(549)	2.5	(21 712)	Over expenditure relates to fixed operating costs which were not funded during the revised budget, reallocation was done to cover them.
Loss on disposal of property, plant, plant and equipment	(1 134)	-	(1 134)	-	-	
Loss on scrapping intangible assets	(281)	-	(281)	-	-	
Operating profit	(75 460)	(73 696)	(1 764)	2.4	(73 696)	
Net surplus/ (deficit) for the year	29 651	4 324	25 327	585.7	4 324	
Taxation						
Current	(6 256)	-	(6 256)	-	-	
Deferred tax	(1 937)	-	(1 937)	-	-	
	(8 193)	-	(8 193)	-	-	
Profit /(Loss) for the year	21 458	4 324	17 134	396.3	4 324	

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