

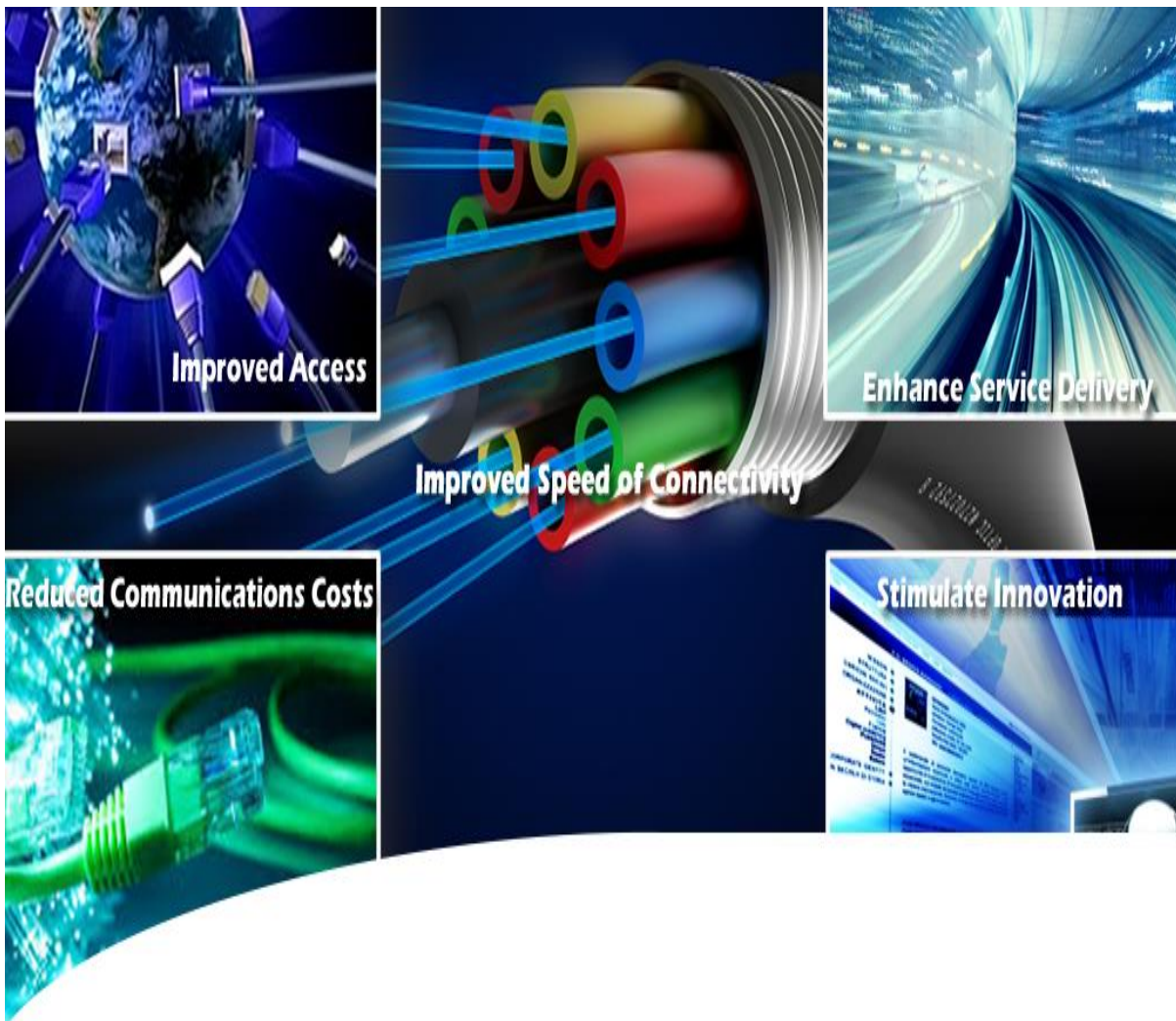


a world class African city



METROPOLITAN TRADING COMPANY (SOC) LTD
Company Registration No: 1999/011422/07

2015/16 INTEGRATED REPORT



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

PART A

METROPOLITAN TRADING COMPANY (SOC) LTD

Registration number	:	[1999/011422/07]
Registered Address	:	[308 Kent Avenue, Randburg, Johannesburg]
Postal Address:	:	[P.O Box 1049, Johannesburg, 2000]
Telephone number	:	[(011) 438 6000]
Fax number	:	[None]
Website	:	[currently under construction]
Bankers	:	[Standard Bank South Africa]
Auditors	:	Auditor-General

Vision

To be a world-class provider of affordable and accessible ICT service to businesses and citizens of Johannesburg

Mission

To provide Johannesburg business and citizens high quality ICT services through the delivery of:

- ***High quality network service;***
- ***Improved access to all citizen of Johannesburg;***
- ***Low-cost IT services;***
- ***High speed network and connectivity;***
- ***Designing ground breaking products and services; and***
- ***Converged products and services.***

Contents

CHAPTER ONE: LEADERSHIP & CORPORATE PROFILE	6
Section 1: Corporate Profile and Overview of the entity.....	6
Section 2: Strategic Objectives	9
Section 3: Value Creation Process	9
Section 4: High-level organisational structure.....	12
Organisational Structure	12
Section 5: Foreword by Member of the Mayoral Committee.....	13
Section 6: Chairperson’s Foreword	14
Section 7: Interim Chief Executive Officer’s Report	15
Section 8: Acting Chief Financial Officer’s Report	16
Section 9: Company Secretary’s Certification.....	17
CHAPTER TWO: GOVERNANCE	18
Section 1: Corporate Governance Statement	18
Section 2: Board of Directors	19
Section 3: Board Committees	22
Section 4: Director’s Remuneration.....	24
Section 5: Company Secretarial Function.....	24
Section 6: Risks, Opportunities and Internal controls	25
Section 7: Internal Audit Function.....	25
Section 8: Corporate Ethics and Organisational Integrity	26
Section 9: Sustainability Report.....	26
Section 10: Anticorruption and fraud	26
Section 11: ICT Governance.....	26
Section 12: Supply Chain Management and Black Economic Empowerment.....	26
CHAPTER THREE: SERVICE DELIVERY PERFORMANCE	27
Section 1: Core Business	27
MTC Positioning.....	27
COMPETITOR ANALYSIS	27
Section 2: Day to day Operations	30
Section 3: Highlights and Achievements	30
Section 4: Financial Performance	30
Section 5: Capital Projects	30
Section 6: Performance against IDP and City Scorecard.....	30
Section 7: Assessment of Arrears on municipal taxes and service charges.....	30
Section 8: Statement on amounts owed by Government Departments and public entities	31

Section 9: Recommendations and Plans for the next financial year.....	31
CHAPTER FOUR: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT	32
Section 1: Human Resource Management.....	32
Section 2: Employee Remuneration (Total Costs including Executives).....	33
Section 3: Key Vacancies	33
Section 4: Employment Equity	33
Section 5: Skills Development and Training	34
Section 6: Performance Management	34
Section 7: Employee wellness	35
Section 6: Employee Benefits.....	35
CHAPTER FIVE: FINANCIAL PERFORMANCE.....	37
Section 8: Audit & Risk Committee Report	38
Section 9: Report of the Auditor-General of South Africa	40
CHAPTER SIX: AUDITOR-GENERAL FINDINGS	41
Section 1: Results of Internal Audits	41
Section 2: Progress on Resolution of Internal Audit Findings	41
Section 3: Progress on Resolution of External Audit Findings	41
Section 4: Results of Audit of Performance Objectives (AoPO).....	41
Section 5: State of Internal Control	41

ABOUT THIS REPORT

Summary of the significant frameworks and legislation used to prepare the report

The Annual report for 1 July 2015 to 30 June 2016 is in an integrated financial, social and economic report. The entity aligns itself local and international sustainability best reporting practices including the:

- Municipal Finance Management Act (MFMA)
- Generally Recognised Accounting Principles (GAP)
- Section 46(1) on the Municipal Systems Act (MSA)
- King III Code on Corporate Governance (KING III)
- Discussion papers issued by the South African Integrated Reporting Committee and the International Integrated Reporting Council (IIRC)
- International Financial Reporting Standards (IFRS)
- GRI Framework
- Millennium Development Goals
- Joburg 2040 Growth and Development Strategy (GDS)
- 2012/16 Integrated Development Plan (IDP)

Assurance process for the integrated annual report

The board is responsible for ensuring that there is effective leadership and decision-making regarding the preparation and presentation of an integrated report, including the identification and oversight of the employees actively involved in the process.

CHAPTER ONE: LEADERSHIP & CORPORATE PROFILE

Section 1: Corporate Profile and Overview of the entity

The Joburg Broadband Network (“JBN”) Project was presented to the Mayoral Committee and Council in 2006 for approval of the high-level business model, the establishment of the JBN Mayoral Sub-Committee and the project implementation framework. The JBN Project was also presented by the CoJ: (City of Johannesburg Metropolitan Municipality) Department of Economic Development at the CoJ Infrastructure conference held in November 2006.

The agreement fell within the ambit of section 33 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (“MFMA”). The processes per section 33 of the MFMA were followed and the JBN Build Operate Transfer (BOT) agreement was approved and authorized for signature by Council.

CoJ later discovered that CCC/BWired had committed numerous acts of repudiation of its obligation under the BOT. After numerous attempts to rescue the situation, the CoJ cancelled the BOT on 31 July 2014. The settlement negotiations (obligation to pay for the network) were concluded on the 28th of May 2015 and implementation of the settlement was concluded on the 3rd of September 2015.

On 28 February 2015 Council approved the establishment of a Broadband Network Municipal Entity (“ME”) in terms of section 76(b) of the Local Government: Municipal Systems Act No.32 of 2000 in order to receive the network asset and associated business. The effective date of transfer of the Business and associated Broadband Network was as at 3rd of September 2015. The City Manager then decided to revive the Metropolitan Trading Company (Pty) Ltd (“MTC”) to be the ME to receive the network asset and associated business.

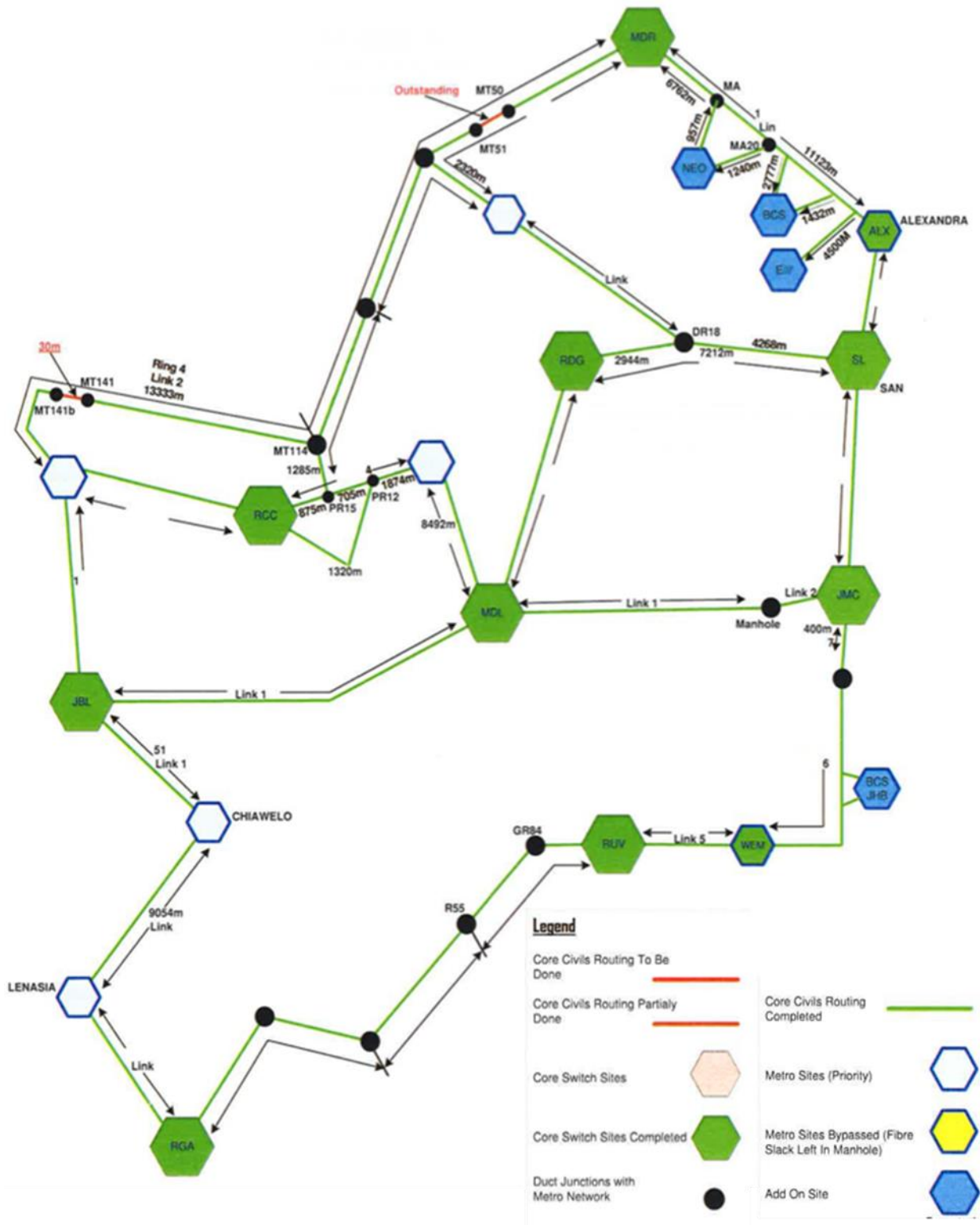
MTC is a Municipal Owned Entity which is 100% owned by the Metropolitan Municipality of the City of Johannesburg. During 2013, the City of Johannesburg decided to transfer the business of the previous MTC to other business units within the City of Johannesburg.

The entity was launched to ensure the delivery of the City’s Growth and Development Strategy 2040 (GDS 2040) Smart City drive, MTC is responsible for providing affordable, efficient and inclusive connectivity and maintaining broadband distribution across the city.

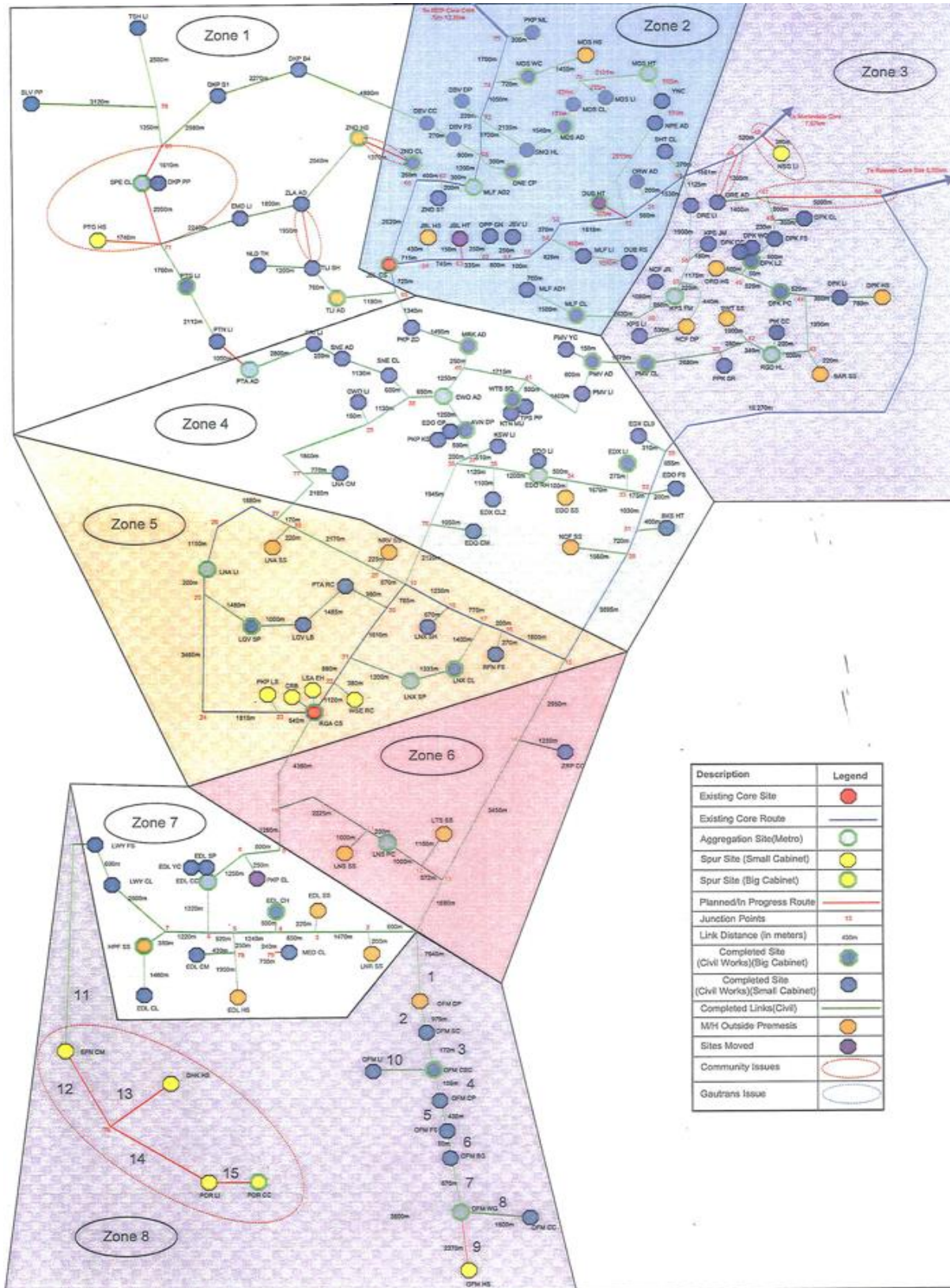
An interim management structure was established by CoJ at the MTC (being re-engineered to be the CoJ’s Broadband ME) from 3rd September 2015 to operate the Broadband business and manage the Broadband network. As part of the settlement agreement that took place with Ericson South Africa (“ESA”), employees were also transferred to MTC in line with section 197 of the Labour Relations Act. This constitutes the employees currently in the full time employment of the entity.

The City is still in a process to finalise the Service Delivery Agreement (SDA) with the entity as envisaged in the Local Government: Municipal Systems Act 32 of 2000.

The Physical network of MTC across the city of Joburg indicating core nodes is depicted in the diagram below:



The Physical network of MTC across the city of Joburg indicating the zones within the regions is depicted in the diagram below:



Section 2: Strategic Objectives

The new MOE (MTC) is an open access fibre operator whose major objective is to bridge the city's digital divide and transform Johannesburg into a true world-class African City of the future. Launched to ensure the delivery of the City's Growth and Development Strategy 2040 (GDS 2040) Smart City drive. MTC will be responsible for connecting and maintaining broadband distribution across the city.

Developmental local government has adopted a strategic, creative and integrated approach to local governance to address this challenge. It involves actively seeking partnerships with all role-players that contribute to the development of an area - including other organs of state, the private sector and communities - in order that municipalities can fulfil their core responsibilities in a way that has a lasting and profoundly positive impact on the quality of life of the people they serve.

MTC's key strategic objectives are to:

- lowering the cost of communication,
- be a catalyst in improved services delivery
- bridging the digital divide and
- stimulating social and economic development in Johannesburg.

The services envisioned are to be delivered primarily to:

- the Citizens of Johannesburg,
- SMME's,
- the City's internal departments and
- Municipality Owned Entities (MOEs).

Section 3: Value Creation Process

The values of MTC embedded in the trust relationship with our stakeholders. They representing framework for the way we do things. MTC has the following values:

VALUE	MTC DEFINITION
1. Customer focused	We provide class-leading solutions with excellent service and quality delivering on our promises and commitments
2. Ethical	We are committed the Equitable, fair, and just dealing with people that conforms to high standards of public conduct.
3. Integrity	We make decisions and act for the greater good of our stakeholders.
4. Efficient	We strive to achieve our objectives and deliver our promise while avoid wastage of materials, energy, efforts, money, and time.
5. Innovative	We identify, develop and deploy cutting edge technology, processes and programs to address the ever changing environments and implementing new ways to reach the organization's goals.

The MTC's planning processes are integrated with the City's Smart City Strategy and the Broadband Policy. The collaboration with the City on the following matters is aligned to the GDS 2040:

- Outcome 1: Increased literacy, skills and lifelong learning amongst all our citizens, A safe and secure city, and A city characterised by social inclusively and enhanced social cohesion;
- Outcome 3: Job-intensive economic growth, promotion and support to small businesses, increased competitiveness of the economy and a 'smart' City of Johannesburg, that is able to deliver quality services to citizens in an efficient and reliable manner

Challenges of Broadband

In South Africa, the lack of always-available, high-speed and high quality bandwidth required by business, public institutions and citizens has impacted negatively on the country's development and

global competitiveness. Significant growth in the ICT sector over the last decade has not been accompanied by the realisation of the primary policy objective of affordable access for all to the full range of communications services that characterises modern cities and economies.

The slow deployment of fixed broadband services (ADSI), and its relatively high costs, means that over the last few years mobile broadband has rapidly become the primary form of broadband access; rather than providing a complementary service to fixed broadband as it has done in mature economies. Despite this take-off in mobile broadband, South Africa's broadband penetration remains poor compared to that of other lower-middle-income countries.

South Africa has lost its status as 'continental leader' in broadband and internet, and the last two decades has seen South Africa's steady decline on global ICT indices.

The high cost of communication has constrained investment in South Africa as a regional business hub; in particular, investment in large-scale business process outsourcing and similar job-creating industries has suffered. Despite recent reductions to both fixed and mobile data prices, broadband pricing remains a barrier to exponential growth in broadband use.

There is increasing evidence of linkages between investment in electronic communications infrastructure and improvements in the economy. Though broadband impact studies vary on the exact contribution made to economic growth, there is enough evidence to support claims that increases in broadband penetration correlate with increases in GDP, new jobs, broadening of educational opportunities, enhanced public service delivery and rural development.

Broadband contributes to environmental sustainability and a greener economy through smart and green infrastructure in which the energy requirements and the carbon footprint are reduced. However, four key variables need to be addressed for the link between broadband and economic growth to have an effect.

PESTEL Analysis

The Pestel Analysis illustrates that in the political climate, broadband has been prioritised by government as an important developmental project and the objectives have been clearly defined in South Africa Connect policy instrument. Therefore the MTC is fully aligned with the provincial and national government imperatives. As a result of market failures in the provision of bridging the digital divide, most of the Metros in South African have embarked on a number of broadband services. However, possible changes in political environment and mayoral candidate may have an effect on future rollouts of MTC's programs and funding

In terms of economic dividend, the project was originally initiated to reduce cost of communications to the City, whilst improving service delivery to citizens and operational efficiencies within the City. Empirical evidence shows a positive impact of improved broadband penetration on the GDP. Project was originally initiated to reduce cost of communication for the City while improving service delivery to citizens and improving operational efficiencies. Declining in economy strength is increasing unemployment, increasing crime. If any of the ICT additional equipment/program/packages/modules need to be procured internationally, it means MTC will have to spend more money. MTC will need to fastback the design and implementation of programs which absorb and empower entrepreneurship. Increasing cost may result in consumers/subscribers of municipality services will take longer to pay for services which may impact on the payment of envisaged services to be offered to the other ME and service providers such as Joburg Water, CoJ Rates and taxes, electricity, etc. Planned activities and service offering may have to be double in order to make the envisaged impact. Encourages entrepreneurship and productivity, economic progression, flexibility in the labour market, and an overall culture diversity and innovation.

The social aspects show that access to affordable internet services are increasingly seen as a human right. At a global level there is indication of broadband being offered as utility services to a larger world population. Through the MTC, CoJ is well positioned to follow the global trend. There is no doubt that broadband enables lots of indirect benefits ranging from access to basic healthcare and educational information in remote areas to crime prevention. The MTC initiative is meant to be an

enabler. It is important that citizens other basic services and thus making it easier for the value chain to be appreciated. Stakeholder management it going to be key in communicating key milestones, service offered, initiatives implemented and impact (success stories & telling the good story). Broadband will enable indirect benefits of e-Government such as improvement and access to services in half the time. This means increased reach and attention to needs of CoJ citizens. It will also be important to ensure in the design of service and products that there is an element of reducing risk of vandalism and exploitation by criminal activities and individuals. MTC will need to drive a culture of collaboration between the City and its citizens to encourage a partnership culture and constructive use of the services. There is a need to continue education and empowering the citizens of CoJ on how to effectively use the various services which will be available. The services must inclusive ensuring that they are not only being utilised by young people and those who can afford specific equipment which will enable them to benefit.

On the technical aspects, the designing and implementation of the e-Government service delivery model will have to be carefully thought through ensuring that the various entities which will form part of this network will be able to seamlessly engage and transform into this process. Information and data management will be critical in ensuring security of individual, organisational information. Implementation of the various phases will need to be well coordinated to ensure high impact. i.e. CoJ Electricity and water need to ensure the roll out of smart electricity and water devices are installed timeously with the system going live immediately after the installation. Reliable and robust broadband network is the key enabler of Smart Cities (smart metering, traffic and security surveillance, open data, etc.). It means including more efficient use of physical infrastructure through artificial intelligence and data analytics to support a strong and healthy economic, social, cultural development. A great amount of accuracy will need to be the order of the day to ensure information provided, collected and used to achieve goals. For example, emergency services information when responding to a crisis, applications need to provide accurate information (e.g. street names, data required, and so forth).

The critical success factor for most smart cities around the world is a reliable and robust broadband network infrastructure. For example, smart metering, traffic surveillance and management, open data and so forth is illustrative of the impact of technology. The adoption of open access has resulted in transparent pricing and equitable engagement models that are essential for publicly driven telecommunications services.

With regards to the environment, CoJ is already looking at various interventions to reduce carbon emissions, city revitalisation project to upgrade dilapidated buildings – it will be important for MTC to find custodians of the projects and find ways in which the services will add value to these initiatives. ICT must be deployed to enable the City to measure impact implementing the integration of ME. i.e. the amount of electricity and water saved, speedy information gather and dissemination about issues which may need urgent attention. i.e sewage leakages, waste management issues, weather pattern changes, etc.

Governance, legal and compliance play a critical aspect in maintaining a health organisation. Therefore MTC must ensure that they adhere to all required legislation governing the industry and municipalities. Meaning the involvement of the public in decision-making, public and social service, and government transparency. Legal needs to ensure that privacy issues relating to information sharing and use are looked at. Ownership of accessible data e.g. GPS info which is normally collected by private companies who may want to be compensate, etc.

Below is an analysis of the current factors which have to be considered when developing the strategy to move MTC forward. MTC needs to look at:

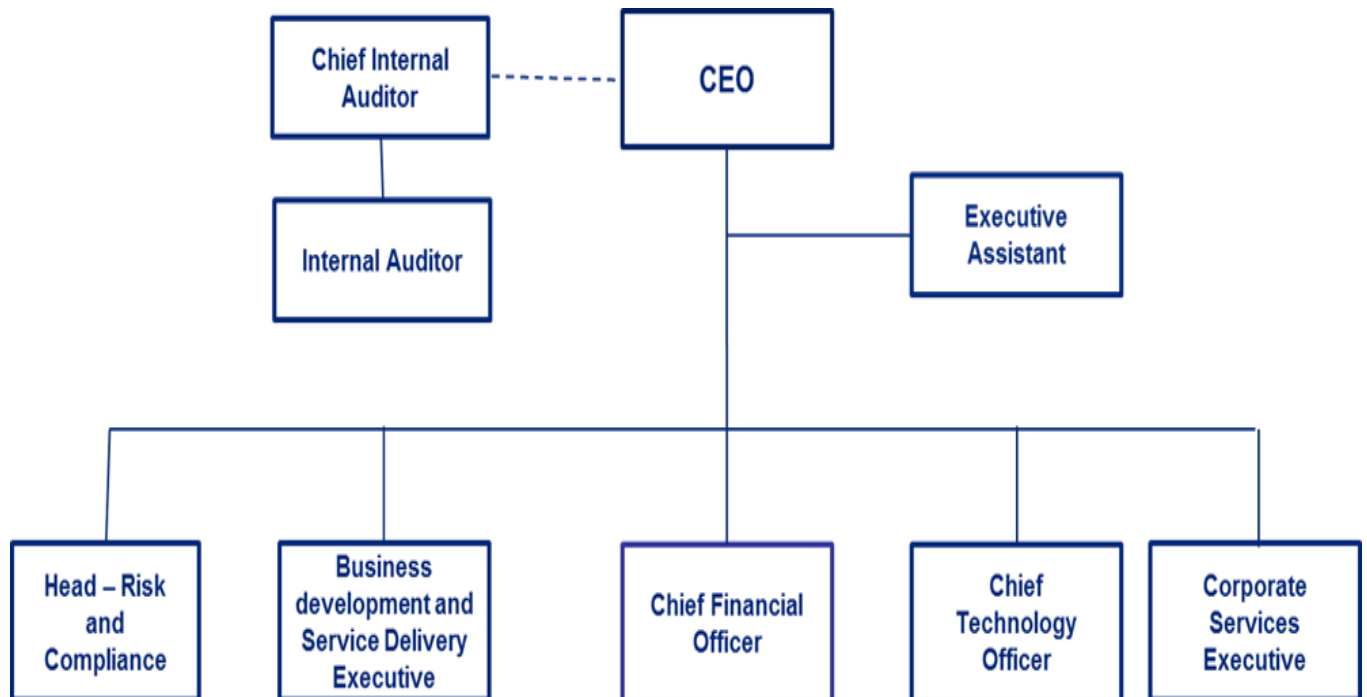
- What is the current and future political situation of the country and how can it affect the mandate of MTC?
- What are the prevalent economic factors?
- What are the prevailing cultures among all the identified customers and stakeholders which will enable or impede the successful implementation and sustainability of programs and projects?
- What technological innovations will be required and made available to achieve are the social mandate?

- Are there any current legislations that regulate the industry or can there be any change in the legislations for the ICT industry and Government?
- What are the environmental concerns for all our stakeholders and customers?

Section 4: High-level organisational structure

The Approved Organisation structure per line department is outlined below.

Organisational Structure



Section 5: Foreword by Member of the Mayoral Committee



The City of Johannesburg has rolled out 1150km of broadband fibre infrastructure.

The primary objective was to bridge the digital divide, to stimulate economic growth and improve service delivery of the Municipality.

Our newly created municipal entity, Metro Trading Company (MTC), is managing and optimising the fibre network, to lower the cost of digital communications and bridge the divide.

The broadband is the backbone of the City's WiFi hotspots, of high-speed internet access in local libraries, of our e-health systems and of the command centres which use information from CCTV cameras to make the streets of Joburg safer. We have connected 66 of our 87 local libraries citywide to high-speed internet, provided at no cost to the public in areas such as Orange Farm, Lenasia, Diepsloot, Randburg, Westbury, Emmarentia, Cosmo City, Ennerdale, Florida, Roodepoort and all across Soweto. To promote the rollout of the E-Health platform, the network was extended to connect about thirty (30) clinics

The year under review saw a plan to implement and rollout Wi-Fi hotspots as part of a programme to bridge the digital divide. Three Hundred and forty (340) Wi-Fi hotspots will be rolled out in the 2016/17 financial year and this will ensure access to about forty thousand (40000) people.

The stimulation of economic growth will result in much needed job creation. The extension of the network to City facilities resulted in improvement of service delivery. To promote the rollout of the E-Health platform, the network was extended to connect about thirty (30) clinics and connectivity provision to fifteen (15) libraries benefitted the E-Learning Programme of the Municipality.

The Socio-Economic transformation of the sector saw the inclusion of Four SMME's thru the award of tenders in the following areas:

- Infrastructure Maintenance
- Network Expansion
- Network Rehabilitation

MTC intends to expend the panel of service provides to at least twelve (12) in 2016/17 financial year. The broadband network the city has developed is a public asset that allows us to reindustrialize in a way that builds Joburg as a city able to compete and lead in both the old industries that are rapidly digitizing and in the new weightless economy of digital services. The future of the digital economy must also further the expansion and inclusion of South Africans who have been excluded from mainstream economy.

I would like to extend my heartfelt appreciation to the Board and the Executive Management and staff of MTC for all their positive contributions.

Sharon Peets
MMC: Department of Economic Development

Section 6: Chairperson's Foreword



MTC was reengineered in September 2015 and the overview focuses on the Ten months of its operations.

In consultation with the shareholder the board confirmed the following Strategic objectives:

- Improvement of Service Delivery
- Cost Reduction
- Bridging the Digital Divide
- Increase Economic Growth through higher competition and entrepreneurship in the technology sector

A Three year Business and strategic plan was developed by the Board to achieve the objectives of MTC and the following Board oversight committees were established:

- Service Delivery and Infrastructure
- Social and Ethics and Transformation
- Human Resources
- Audit

The focus of the Board was to develop policies and ensure effective and efficient oversight on:

- Strategy implementation
- Achievement of Strategic Objectives
- Governance Processes and Procedures
- Utilisation of Financial and Human resources
- Socio Economic Transformation

The period under review saw the translation of the IDP into Service Delivery Budget Implementation Plan (SDBIP) as part of the strategy implementation process and the resultant achievement of targets and strategic objectives. The service delivery and Infrastructure Board committee played a critical role in this process.

The Governance processes and procedures have been established and with the capacitation of the entity the implementation of such processes and procedures will be expedited. The strategic risk register was developed and aligned to the strategic objectives. The process of monitoring the mitigation plan has commenced and with the capacitation of the entity the implementation will be fast-tracked.

The capacitation of the entity is aligned to the strategic objectives and the optimisation of utilisation of human resources has taken centre stage and the development and implementation of the performance policy will reinforce productivity.

The Socio Economic transformation imperative saw the development of programmes and the completion of the database for SMME's. The allocation of work is biased to SMME's and young Entrepreneurs. The entity will continue to develop programmes that will enable SMME's to play a critical role in the Broadband Sector. The rollout of the infrastructure will also stimulate investment, economic growth and job creation.

I wish to acknowledge with appreciation the effort of the Board and Executive management in the process of establishing the entity and commencing the process of stabilisation.

Shiva Makotoko
Chairperson: Board of Directors

Section 7: Interim Chief Executive Officer's Report



The year under review saw the appointment of an interim management service provider focusing on the following portfolios:

- Financial Management
- Operations Management
- Strategic Management

A skills transfer programme was developed once the interim management contract expired in March 2016.

To enable and facilitate the operations management of the entity, financial and human resources policies were developed for approval by the Board. A capacitation plan has been developed and implemented and the entity will be fully capacitated by the end of March 2017.

The priority implementation plan is in place and the targets as set out in the Service Delivery Budget Implementation Plan are managed and reported on a quarterly basis.

The highlights for the period was the development of the following documents:

- Change Management Plan
- Transition Plan entailing the migration of ICT services from the city
- Network Audit

The entity continued to serve the existing clients and manage to gain one new client with resultant R2, 6million increase in monthly revenue. The customer service levels are in place and the product portfolio and the rate card were developed and confirmed. The entity will continue to meet the strategic objectives and improve the service delivery in the following areas:

- Reduction of queries
- Improvement in response times
- Achievement of targets that are linked to strategic objectives of the City

I wish to express my sincerest gratitude to the Board and Executive management for the support and painful effort in stabilising the entity.

Gerald Dumas
Interim Chief Executive Officer
Metropolitan Trading Company

Section 8: Acting Chief Financial Officer's Report



FINANCIAL REVIEW

This review sets out the highlights of the Entity's financial performance for the past year. Full details appear in the annual financial statements.

OVERVIEW OF ENTITY RESULTS

In this, the first year of the Entity as newly constituted to house the City of Johannesburg broadband business, the Entity has performed reasonably well in terms of that which was expected from the Entity in its first 10 months of operation since September 2015.

The Entity is looking forward to truly establishing the business in its first full year of operations from July 2016. The Entity will make every effort to govern and provide basic broadband infrastructure services not only to all City of Johannesburg departments and entities, but also across a broad spectrum of communities. The overall summarized operating results for the Entity for the period under review in comparison with the approved budget are shown in the attached financial statements. The statement of financial performance reflects a summary of income and expenditure.

Quentin Green
Acting Chief Financial Officer
Metropolitan Trading Company

Section 9: Company Secretary's Certification

In terms of Section 88 92) (e) of the Companies Act. 71 of 2008 9as amended), I certify that, to the best of my knowledge and belief, the company has lodged and/ or filed, for the financial year ended 30 June 2016, all such returns and notices as required and that all such returns and notices are true, correct and up to date.

Mr. Rajendra Pillay
Acting Company Secretary

CHAPTER TWO: GOVERNANCE

Section 1: Corporate Governance Statement

The Company was in the setup phase during the period under review and established a steering committee with the shareholder as well as the interim management while the governance structures were being established. The board of MTC was established in 22nd of January 2016 and had their first meeting on the 11th March 2016.

To ensure accountability and governance arrangements are in place, Section 121(2) (c) of the MFMA supports the requirements of Section 18(1) (d) of the MSA: information on matters of governance should be communicated to communities. This should, according to Sections 65(1) (a) of the MFMA and 46 of the MSA be undertaken through the compilation and publication of the Annual Report. The purpose of such an annual report is to promote accountability to communities for decisions taken by the Council and matters relating to administrative structures, throughout a financial year.

Application of King III

The entity aspires to apply the governance principles contained in King III and will continue to further entrench and strengthen recommended practices in the governance structures, systems, processes and procedures. The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King III Code on Corporate Governance. Through this process, the shareholder and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices.

Corporate Citizenship

The board and management recognise that the entity is formed under a political structure. As such, it has a social and moral standing in society with all the attendant responsibilities. The board is therefore responsible for ensuring that the entity protects, enhances and invests in the well-being of the economy, society and natural environment, and pursues its activities within the limits of social, political and environmental responsibilities outlined in international conventions on human rights.

Group's Governance Framework

The City's Governance Framework assists the City as a group to better understand the governance structure and principles required to ensure effectiveness and accountability. The Framework clarifies governance roles and responsibilities, and enhances oversight, monitoring and evaluation within the Group Functions in the City. The Framework also aims to improve the capacity and capability of the Board of Directors of the MEs to effectively manage the entities and efficiently account to the City as a shareholder. This indicates that the conception of the City as a "Holding Company" with "Subsidiaries" is reinforced and the alignment and consistency of the City Group policies is achieved through setting of consistent performance standards.

MTC is a part of the Economic Growth Cluster and oversight is the Economic Development Department. The company is yet to be fully integrated into the city's Governance structures.

Ethical Leadership

The newly appointed board inherited a going concern without appropriate governance structures, systems and controls being in place. As a result the Board has set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards which 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 have just been put in place in the year under review

Compliance with laws, rules, codes and standards

The board is responsible for ensuring that the entity complies with applicable laws and considers adhering to non-binding rules, codes and standards.

Section 2: Board of Directors

NAME	TYPE	APPOINTMENT DATE	QUALIFICATION(S)	BOARD COMMITTEES
Shiva Makotoko	NED	22-Jan-16	Masters - Economics & Management.	<ul style="list-style-type: none"> Chairperson of the Board
Lufuno Ronald Marwala	NED	22-Jan-16	D.Phil, Pr Eng	<ul style="list-style-type: none"> Service delivery and Infrastructure Committee
Mpho Theodora Mosweu	NED	22-Jan-16	B.Compt (Honours), CA (SA), Masters - Business Leadership	<ul style="list-style-type: none"> Service delivery and Infrastructure Committee Social, Ethics and Transformation
Robert Nkuna	NED	22-Jan-16	Masters - Public and Development Management	<ul style="list-style-type: none"> Human Resources and Remuneration Committee Service Delivery and Infrastructure Committee
Papi Leapeetswe Molotsane	NED	22-Jan-16	M.Sc Business Administration	<ul style="list-style-type: none"> Human Resources and Remuneration Committee Service Delivery and Infrastructure Committee
Manu Padiaychee	NED	22-Jan-16	B.Compt (Honours) CTA	<ul style="list-style-type: none"> Service Delivery & Infrastructure Committee Audit and Risk Committee
Obbey June Mabena	NED	22-Jan-16	Information & Technology	<ul style="list-style-type: none"> Social, Ethics and Transformation Committee Service Delivery and Infrastructure Committee
Zola Majavu	NED	22-Jan-16	LLB; Company Law & Sports Law; Conveyancing	<ul style="list-style-type: none"> Human Resources and Remuneration Committee
Themba Dlamini	NED	22-Jan-16	Masters – Development Economics	<ul style="list-style-type: none"> Service Delivery and Infrastructure Committee Social, Ethics and Transformation Committee
Nozipho Makhoba	NED	22-Jan-16	Bcom (Accounting), Post graduate diploma in Accounting, CA(SA)	<ul style="list-style-type: none"> Audit and Risk Committee
Mr Lungisa Ruka	IAC	22-Jan-16	Information Systems Auditing; B.Com Information Systems	<ul style="list-style-type: none"> Audit and Risk Committee
Mr Buhle Dlamini	IAC	22-Jan-16	B.Com Accounting	<ul style="list-style-type: none"> Audit and Risk Committee
Mr Harry Raborifi	IAC	22-Jan-16	Legal	<ul style="list-style-type: none"> Audit and Risk Committee

The entity has a unitary board, which consist of non-executive directors. The acting CEO (Chief Executive Officer) and Acting CFO (Chief Financial Officer) have standing invites to the Board on behalf of the Executive Management. The Board is chaired by a non-executive director, Ms. Shiva Makotoko. The Board received the appointment letters on 22 January 2016 and the resolution

appointing the Board was passed during the AGM (Annual General Meeting) held on 15 March 2016. The first meeting of the Board occurred on 11 March 2016.

The Board remains accountable to the City of Johannesburg Metropolitan Municipality, the sole shareholder and its stakeholders, the citizens of Johannesburg. A Service Delivery Agreement (SDA) is in a process of being concluded in accordance with the provisions of the MSA.

Non-executive directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of Chairperson and CEO are separate, with responsibilities divided between them. The Chairperson has no executive functions. Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with Company Rules and Procedures, statutory regulations and best corporate practices.

The Board or any of its members may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals. The term of office of the non-executive directors is subject to review at the Annual General Meeting

Attendance at meetings held during the year was as follows:

The Metropolitan Trading Company (SOC) Limited
Board and External Audit Committee member meeting attendance
30 June 2016

	AGM	Board Meeting	ARC	HR REMCO	Social and Ethics Committee	Service Delivery Committee	AD-HOC FINANCE	AD-HOC INFRASTRUCTURE	AD-HOC SERVICE DEL	STRATEGIC SESSION
Total Number	1	4	2	3	1	2	1	1	1	2
Shiva Makotoko	1	4	-	-	-	-	-	-	-	2
Nozipho Makhoba	1	4	2	-	-	-	1	-	-	2
Themba Dlamini	1	4	-	-	1	2	-	1	1	1
Papi Molotsane	-	4	-	3	-	-	-	1	-	2
Mpho Mosweu	1	4	-	-	1	1	1	-	1	2
Lufuno Marwala	1	4	-	-	-	2	-	1	1	2
Robert Nkuna	1	4	-	1	-	2	-	1	-	2
Manu Padiaychee	1	4	2	-	-	2	1	-	-	2
Obbey Mabena	1	4	-	-	1	2	-	-	1	2
Zola Majavu	-	3	-	1	-	-	-	-	-	-
Lungisa Ruka	-	1	2	-	-	-	-	-	-	2
Harry Raborifi	-	1	1	-	-	-	-	-	-	2
Buhle Dlamini	1	1	2	-	-	-	-	-	-	2

Section 3: Board Committees

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

- Audit & Risk Committee
- Social and Ethics Committee
- Service Delivery and Infrastructure Committee
- Human Resources and Remuneration Committee
- Ad-Hoc Finance Committee
- Ad-Hoc Infrastructure Committee
- Ad-Hoc Service Delivery Committee

3.1 Audit and Risk Committee

The Audit and Risk committee consist of the following non-executive directors:

- Nozipho Makhoba (Chairperson)
- Manu Padiaychee

The Audit and Risk committee consist of the following Independent Audit Committee directors:

- Buhle Dlamini
- Lungisa Ruka
- Radithlalo Raborifi

The role of the audit and risk committee is to assist the board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. The audit and risk committee exercises its functions through close liaison and communication with corporate management and the internal and external auditors. The committee met twice during the year under review.

The audit and risk committee operates in accordance with a written charter authorised by the board, and provides assistance to the board with regard to:

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

As indicated, the audit and risk committee was only appointed on 22 January 2016. The first meeting was only held on 05 May 2016.

3.2 Social and Ethics and Transformation Committee

The Board established the Social, Ethics and Transformation Committee whose primary role is to act as the social conscience of the business and to ensure that the company conducts itself as a responsible corporate citizen. The Committee is constituted as a statutory Committee of the MTC (the Company) in respect of its statutory duties in terms of section 72 of the Companies Act, 2008, and a Committee of the Board in respect of all other duties assigned to it by the Board.

The Social and Ethics committee consists of the following non-executive directors:

- Mpho Mosweu (Chairperson)
- Obbey Mabena
- Themba Dlamini

The committee met once during the year under review.

3.3 Service Delivery and Infrastructure Committee

The Committee's convention is motivated by the need for stakeholder engagement, education and awareness, monitoring and providing strategic direction in order to achieve MTC's objectives and goals on behalf of the Board in relation to MTC's delivering and developing of the municipal services, as mapped out in MTC's strategic framework:

- The City of Johannesburg Metropolitan Municipality's (COJ) Growth and Development Strategy 2040 and its 5-yearly Integrated Development Plan(s);
- The COJ's Broadband Policy Framework, 2009 (as amended or replaced from time to time).
- MTC's annual Service Delivery Budget Implementation Plan (SDBIP) as the annual, practicable iteration of the IDP and the priorities and flagship programs set by the COJ and linked to a balanced budget;
- The Service Delivery Agreement entered into between MTC and the COJ in terms of the Municipal Systems Act, 2000 and the concomitant Shareholder Compact of Service level standards entered into annually between the Board of MTC and the COJ; and

The Service Delivery and Infrastructure committee consist of the following non-executive directors:

- Themba Dlamini (Chairperson)
- Lufuno Marwala
- Mpho Mosweu
- Obbey Mabena
- Papi Molotsane
- Robert Nkuna
- Manu Padiaychee

The committee met twice during the year under review.

3.4 Human Resources and Remuneration Committee

The Human resource and remuneration committee consist of the following non-executive directors:

- Papi Molotsane (Chairperson)
- Robert Nkuna
- Zola Majavu

The committee met twice during the year under review.

Section 4: Director's Remuneration

4.1 Entity's remuneration policy

MTC remunerates the non-executive directors and independent Audit Committee members in accordance with the policy and in the amounts determined from time to time by the CoJ Group Policy on the Shareholder Governance of the Board of Municipal Entities. The foregoing position was reaffirmed by special resolution at the 25 February 2014 annual general meeting. In instances where non-executive directors are required to attend to the business of MTC outside of meetings, they are paid a meeting fee for such attendances.

The nonexecutive directors and independent Audit and Risk Committee members are paid per meeting and are entitled to an annual retainer. The retainer is payable after year-end and provided that the director or independent Audit and Risk Committee member has attended the annual general meeting and 60% or more of the scheduled meetings.

Prescribed officers are employees of MTC or CoJ and do not receive any additional remuneration by reason of their office.

The table below reflects the cost-to-company amounts that accrued to non-executive directors and independent Audit and Risk Committee members:

NON-EXECUTIVE & INDEPENDENT AUDIT COMMITTEE MEMBERS REMUNERATION			
Name	Meeting Fees	Retainer	Total
	R	R	R
S MAKOTOKO (Chairperson)	57 040	19 011	76 051
N MAKHOBA	61 606	9 507	71 113
T DLAMINI	61 612	9 507	71 119
P MOLOTSANE	63 891	9 507	73 398
M MOSWEU	62 185	9 507	71 692
DR L MARWALA	58 192	9 507	67 699
R NKUNA	58 192	9 507	67 699
M PADIAYCHEE	65 034	9 507	74 541
O MABENA	58 192	9 507	67 699
Z MAJAVU	21 678	0	21 678
L RUKA	28 520	9 507	38 027
H RABORIFI	22 816	0	22 816
B DLAMINI	34 224	9 507	43 731

SENIOR MANAGEMENT REMUNERATION

During the period under review the company's senior management was comprised of staff seconded from the shareholder as well as external consultants.

Section 5: Company Secretarial Function

Primary function of the company secretary is to act as the link between the board and management and to facilitate good relationships with the shareholder. The company secretary is responsible for the general administration, more specifically to ensure compliance to good corporate governance

practices and to provide guidance to the directors on corporate governance principles and applicable legislation.

Section 6: Risks, Opportunities and Internal controls

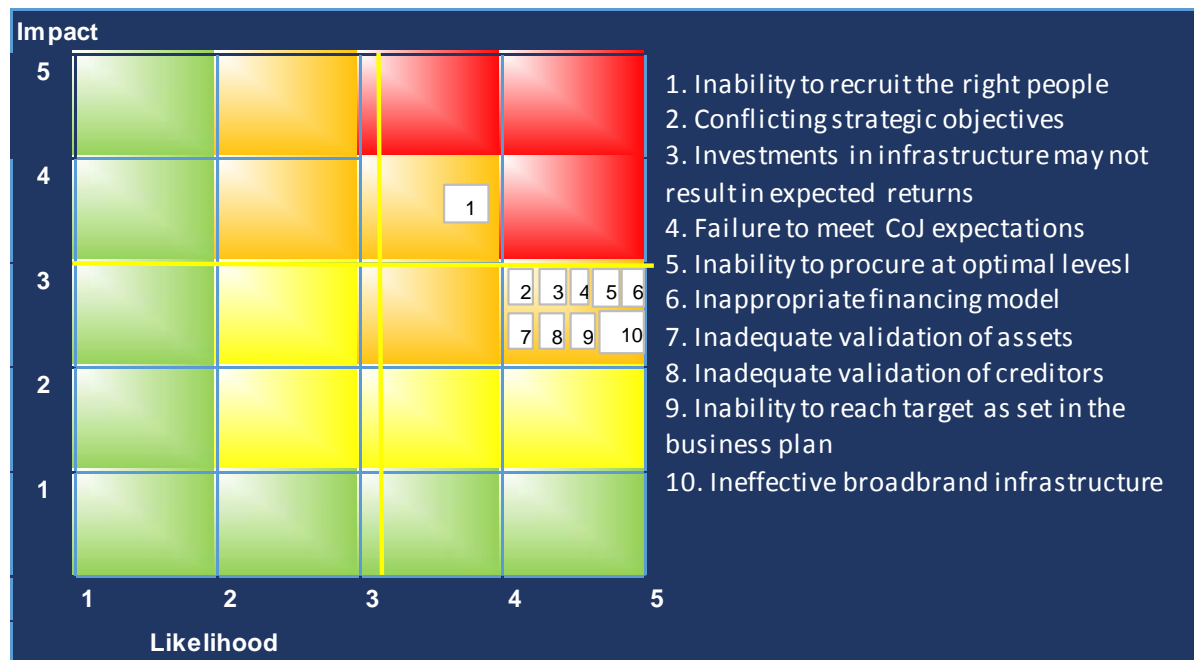
A comprehensive risk management process based on the Group Enterprise Risk Management Framework and Policy of the City of Johannesburg was implemented by management within MTC.

Risk identification and assessment is an on-going process based on the activities of the MTC. Internal control mechanisms and mitigation actions are developed and implementation and effectiveness thereof are monitored and measured.

MTC conducts an annual risk review in collaboration with the City, the Board, the Audit and Risk Committee and management. The Board has the ultimate responsibility for MTC's risk management. This fiduciary duty has been delegated to the committee of the Board, being the Audit & Risk Committee. In terms of our risk management approach defined in the City's Group Risk Management Framework, all significant risks are assessed, managed, monitored and implementation of mitigation actions reported consistently on a quarterly basis to the Group Risk Committee (GRC).

Training is planned for the new financial year to capacitate management to execute their risk management roles and responsibilities.

Figure below shows MTC residual risk heat map.



Section 7: Internal Audit Function

There was no internal audit function and activities for the 2015/16 financial year within MTC.

The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively. The Chief Audit Executive reports administratively to the Accounting Office and functionally to the Audit and Risk Committee and has direct access to the Chairperson of the Audit and Risk Committee.

The Internal Audit authority is derived from the Internal Audit Charter which is approved by the Audit and Risk Committee. The Audit and Risk Committee approves the three year strategic internal audit plan which is based on the key strategic risks of the organization. The coverage plan

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

Internal audit reviews the operation of the internal control systems for adequacy and effectiveness in mitigating risks and reports its findings, and recommendations, to management and the Audit and Risk Committee.

The Audit and Risk Committee reviews the Internal Audit's performance on a quarterly basis regarding the reviews conducted on the company's system of internal control, risk management and governance processes.

Section 8: Corporate Ethics and Organisational Integrity

The company is in the process of developing a Code of Conduct ("the Code") which is to be fully endorsed by the Board and applies to all directors and employees. The Code will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism.

Section 9: Sustainability Report

No sustainability reports have been produced for the period under review as MTC was in the setup phase.

9.1 Environmental issues

No Environmental issues have yet been identified however MTC does site rehabilitation in place as part of its activities.

9.2 Health and safety

The Company was in the process of developing the Safety, health and Environment Policy during the period under review and was following the policies of the City.

9.3 Corporate Social Responsibility Report

No Corporate Social responsibility plan was developed during the period under review. MTC's mandate is geared towards empowerment and enablement in the telecommunications and ICT sector and the business plan and strategic thrust of MTC for the years to come are structured as such.

Section 10: Anticorruption and fraud

In line with the Group Fraud Prevention Plan the objectives that MTC adheres to are summarised as follows:

- Encouraging a culture where all employees and other stakeholders continuously behave ethically in their dealings with, or on behalf of MTC;
- Improving accountability, efficiency and effective administration within MTC;
- Improving the application of systems, policies, procedures and regulations;
- Changing aspects of MTC that facilitate fraud and corruption and not allow it to go unnoticed or unreported;
- Encourage all employees and other stakeholders to strive towards the promotion of integrity, the prevention and detection of unethical conduct; and
- Encourage all employees of MTC and the stakeholders to report incidents and allegations of fraud and corruption that is or having the potential negative impact to MTC.

Currently there are no investigations that can be reported as being conducted at MTC.

Section 11: ICT Governance

Currently the entity has not adopted an Information and Communications Technology (ICT) Governance Framework at the 30 June 2016 financial year.

Section 12: Supply Chain Management and Black Economic Empowerment

The Supply Management was mostly managed by the parent municipality (CoJ) through the Group Legal & Contracts (Group Legal) and Group Corporate and Shared Services (GCSS).

CHAPTER THREE: SERVICE DELIVERY PERFORMANCE

Section 1: Core Business

The MTC is mandated to determine how best to utilise and manage the JBN asset to reach its key strategic objectives of lowering the cost of communication, bridging the digital divide and stimulating social and economic development in Johannesburg.

MTC Positioning

A typical telecoms network comprises of intermediate links between the global network, core national, core metro and last mile providers. The JBN is positioned in the core metro segment and can be used to provide a series of products and services to last mile providers, ISPs and mobile operators. Therefore MTC is well positioned to impact the industry and lower the costs of communication for the residents of Johannesburg. This will be done by lowering the cost of dark- and lit fibre services and enhancing competition in the core metro sector to lower the cost base of businesses providing services to the end users.

The table below indicates the various segments and main role players in each.

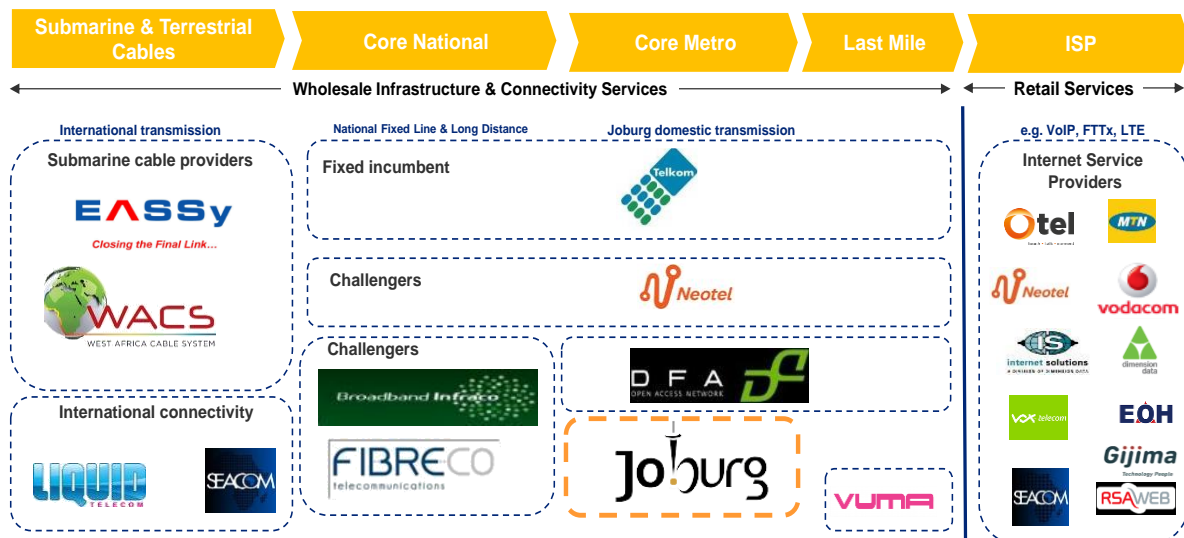


Figure 3: Broadband Industry Overview

Apart from operating in the core metro fibre network industry the JBN also enables MTC to expand their scope of services to offering various ICT services. The City has very high annual ICT expenses and hence MTC is well positioned to significantly reduce costs of the City by providing ICT services to the CoJ and the MOEs. In addition to the network- and ICT services the JBN also enables MTC to make a socio-economic impact as it serves as a platform to launch Smart City initiatives such as free public Wi-Fi.

COMPETITOR ANALYSIS

MTC will be providing network services on a commercial basis in the open market. Competitors will be those companies also positioned in the core metro fibre sector, although it is important to note that there is an increasing trend in the broadband internet market for companies to expand into areas traditionally regarded outside of their core segment. One such industry getting more and more involved in the fibre network industry is mobile operators who currently also form key customers of MTC.

The main players in the core metro segment in which MTC operates, has been identified as Telkom, Dark Fibre Africa (DFA) and Neotel. The table below shows key performance measures for each of these companies.




Performance Review of Core Metro Providers					
Company	Data Revenue Growth (%)	Capital Expenditure	Fibre Kilometres	No. of employees	Areas covered
 Telkom	23	R4b	147 000	19 316	All provinces
 Neotel	23	R921m	15 000	5 000	All provinces
 DFA	29	R3b	7 910	305	Gauteng, KZN, Western Cape

Table 1: Performance Review of Competitors (Source Deloitte)

Telkom is the largest fixed line operator in the country and the leader in terms of broadband infrastructure development. Both Telkom and Neotel are operating on national level in all segments of the broadband industry. DFA is focused on the core metro and last mile segments in areas with dense populations and showed a strong data performance with 29% data revenue growth in the last year. It is also important to note that DFA is expanding aggressively with capital expenditure comparable to that of the much larger Telkom. DFA has a strong presence in Johannesburg and is considered the main competitor for MTC.

Telkom

Telkom is a semi-privatised company with 39% stake ownership. It is a leading communications service provider in South Africa offering a range of fixed line, mobile, ICT and data services to the business and consumer markets, but is challenged by a decline in fixed-line voice and interconnection revenue, a slowdown in data connectivity revenues from businesses and increasing competition in fibre products and offerings driving significant price reductions.

Two recent developments at Telkom are the proposed acquisition of BCX and the launch of Open serve which support Telkom's growth by expanding Telkom into ICT services. Open serve is Telkom's redesigned ICT partner that provides the backbone for communications infrastructure. Its goal is to increase competition and innovation by providing open access to its broadband infrastructure, including the biggest fibre network in the country.

Dark Fibre Africa DFA

DFA finances, builds, installs, manages and maintains a dark fibre network which is used to transmit metro and long-haul telecommunications traffic nationwide. Clients include telecommunication operators, tertiary education institutions, government organizations and other businesses. Since commencing operations in 2007 DFA has invested over R3 billion and installed close to 8 000 kilometres of fibre infrastructure.

DFA now owns fibre network rings in Johannesburg, Cape Town, Durban and Pretoria. During the past twelve months the network has also been expanded to a further 17 smaller metros. Initially DFA focused on deploying national and metropolitan fibre links, but expanded into last-mile fibre-optic broadband services. In order to reduce the risk of the last-mile expansion affecting its existing business DFA bought Conduct Telecommunication in April 2014. Conduct specialises building last mile connections and has completed dark fibre access to more than 1 700 buildings and 4 500 end users.

Neotel

Neotel provides wholesale, business and home customers with a range of telecommunication services such as voice, internet, data, virtual private networks, hosting and satellite services. These services are provided over its own fixed infrastructure consisting of a network of optical fibre and wireless services which is connected to five under-sea cables. Neotel has number strategic partners which bring additional experience and expertise. These include Communitel, Tata Group and Nexus Connection.

In June 2015 the Competition Commission gave permission for Vodacom to acquire Neotel for R7 billion. This will expand Vodacom's spectrum capabilities and enable it to enter the fixed-line market. Final clearance for the deal is still required from the Competition Tribunal and a number of conditions were placed on it which relates to black economic empowerment, infrastructure investment commitments and delayed usage of Neotel's spectrum.

Economic Impact Analysis

The South Africa economic growth continues to slow down and currently shows the weakest performance since the global financial crisis. Global competitive rankings are low (56 out of 144 countries) and GDP growth is expected to remain low at 2.9% (World Competitiveness Report 2014-2015, World Bank).

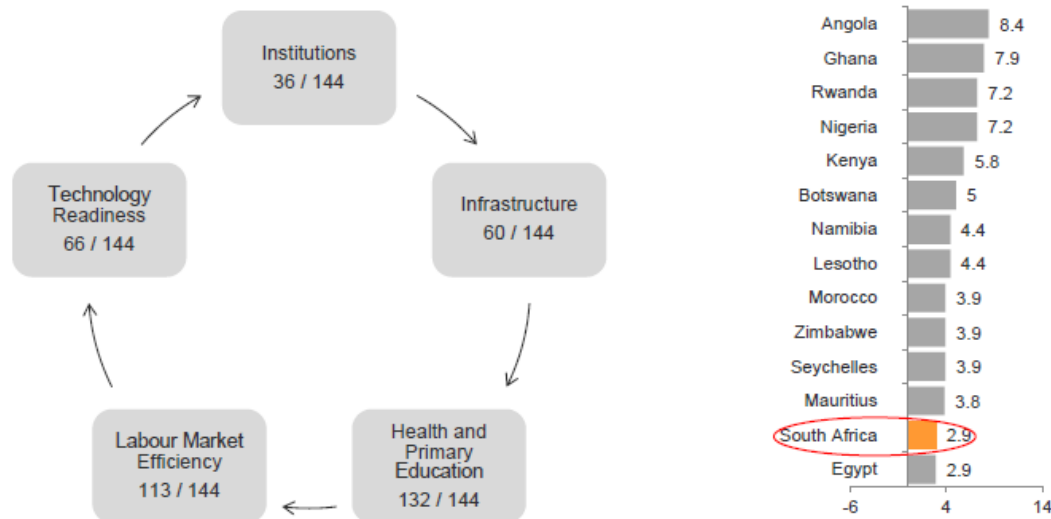


Figure 4: SA Competitive Rankings and GDP Growth

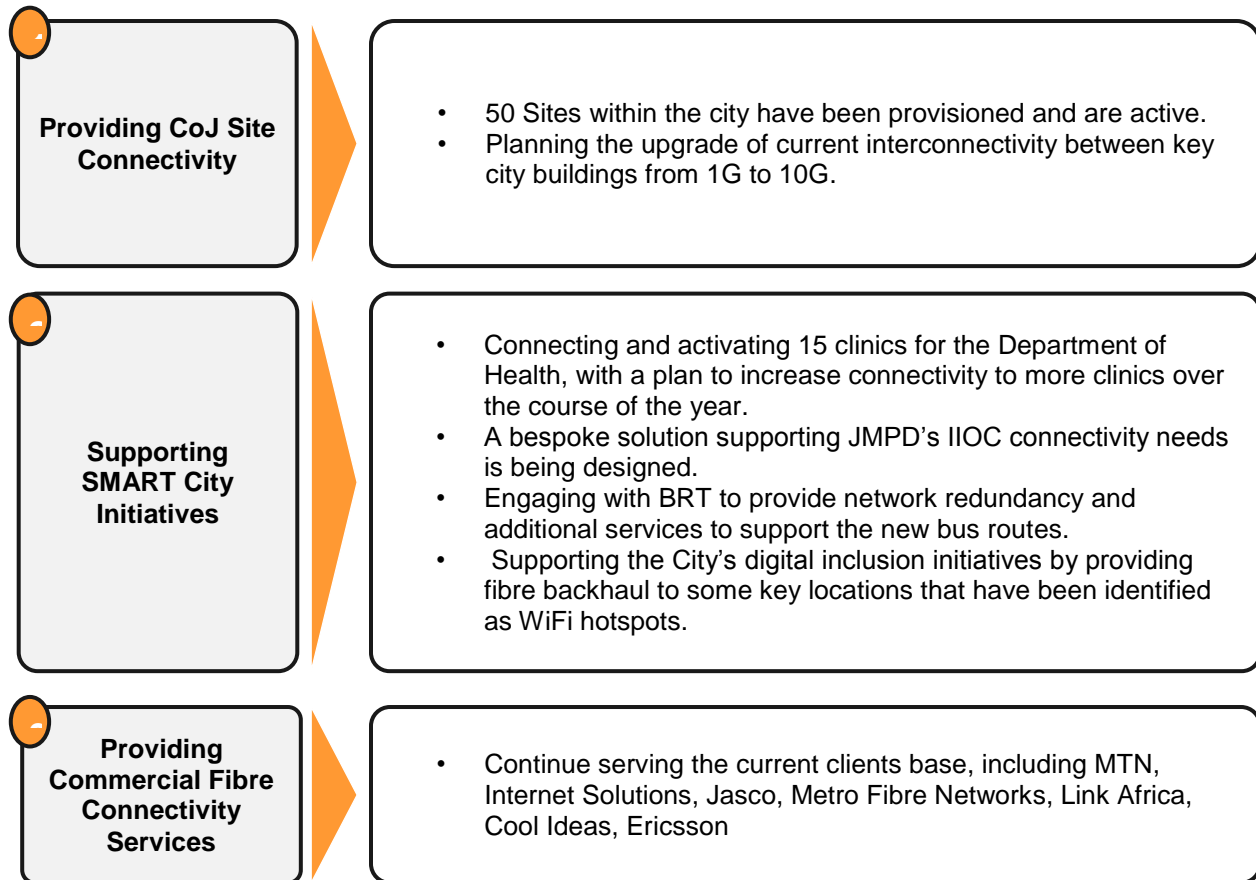
Projections based on improvements in the global economy and the successful completion of major government projects suggest that economic growth will improve in coming years; however, it will require strategic investments to stimulate economic growth. One such investment is the roll-out of broadband infrastructure which, according to a recent study by the World Bank, can increase per capita GDP by 0.81% to 1.38% with every 10% increase in broadband penetration.

Globally there is an increasing demand for networks to be upgraded for improved network speed, coverage, quality, reliability and security to support the rapid growth in data traffic. Many of these upgrades are centred on installing fibre optic networks, such as the JBN, in areas with high population density.

South Africa has a young population (48% between the ages of 15 and 44) and rapidly urbanizing population (77% predicted to live in urban areas by 2050) that requires affordable access to broadband to boost competitiveness and economic growth. Furthermore there is a rising middle class (see the graph below) comprising of a significant number of aspirational consumers who are technology savvy and have a need for improved broadband.

Section 2: Day to day Operations

MTC has existing external customers which were ceded as part of the deal with ESA. MTC has been focusing on deriving value to the shareholder thru the connection and migration of buildings onto the MTC network. MTC has also focused itself on providing the enabling environment for the City of Joburgs Smart City Initiatives. Below is a diagram which highlights the performance during the period.



Section 3: Highlights and Achievements

The company was in the transitional phase and focus was on maintaining the network as well as deriving value to the shareholder though the connection of buildings as well as supporting the Smart City programmes. This is indicated above.

Section 4: Financial Performance

The Financials are contained in Chapter five of this report.

Section 5: Capital Projects

The cost of the asset that was transferred as part of the JBN business was R1,3 billion. The additions from September 2015 to 30 June 2016 was R6,4 million.

Section 6: Performance against IDP and City Scorecard

MTC had not been able to develop the Performance Management system for the financial year 2015/2016 since its board was appointed on the 22nd January 2016 and had its first meeting on the 11th March 2016. MTC had to await the completion of the budget adjustment process which was done at the end of February 2016.

Section 7: Assessment of Arrears on municipal taxes and service charges

Amounts owed by entity for service charges

There are no amounts that are owed by the entity for service charges.

Assessment of Directors' and senior managers' municipal accounts

Name of Director/Senior Managers	Designation	Municipality	Municipal Acc#	Account Status as at June 2016	Comments
Papi Molotsane	NED	City of Johannesburg	201592847	Current	
Manu Padiaychee	NED	City of Johannesburg	900560012	Current	
Robert Nkuna	NED	City of Johannesburg	901018557	Current	

Section 8: Statement on amounts owed by Government Departments and public entities

The Metropolitan Trading Company (SOC) Limited Statement on Amounts Owed By and To (-) Government Departments and Public Entities		
DEPARTMENT OR ENTITY	NATURE	AMOUNT
City of Johannesburg	Inter- Company Sales	30 410 029.24
City of Johannesburg	Salaries & expenses	-8 858 042.41
		<u>21 551 986.83</u>

Section 9: Recommendations and Plans for the next financial year.

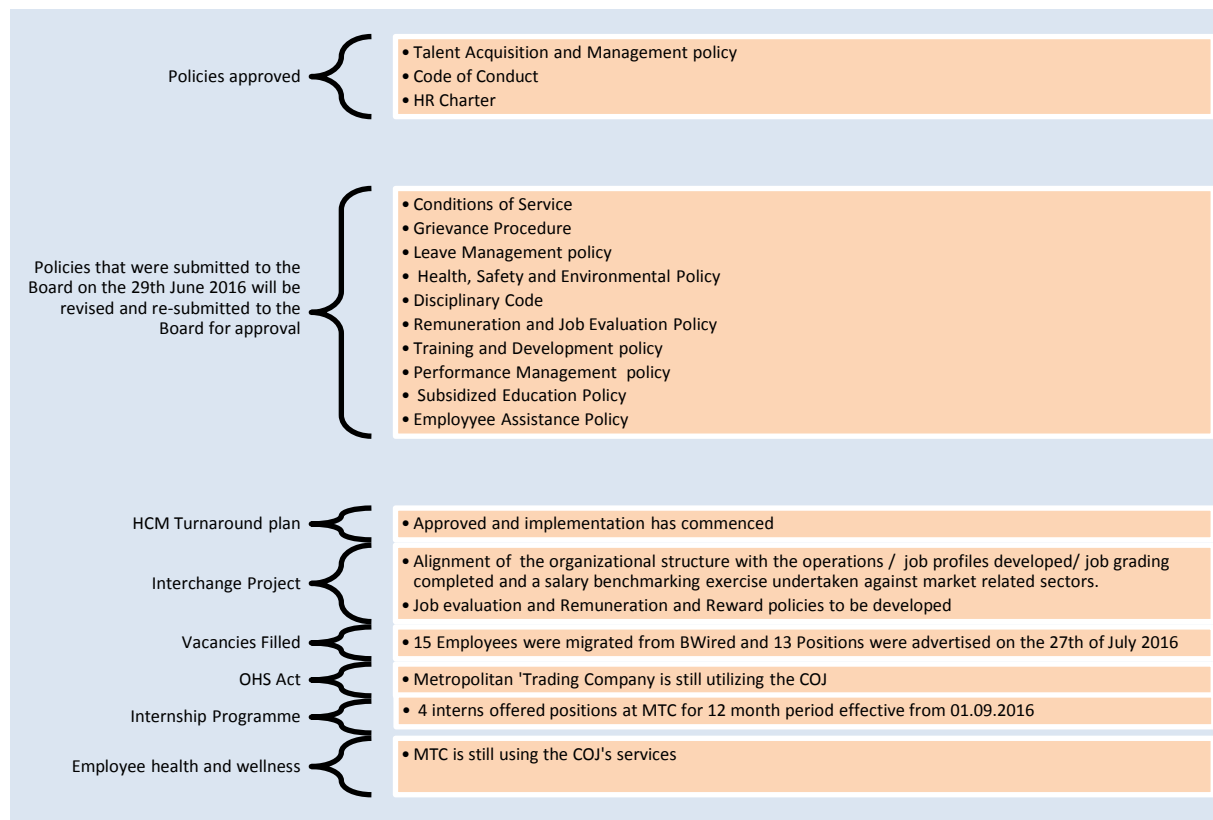
As contained in the financial statements attached separately.

CHAPTER FOUR: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

Section 1: Human Resource Management

Metropolitan Trading Company's Human Resource Management has integrated components that falls under one umbrella and includes training, employee relations, employee wellness and skills development. In support of the operational activities of the entity MTC provides a sound working environment and promotes harmonious employer/employee relations, whilst monitoring the organizational climate to ensure that it remains conducive to improved productivity.

Workforce expenditure is managed through Transactional Services of the City of Johannesburg, specifically the payroll process.



Section 2: Employee Remuneration (Total Costs including Executives)

The Metropolitan Trading Company (SOC) Limited Employee Remuneration (Total Costs including Executives)	
CATEGORY	AMOUNT
Salaries - Basic	3 471 198
Salaries - Overtime	498 261
Salaries - Loco Allowance	28 744
Salaries - Ad-hoc Loco	80 605
Salaries - Standby Allowance	85 867
Salaries - Bargaining Council - ER portion	1 044
Salaries - Pension Fund - ER portion	616 778
Salaries - UIF - ER portion	20 778
Salaries - EJHB Funeral Fund - ER portion	8 143
Salaries - Skills Development Levy	42 281
Salaries - Medical Aid - ER portion	317 887
Salaries - Leave Pay	398 318
Salaries - 13th Cheques	273 961
Salaries - Other Costs	33 390
	5 877 255

NOTE: The MTC had interim management in the form of consultants that were appointed. There was no Senior Management appointed by the company during the period under review.

Section 3: Key Vacancies

A capacitation plan has been developed to firstly fill the executive management and 2nd line of management. This includes the roles of CEO, CTO, CFO, Head of Risk and Assurance, Company Secretary, Human Resource Manager and Financial Manager.

Section 4: Employment Equity

Employment Equity / Staff Demographic Profile

All Municipal Owned Entities are obliged to align to the COJ Economic Active Population Programme (EAP) and as such, MTC uses the demographics of the COJ Economic Active Population (EAP) to determine its 'relevant labour market'.

The current total workforce is based on the migrated staff from BWired. By way of summary MTC has seconded staff from the City of Johannesburg. The staff is categorized into Executive Management, Middle management, professionally qualified and experienced specialists, Skilled technical and academically qualified workers, Semi-skilled and discretionary decision making and Unskilled and defined decision making employees.

The MTC has a significant majority of previously disadvantage employees but Indians, Coloureds, Whites and females are underrepresented as per the current category.

Table: Statistics for the equitable representation, (Section 54 EE Act) as at 30 June 2016

Present Employees		Male				Female				Foreign Nationals		Total
		A	C	I	W	A	C	I	W	Male	Female	
All Employees	Current	7	1	0	1	1	1	1	2	0	0	14
	Proposed to be advised											

Section 5: Skills Development and Training

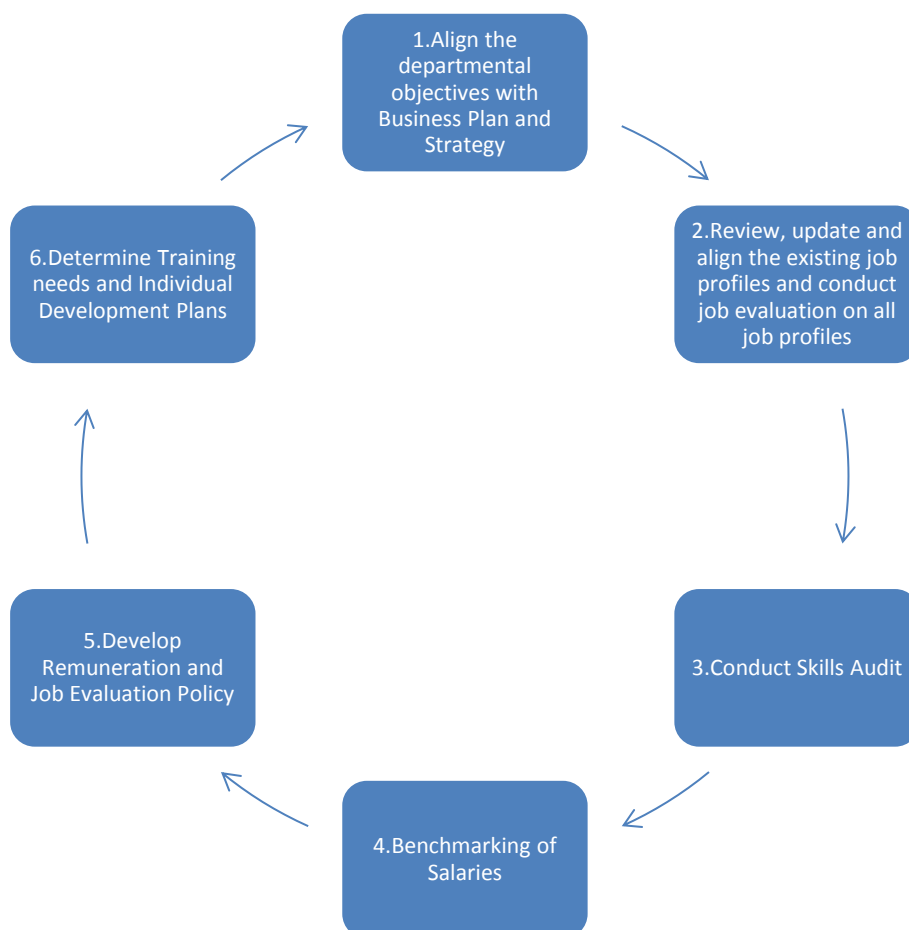
Training: In support of MTC’s strategy in its Business Plan to develop and improve the skills of its work force, all employees have received the Individual Learning Plans to identify the training they require.

Subsidized Education programmes: For all employees to enable individuals to access development opportunities.

Training Intervention: To conduct skills assessment so as to identify the training gaps. To ensure that all Finance and Supply Chain Management staff have core-competences as per the Treasury Regulation.

Section 6: Performance Management

MTC is in a process of crafting Action Driven Based Scorecards / Balanced Scorecards for all employees as the methodology to measure their performances. The elements of the performance management system are illustrated below:



The Performance Management Policy will be revised and re-submitted to the Board for approval. It is anticipated that once the Performance Management policy is approved, the ability to effectively, and objectively, manage staff will be improved. This will further assist with enabling management to hold all staff accountable and will support the identification and development of skills to address any gaps identified through the clarification of job specifications and the skills audit.

The performance management system will assist employees to identify development areas which will be addressed through the development of individual development plans with specific goals and timelines.

Section 7: Employee wellness Section 6: Employee Benefits

Health and Wellness

The need for a structured wellness programme has been identified and, after due consideration, it was determined that such a programme would be best delivered by an external service provider specialised in the field that relates to HIV/AIDS and other Chronic Diseases on the workplace.

The development of an employee wellness strategy commenced in the 2015/2016 financial year and the draft Employee Wellness Policy was completed.

It is the aim of MTC to improve the quality of life of all its employees through the provision of quality, sustainable and lifelong wellness programmes that work towards the holistic development and support of all employees in a professional and confidential manner, while also providing support and assistance to alleviate the impact of everyday work, personal and family challenges. MTC is currently using the COJ services in this regard.

Safety

MTC is in the process of appointing SHE Specialist within The Safety Unit as its objective is primarily to manage the occupational health and safety needs of the employees by ensuring compliance with all the Health, Safety and Environmental Legislations.

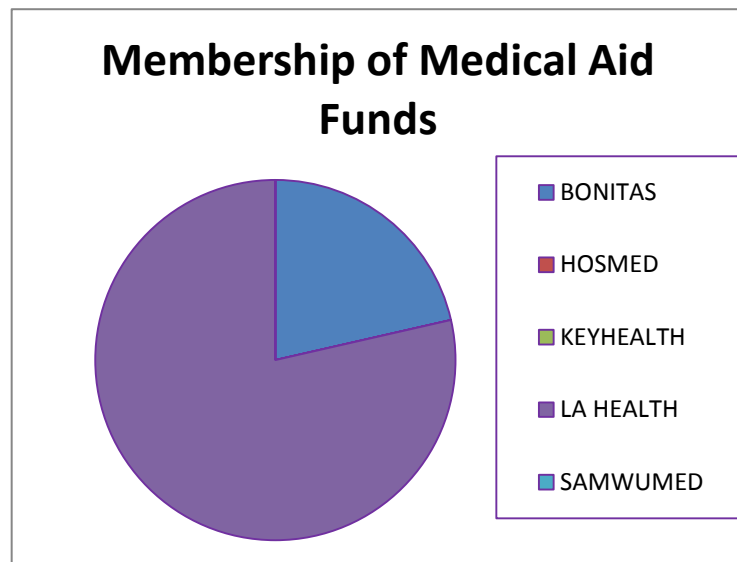
I. Medical Aid

Contributions (Permanent Employees)

Employer	60%	Employee	40%
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Membership

Employees are offered membership of the approved schemes as listed below.



I. Pension Fund Benefits E Joburg Pension Fund Contributions

Employer	15%	Employee	7.5%
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II. Pension Fund Benefits E Joburg Pension Fund Contributions

Employer	15%	Employee	7.5%
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I. Other Benefits

NAME OF BENEFIT	QUALIFICATION	RELATED AMOUNT/RANGES
Housing Subsidy	Permanent	R700
Ad hoc Loco	Employee using his/her car to do Entities job	Determine by KM
Travelling (locomotion allowance)	Permanent employees - Employees are required to submit their log sheets at six months intervals	R3500.00 – R7400
Cell phone allowance	Permanent employees	Allowance ranges from R440 to R 800.00

CHAPTER FIVE: FINANCIAL PERFORMANCE

NOTE: Sections 1 – 7, 10 – 13 are contained in the Annual Financial Statements.

These are mainly the following:

- Section 1: Statement of Financial Position and Notes
- Section 2: Statement of Financial Performance and Notes
- Section 3: Spending against capital budget
- Section 4: Cash Flow Statement
- Section 5: Statement of Changes in Net Assets
- Section 6: Report in irregular, fruitless and wasteful expenditure and legal process
- Section 7: Directors Responsibility and Approval
- Section 10: Directors Report
- Section 11: Accounting Policies
- Section 12: Notes to the Annual Financial Statements
- Section 13: Statement of Comparison of Budget to Actual & Adjusted Budget

Section 8: Audit & Risk Committee Report

Introduction

The Audit and Risk Committee is pleased to presents its report for the year ended 30 June 2016 as recommended by King III report.

Audit and Risk Committee responsibility

The Audit and Risk Committee has adopted formal terms of reference that was approved by the Board of Directors. The committee has conducted and discharged its affairs and its responsibilities in compliance with its terms of reference, King III, Section 94(7)(f) of the Companies Act, 2008 (Act No. 71 of 2008) and MFMA.

The members of the Audit and Risk Committee are Ms. N. Makhoba, Mr. M. Padiaychee, Mr. Buhle Dlamini, Mr. L. Ruka and Mr. R. Rabofifi. The committee held 2 meetings during the financial year to review matters necessary to fulfil its role. The committee was only constituted during the third quarter of the year as it was formally appointed during the AGM (Annual General Meeting) held on the 15th of March 2016.

Accounting and Financial Reporting Responsibilities

The Audit and Risk Committee has:

- Reviewed the accounting practices adopted by the company;
- Reviewed and discussed the audited financial statements to be included in the annual report with the Auditor-General of South Africa and Directors;
- Reviewed the Auditor-General of South Africa's management report and management response thereto;
- Reviewed the entity's compliance with legal and regulatory provisions,
- Reviewed and recommended disclosed financial information for adoption by the Board, and
- Reviewed significant adjustments resulting from the audit.

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

Assessment of the Financial Function

The Audit and Risk Committee satisfied itself that the Acting Chief Financial Officer has the appropriate financial experience. MTC has embarked on a recruitment process for a permanent Chief Financial Officer and the committee will continue to make recommendations for enhancing the functioning and improvement of the finance function to management where appropriate.

The Audit and Risk Committee is satisfied that it complies with its legal, statutory and delegated responsibilities.

External Audit

The Audit and Risk Committee considered the auditors' overall work plan, including planned levels of materiality, and proposed resources to execute the audit plan.

The Committee also made appropriate recommendations to the Board regarding the corrective actions to be taken as consequence of audit findings.

Internal Audit

There was no internal audit function for the entity during the 2015/2016 period. MTC has an approved organizational structure which includes the position of a Chief Audit Executive, we will be embarking on a process of finding a suitable person for this position.

Risk Management

Accountability for risk management lies with the Board. The Board has delegated the oversight responsibility to the Audit and Risk Committee, which monitors that risk taken are within the tolerance and appetite levels. Going forward, the company will embark in a process to appoint a suitably qualified and experienced Chief Risk Officer to drive the implementation of risk management frameworks and processes.

Ms. N. Makhoba

Chairperson of the Audit and Risk Committee

30 November 2016

Section 9: Report of the Auditor-General of South Africa

CHAPTER SIX: AUDITOR-GENERAL FINDINGS

Section 1: Results of Internal Audits

There were no internal audit projects completed during the first quarter of the financial year. The audit plan was prepared and will be submitted to the next audit and risk committee for approval.

Section 2: Progress on Resolution of Internal Audit Findings

There was no previous internal audit findings raised and outstanding.

Section 3: Progress on Resolution of External Audit Findings

There was no previous external audit finding raised and outstanding.

Section 4: Results of Audit of Performance Objectives (AoPO)

There were no AoPO results produced by MTC during the 2015/2016 financial year.

Section 5: State of Internal Control

There was no Internal audit function within MTC during the 2015/2016 financial year.