



# INTEGRATED ANNUAL REPORT 2015/2016





a world class African city





a world class African city



**Joburg|Market**

JOBURG MARKET  
(SOC) LIMITED

Registration No: 2000/023383/07

**INTEGRATED ANNUAL REPORT  
2015/2016**

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



## Company Information

---

Country of Incorporation and Domicile:	South Africa
Registration Number:	2000/023383/07
Registered Address:	Market Main Building 4 Fortune Road (Off Heidelberg Road) City Deep 2049
Postal Address:	P O Box 86007 City Deep 2049
Telephone Number:	(011) 992-8000
Fax Number:	(011) 613-7381
Website:	<a href="http://www.joburgmarket.co.za">www.joburgmarket.co.za</a>
Bankers:	Standard Bank Limited
Auditors:	Auditor-General of South Africa
Company Secretary:	T Melk

### Vision

To be the preferred world class African Fresh Produce Market.

### Mission

To build long-term sustainability and promote socio-economic transformation through the provision of world-class facilities and services to the fresh produce industry.

### Values

The following values guided the company's efforts towards achieving the set strategic objectives during the period under review: transparency; integrity; value for money and responsiveness.



## Glossary of terms

ACRONYM	DETAIL
AGM	Annual General Meeting
ARC	Audit and Risk Committee
BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BPR	Business Process Re-engineering
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CIPC	Companies and Intellectual Commission
CFO	Chief Financial Officer
COBIT	Control Objectives for Information and Related Technology
CoJ	City of Johannesburg
COO	Chief Operations Officer
CSI	Corporate Social Investment
DED	Department of Economic Development
EPWP	Expanded Public Works Programme
FIPC	Finance, Investment and Procurement Committee
FPM	Fresh Produce Market
GAP	Good Agricultural Practice
GDS	Growth and Development Strategy
GRAP	Generally Recognised Accounting Practices
GRAS	Group Risk and Assurance Services
GRI	Global Reporting Initiative
HIV/AIDS	Human Immunodeficiency Virus Infection / Acquired Immunodeficiency Syndrome
HR	Human Resources
IAC	Independent Audit Committee
IDP	Integrated Development Plan
IEC	Independent Electoral Commission
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ILP	Individual Learning Portfolio
IMASA	Institute of Market Agents of South Africa
IT	Information Technology
ITIL	Information Technology Infrastructure Library
JM	Joburg Market
JOSHCO	Johannesburg Social Housing Company
JRA	Johannesburg Road Agency
KPI	Key Performance Indicator
MFMA	Municipal Finance Management Act, 56 of 2008
MMC	Member of the Mayoral Committee
MotF	Market of the Future
MSA	Municipal Systems Act, 32 of 2000
NDP	National Development Plan



## Glossary of terms (Continued)

ACRONYM	DETAIL
NGO	Non-Governmental Organisation
NHBRC	National Home Builders Registration Council
OHS	Occupational Health and Safety Act
OPEX	Operational Expenditure
PDA	Public Development Authority
PIP	Priority Implementation Plan
REMCO	Remuneration and Human Resource Committee
SADC	South African Development Community
SANAS	South African National Accreditation System
SCM	Supply Chain Management
SDA	Service Delivery Agreement
SDC	Service Delivery Committee
SDBIP	Service Delivery and Budget Implementation Plan
SEC	Social and Ethics Committee
SETA	Sector Education Training Authority
SHE	Safety, Health and Environment
SMME	Small, Medium and Micro Enterprise
SoA	Sweating of the Assets
SOC	State-owned Company
SPS	Sales Processing System
TCTA	Trans Caledonian Tunnel Authority



# Joburg|Market



The **largest** market on the African continent





# Table of Contents

## 01

### Corporate Profile & Leadership 14

---

Section 1: Corporate Profile / Overview of the Entity	16
Section 2: Strategic Objectives	17
Section 3: Value Creation Process	18
Section 4: High-level Organisational Structure	20
Section 5: Strategic Focus and Future Orientation	21
Section 6: Member of Mayoral Committee's Review	24
Section 7: Chairperson's Review	25
Section 8: Chief Executive Officer's Report	26
Section 9: Chief Financial Officer's Report	27

## 02

### Governance 30

---

Section 1: Corporate Governance Statement	32
Section 2: Board of Directors	36
Section 3: Board Committees	40
Section 4: Directors Remuneration	42
Section 5: Company Secretarial Function	48
Section 6: Risk Management and Internal Controls	48
Section 7: Internal Audit Function	51
Section 8: Corporate Ethics and Organisational Integrity	51
Section 9: Sustainability Report	52
Section 10: Corporate Social Responsibility (CSI) Report	52
Section 11: Anti-Corruption and Fraud	52
Section 12: ICT Governance	53
Section 13: Supply Chain Management and Black Economic Empowerment	54
Section 14: Compliance with Laws and Regulations	54
Section 15: Group's Governance Framework	55
Section 16: Batho Pele Principles	55



## 03

## Service Delivery Performance 56

---

Section 1: Core Business	58
Section 2: Day to Day Operations	58
Section 3: Highlights and Achievements	59
Section 4: Financial Performance	60
Section 5: Capital Projects	61
Section 6: Performance against Company Scorecard	62
Section 7: Assessment of Arrears on municipal taxes and services charges	68
Section 8: Statement of amounts owed by Government Departments and Public Entities	68
Section 9: Recommendations and Plans for the next Financial Year	68

## 04

## Human Resources & Organisational Development 70

---

Section 1: Human Resource Management	72
Section 2: Employment Equity	73
Section 3: Skills Development and Training	74
Section 4: Performance Management	74
Section 5: Employee Wellness	74
Section 6: Employee Benefits	76

## 05

## Financial Performance 78

---

Section 1: Financial Overview	80
Section 2: Statement of Financial Position	83
Section 3: Directors` Responsibilities and Approval	85
Section 4: Audit and Risk Committee	86
Section 5: Report on the Financial Statements	89
Section 6: Directors` Report	93

## 06

## Internal Audit 150

---

Section 1: Internal Audit Function	152
Section 2: Progress on the 2015/2016 Audit Plan as at 30 June 2016	152
Section 3: Follow Ups on the 2014/2015 External Audit Findings	153
Section 4: Effectiveness of Internal Controls	153
Section 5: Commitment by the Board of Directors	153



## About the Report

Joburg Market (JM) is pleased to publish the Integrated Annual Report for the year ended 30 June 2016, compiled and presented in line with the requirements of the King Code and Report on Governance for South Africa (King III).

The company aims to improve its level of disclosure year-on-year providing stakeholders with a balanced and transparent view of its performance. The entity endeavours to provide a comprehensive report on its financial performance and position, material issues and opportunities and their relevance towards influencing the JM strategic objectives.

## Objective of the Report

The JM Integrated Annual Report seeks to provide such a balanced, accurate and prudent assessment of the company's strategy implementation, its subsequent performance and opportunities pursued during the period under review. This is balanced against how human, financial, social, governance and economic issues were managed to ensure a sustainable entity.

Materiality was carefully considered as well and is discussed in more detail in the relevant section below.

Under auspices the of the Board of Directors, the CEO and the executive committee takes responsibility for operating the company through adopted strategies and the implementation of resources in the interest of its stakeholders.

## Scope of the Report

Joburg Market's 2015/16 Annual Report reviews the entity's performance and provides information on the company's strategy, objectives, financial performance and corporate governance.

The Annual Report which is JM's primary report to stakeholders covers the period 01 July 2015 to 30 June 2016 and is an integrated financial, social and economic report. The information included in this Annual Report has been prepared in accordance with local and international best reporting practices and is aligned to the:

- Municipal Finance Management Act (MFMA), Act 56 of 2003;
- Generally Recognized Accounting Practices (GRAP), 1994;
- Section 46(1) on the Municipal Systems Act (MSA), Act 32 of 2000;
- King III Code on Corporate Governance (KING III), March 2010;
- Discussion papers issued by the South African Integrated Reporting Committee and the International Integrated Reporting Council (IIRC), April 2013;



- International Financial Reporting Standards (IFRS), August 2008;
- Global Reporting Initiative (GRI) Framework, 2000;
- Millennium Development Goals, 2030;
- Joburg 2040 Growth and Development Strategy (GDS), 2014;
- Integrated Development Plan (IDP), 2012-2016;
- City of Joburg (CoJ)'s Priority Implementation Plan (PIP), 2014.

JM is of the opinion that this report provides a balanced and reasonable view of the company's financial and non-financial performance, which is both accurate and succinct.

## Basis of preparing the report

The JM Integrated Annual Report was drafted in accordance with the international standards on integrated reporting and in compliance to National Treasury Circular 63 (MFMA)

## Disclosure process

Disclosures published in this report were vigorously tested through the processes of the Audit and Risk Committee and Board of Directors. Disclosures are further published in compliance to the provisions for same as embodied in the companies Act (Act 71 of 2008) the King III report and were duly assessed by the Auditor General during the 2015/16 external audit session.

## Materiality

The Annual Report aims to provide a comprehensive, balanced and accessible assessment of the JM's strategy, performance and prospects. The entity considers matters to be material if they substantively influence its ability to create value over the short, medium and long term.

JM needs to value in the short, medium and long term, those factors that will prevent the company from executing its strategies.

In this process JM considered a response model to produce plausible outcomes. The model is based on the principles of sustainability and stakeholder inclusiveness.

The following material matters were identified on the next page:

**Materiality Continue**

No.	Material Factor	Mitigation
1.	Challenging Macro-economic factors	<ul style="list-style-type: none"> <li>• Cost cutting to enhance JM financial bottom line</li> <li>• Improve on key ratios and good going concern</li> <li>• Prioritising of CAPEX expenses</li> <li>• Saving on interest changes</li> <li>• Diversification of revenue streams</li> </ul>
2.	Growth of the core business of JM	<ul style="list-style-type: none"> <li>• Refining trading floors and site management</li> <li>• Efficient consignment control practises</li> <li>• Promoting JM to users</li> <li>• Optimisation of available space to increase sales.</li> </ul>
3.	People development	<ul style="list-style-type: none"> <li>• Training staff in suitable subject spheres</li> <li>• Promoting a culture of performance</li> <li>• Enhanced health and safety</li> <li>• Focused training and development</li> </ul>
4.	Pursuing sustainability	<ul style="list-style-type: none"> <li>• Delivering on Shareholder value</li> <li>• Deliver value for money services to producers and buyers</li> <li>• Focus on key competencies</li> <li>• Operate as socially responsible “citizen”</li> <li>• Compliance to legislation</li> <li>• Environmental awareness</li> </ul>

**Assurance**

The Accounting Officer has assessed the Integrated Annual Report in terms of Section 121 of the MFMA, Section 46 of the MSA and the relevant National Treasury regulations.

JM will continue to refine its reporting mechanisms in future annual reports to ensure alignment with international reporting standards and promote consistency, accessibility and accountability with respect to its role of creating and sustaining value to all citizens of Johannesburg.

**Internal controls and combined assurance**

Internal controls are considered by the Audit and Risk Committee and ultimately evaluated through Board oversight.

The combined assurance model was applied to ensure suitable assurance from management as well as the conducted external audit.

The risk management processes were executed with diligence under the guidance of CoJ GRAS, the Audit and Risk Committee as well as external assurance providers.

The Board duly participated in a strategic risk assessment exercise. All reports and related matters were suitably considered during Board meetings.



Joburg Market **Growing** Tomorrow Today

# Chapter 01

## Corporate Profile & Leadership

**1893**

Joburg Market was formally established

**50%**

Number of BEE Market Agents as percentage of total

**100%**

Joburg Market is wholly owned by COJ

**5,000**

Average number of active farmers who traded fresh produce at Joburg Market

**11,000**

Average number of customers that visited the Joburg Market daily

**24 000**

Numbers of Buyers and growing







## CORPORATE PROFILE & LEADERSHIP

### Section 1:

#### Corporate Profile / Overview of the Entity

The company was formally established in 1893 as a fresh produce market situated at the Market Square in central Johannesburg, where three thousand people congregated to trade in fresh produce. The economic boom emanating from the Gold Rush era resulted in a fast growth of the city and subsequently the trading of fresh produce.

To accommodate growth, new facilities were built around Newtown (Johannesburg) in 1913 and the company achieved an annual turnover of R1.5 million in that year. As trading increased over the years, the Newtown premises became too small to handle large consignments thus necessitating the relocation of the market to its current 64 hectare site in City Deep.

The political transition in South Africa saw JM emerge as a private company wholly owned by the City of Johannesburg (CoJ) Metropolitan Municipality in 2000, it was later converted into a “state owned company” in line with the implementation of Companies Act of South Africa (Act No.71 of 2008). The company is required to comply with various pieces of legislation that set out the governance requirements, amongst them being the Companies Act 71 of 2008, the Municipal Systems Act 32 of 2000 and the Municipal Finance Management Act 56 of 2003.

The Company which is one of the largest fresh produce markets in Africa in terms of the volume of fresh produce traded had a staff compliment of 341 employees.

JM trading facilities are provided to approximately 5 000 active farmers whose produce is marketed and exposed daily to an average of 11 000 buyers from South Africa and the SADC region. The Market Agents and Tenants operating within JM's facilities create employment for a total of 6 000 personnel.

JM plays a critical role of setting the price barometer for the fresh produce industry in South Africa since it represents a market share of 41% of the National Fresh Produce Market in both volume and turnover. The company is the only fresh produce market with a South African National Accreditation System (SANAS) accredited laboratory to ensure maintenance of food safety standards.



## Section 2:

## Strategic Objectives

The JM strategy seeks to respond to various internal and external elements by identifying opportunities for economic growth and job creation. The strategy supports the achievement of Government initiatives and is aligned to the National Development Plan (NDP), the Gauteng Growth and Development Strategy (GDS) 2040, the CoJ Service Delivery and Budget Implementation Plan (SDBIP), Integrated Development Plan (IDP) and the Mayoral Priority Implementation Plans (PIPs) including the implementation road map, as characterised by the following priorities:

- Financial Sustainability and Resilience;
- Agriculture and Food Security;
- Small, Medium and Micro Enterprise (SMME) and Entrepreneur Support;
- Engaged Active Citizenry;
- Smart City;
- Resource Sustainability;
- Investment Attraction and Expansion.
- Green Economy.

The company's strategy seeks to support the achievement of the CoJ's Department of Economic Developments Strategic objectives (DED) in addressing the following economic imperatives / objectives:

- Poverty, inequality and unemployment;
- Development of an inclusive economy and building global competitiveness;
- Economic development policy that is crucial for strengthening the City's capacity to give leadership to economic development and driving an economic development agenda cross the City;
- Unequal and imbalanced economic development across all CoJ regions;
- Leveraging fast growing sectors whilst supporting the declining sectors;
- Micro-economic and structural fundamentals for SMMEs / Cooperatives and Black Economic Empowerment (BEE)
- Enterprises through finance / funding access, market access and penetration, export support, business linkages, capacity building and procurement support;
- Cross cutting constraints of poor business confidence, investment support and economic infrastructure.

JM pursued the following strategic objectives during the period under review:

- Operate a sustainable resilient world-class marketing and trading facility
- Create and sustain an enabling environment for business partners
- An agent for socio-economic transformation
- Create a centre of excellence empowering and developing our stakeholders/human resources
- Operational excellence
- Competitiveness

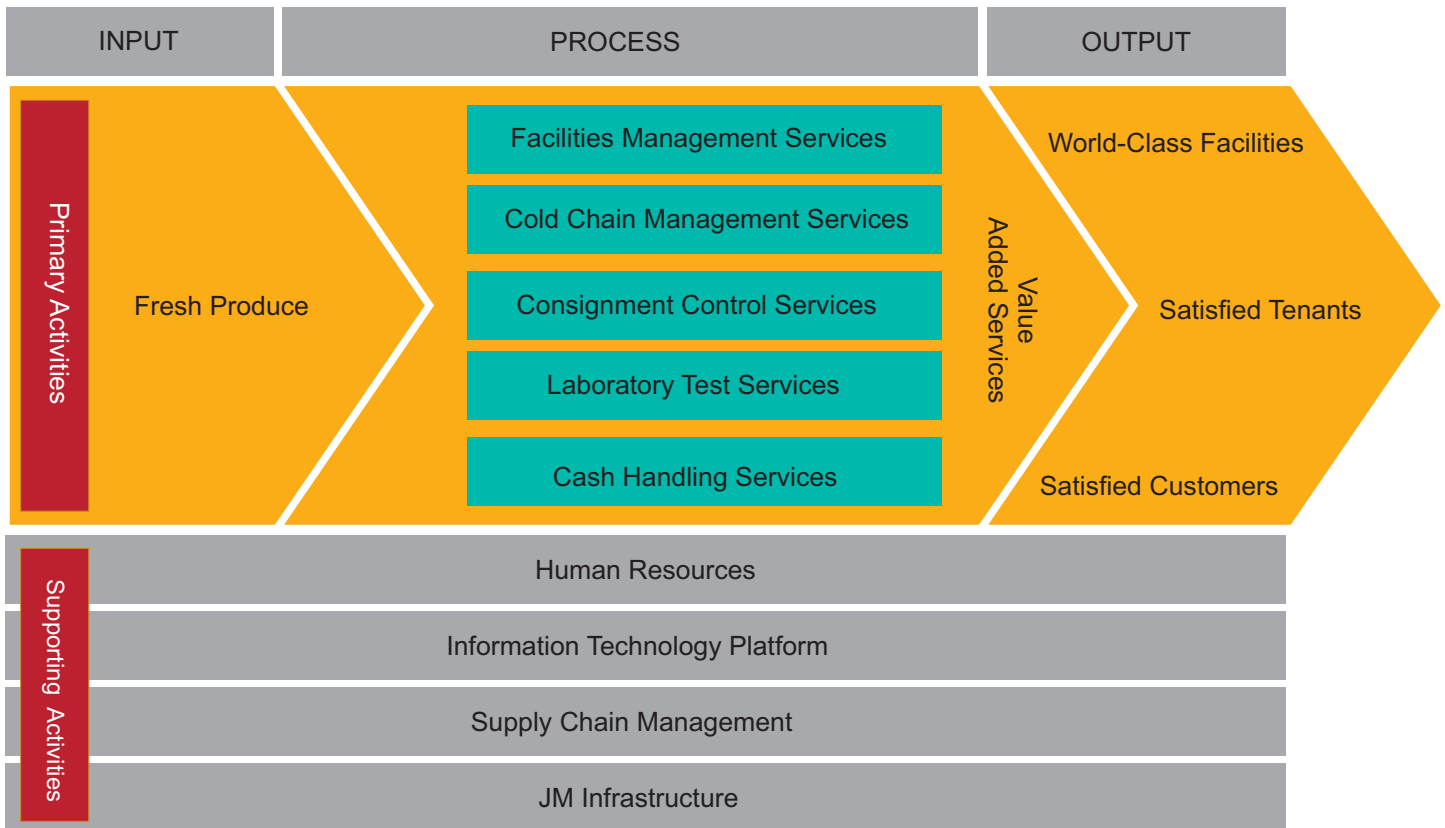
For additional strategic information on the Joburg Market and City of Johannesburg Strategies and Plans can be found in the relevant web sites.



Section 3:

Value Creation Process

The value creation process at JM is depicted in the Figure below;



Joburg Market renders a portfolio of services which enable successful and sustainable trading through a number of services. Core trading services include the central electronic trading system which in a sense enables JM to serve as “stock exchange” for fresh produce trading. Suitable cold stores and ripening facilities sustaining the availability of top quality products with suitable shelf life. Food safety is ensured through the services of a fully-fledged laboratory. Accurate and professional accounting to farmers and the shareholder is conducted through our financial services department.

Our human resources function ensures training, skilling of staff for the unique environment in which JM operates. A successful fresh produce market is also a clean and safe market which is underpinned by substantial investments in security technologies and cleansing & sanitization practices.

Over the past year staff and the system of trading produced generated growing returns for the Company. The following outputs serve as examples of such performance:

- Quick payment of sales income for producers
- Cold storage and ripening facilities were made available to users and were achieved well within the standards set by the Shareholder
- The laboratory and associated inspection service conducted many numbers of assessments outperforming the minimum standards set for the service
- Trading floor management efficiencies enabled trading which led to the ability to host sales and a consequent growth of 17.4 percent in turnover in relation to the previous fiscal year.

The following outcomes were achieved:

- Producer trust in the payment and accounting system on trading
- Availability of wide assortments of produce
- Compliant food safety standards
- Improved food insecurity in the seven regions of CoJ
- Improved income



## Risks and opportunities – creating value over short medium and longer term.

The producer of fresh produce has at its disposal a number of competing marketing channels through which fresh fruit and –vegetables can be channeled to the end user and consumer. In this competitive situation JM faces particular risks which can be listed as follows:

- Producers may increase their direct trading and down scale the numbers they send to markets
- Direct buyers may approach the producer directly and evade trading through JM.

Both the above business risks will impact on the financial sustainability if they realize. However JM offers a unique service which creates a number of opportunities. In pursuing the opportunities it's important to sustain a very high quality integrated market service. JM will be able to create value of the short medium and longer term by delivering value for money services as outlined below:

The Joburg Market provides the following value added services to the industry;

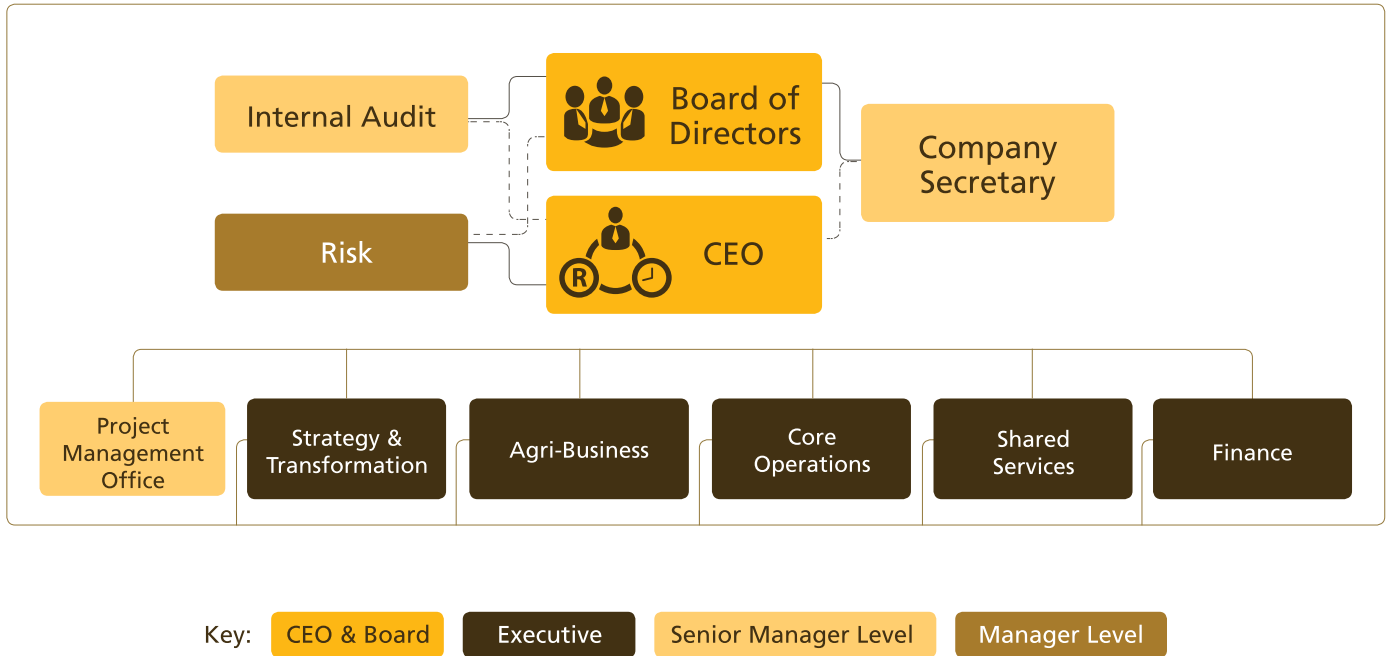
- The central trading system of the market is a sophisticated purposed designed electronic trading methodology. Every element of the consignment is captured and managed through this system and consequently is every function performed by the agent and the market authority is conducted in real time mode;
- The market authority conducts a dedicated financial accounting service inclusive of a cashiering system linked to a trust account system which enables the payment of proceeds on every consignment the following working day. This is the fasted payment system in the industry and offers multiple advantages to producers;
- Protection of the farmer is further embedded in the assurance systems which enable traceability to determine whether fair prices and utmost care was taken by the agent in dealing with what the farmer entrusted to the agent;
- Firstly consignment control ensures that each and every consignment to its finest details was accurately captured and traded through the system. This enables a trustworthy trading history and return for the farmer.
- Laboratory and inspection services ensure that the farmer do not suffer undue losses of stock, etc. Joburg Market has invested in the development of a SANAS accredited laboratory. Produce discarded are being dealt with in scientifically sound practices and suitable audit trail. Producers and agents are not charged additionally fees for disposal of written off produce.
- Dispute resolution is conducted and the Market Director (CEO) may order compensation of an aggrieved party. Transgressions of market agents are also being dealt with through this avenue.
- Cleansing and sanitization of the market facilities ensure a safe food centre serving both the supply and demand side of market clients;
- Physical security services supported by a most modern and extended CCTV system ensures protection of the entire market facility serving farmers especially overnight when their consignments are delivered to the market;
- Cold stores and ripening facilities are maintained and upgraded to ensure the availability of these vital support services to farmers and their agents;
- Maintenance, upgrading and extension of market facilities are conducted to ensure a compliant and serviceable market facility;
- Marketing services and agri-business support services are conducted to inform farmers and attract buyers to the market to ensure a vibrant market place to the advantage of producers. This also includes the dissemination of market trading results on which South African Producers can always rely.



Section 4:

High-level Organisational Structure

The high – level organisational structure is as depicted below:



In order to give effect to its mandate and vision Joburg Market is structured into five Business Divisions and has four Strategic Units that support the Office of the Chief Executive Officer. These division are:

- Strategy & Transformation
- Agri-business
- Core Operations
- Shared Services
- Finance
- Internal Audit
- Risk Management
- Project Management Office
- Company Secretariat



## Section 5:

## Strategic Focus and Future Orientation

JM pursues the creation of long term value for the Shareholder. JM therefore aims at financial sustainability and ensuring a purposeful fresh produce market trading facility supported by a suite of effective and sought after services. Its planned medium and longer term outcomes are aligned to its strategic objectives.

No.	Strategic Objective	KPI's	Delivery in 2016	Medium term outcomes	Long term outcomes
1.	Operate a sustainable resilient world-class marketing and trading facility	% Increase of JM market share in relation to FPMs	Achieved a 41.2% national market share	To serve as a key produce hub in Gauteng	To increase SADC buying from JM
2.	An agent for socio-economic transformation	% achievement of BEE portion targets in total procurement  R/M targeted turnover of emerging agents achieved Increase number of emerging agencies  No. of access plans implemented for emerging farmers to JM  No. of co-operatives established at JM  No. of informal distributors trained	Achieved and exceeded the target 116%  Achieved R333M against a target of R255M  3 x access plans achieved in line with the target  Achieved and exceeded the target of co-operatives by establishing 7 entities	Promotion of SMME  More sustainable core of emerging agents  Growth in the number of emerging farmers  Focus on delivery of apron services at JM	Conducting business with small, medium and large enterprises owned by the target group  Conversion of emerging agents in full service agencies  Engaging with emerging farmers to utilize value added services at JM To serve JM in technical spheres of service delivery
3.	Operational excellence	R/M value of CAPEX spent No. of bylaws reviewed  R/M value of improved in surplus generation against budget  % Increase in collection levels for total billing  Maintain a clean Audit No. of SHE legislative compliance checklists completed Reduce number of injuries - Occupational Health and Safety	Achieved R59, 3M spent against a target of R88, 215M  Achieved net surplus to the value of R78, 4M against a targeted R39, 6M  Achieved a unqualified audit against a targeted clean audit opinion	Upgrade & create market facilities to overcome backlog  Improved surplus  Clean audit opinion	Develop world class marketing facilities  Continued growth in surplus  Clean audit opinion



No.	Strategic	KPI`s	Delivery in	Medium term	Long term
4.	Create a centre of excellence empowering & developing our stakeholders	No. of functional pack houses launched to enable emerging agro-processors  No. of donations conducted to NGOs and indigent beneficiaries Increase in no. of tons in product on offer at JM	1 x packhouse launched as per target	Development of relationships with users	Covert into fully fledged commercial pack house units.
5.	Create a centre of excellence empowering & developing our human resources	% of total number of staff members trained to operate MotF trained  No. of performance management systems implemented	127% of staff members trained against a target of 100%	Functional capacity	Professionalization of market services core.

Looking ahead JM considered *inter alia* the following factors relative to the realities of the environment within which it operates;

Key Issue	Description	How JM is affected
<b>Growth below food inflation</b>	It is envisaged that the turnover growth in the next 3 – 5 years would be around 5% per annum.	JM will be affected in its ability to grow income to fund important physical extension of its trading facilities. In response JM will continue to pursue its growth as regional market and implement stringent cost controls.
<b>Adverse weather conditions</b>	The impact of the drought on the Joburg Market revenue is expected to be minimal in the next 18 months as 'La-Nina' weather conditions are busy replacing the dry cycle caused by the 'El-Nino' weather pattern.	The variables in production capacity of farmers may cause times of shortages in key commodity groups. Prices will fluctuate considerably and JM will therefore take a conservative view on revenue forecasts.
<b>Labour environment stability</b>	The labour environment within the CoJ context is anticipated to be stable, with minimal external impacts due to decisions taken within the City governance structures	JM will be able to focus of development of its staff and thus continue to develop a strong work force to enable successful service delivery of fresh produce market services.
<b>Ability to implement key strategic projects and programmes</b>	All strategic projects will be funded to ensure execution;	JM will be able to optimize trading space through staged implementation of CAPEX projects.
<b>Competitor activities</b>	<ul style="list-style-type: none"> <li>Main stream businesses in the food industry will continue to conduct practises of strategic procurement and will seek intensely to achieve BEE partnerships, and;</li> <li>Competition by direct marketing channel operators will increase;</li> </ul>	Certain key commodity lines in fresh produce may be attracted away from especially the JM fruits sales hall. In response JM will mitigate the situation by building on the strengths in its services portfolio, i.e. promoting JM as a convenient 'one-stop-shopping' facility.



Key Issue	Description	How JM is affected
<b>Food security and social impact</b>	<ul style="list-style-type: none"> <li>• Food scarcity and the potential for food related unrest has increased exponentially as a result of the continuing rise in food prices, and;</li> <li>• Related to the latter both inflation and interest rate hikes will put the consumer and distributors of food under pressure reducing buying capacity and creating food insecurity challenges for the most vulnerable citizens.</li> </ul>	<p>Buyers may at times purchase lesser quantities of produce which will affect the income of JM from a number of buyer groups. JM will continue to engage with the fresh produce industry with endeavours to enable smaller traders during severe down cycles.</p>
<b>Supply side cost pressures</b>	<p>Operating costs of suppliers of fresh produce, service providers to JM and utility services will increase substantially.</p>	<p>Producers endeavor to also reduce their marketing costs. The cost pressures and consequent lobbying in the production sector disable fresh produce markets in general to increase market commission rates. JM will continue to focus on internal efficiencies and promotion of increased throughput towards sustainable income from commission.</p>





## Foreword by Member of the Mayoral Committee

### Section 6:

The Joburg Market can rightfully be regarded as an economic gem in the portfolio of services rendered by the City. Every morning thousands of buyers from around the City, other cities, provinces and even from SADC arrive at JM and in a most vibrant atmosphere and compete for the vast assortments of produce available for sale. Shortly thereafter satisfied wholesalers, food processors, retailers, small traders and many more proudly trade in the quality produce they obtained from JM.

At times during 2015/16 we saw substantial increases in prices of commodities. Buyers and sellers had to engage in hard bargaining to ensure a space to live in and trade in for all. The 2015/16 financial year was indeed characterised by some of the most volatile food price fluctuations. During the first half portion of the fiscal year the oversupply of produce led to a sharp decline in fresh produce prices which favoured consumers amidst challenging economic conditions. Subsequently during the second half of the reporting period steep increases in fresh produce prices led to the record price levels which in turn increased the rate of food price inflation.

JM proved itself once more as a key role player in fresh produce marketing. Solid trading results enabled the company to register healthy financial ratios in all respects and came out once more as a fully liquid enterprise. Despite the difficult trading scenario described above JM was able to record a surplus of R78, 4M

The involvement of JM with its various stakeholders was illustrated in the numerous engagements with both producers and traders. In particular the training of informal traders is a significant intervention. In particular emerging traders are provided with focused training on the safe handling, safe keeping of produce, before, during and after harvest.

The COJ views the company as a critical component in the fresh produce value chain. The company continues to play a distinct role as being a price maker and barometer by ensuring the pricing process remains transparent. This provides a better chance of eliminating any dishonest practice(s) in the determination of the fresh produce prices to the benefit of the buyer. The company plays a further role in protecting the interest of the producers in ensuring that their produce are traded at real market prices and are insulated from the bargaining power of big retailers. To this end, the COJ is resolute in protecting and entrenching the current trading environment as it offers best protection to all those involved.

The COJ is currently considering further initiatives aimed at positioning the company as the best market in the world. The initiatives include the drive to render “value for money” market services that are aimed at improving food safety and quality, maintaining the cold chain and assimilating best technology. The net result of these initiatives is to benefit the end consumer by extending affordable prices and offering prices that are attractive to the producer to incentivize continued cultivation of fresh produce.

The need to suitably extend the trading facilities of JM is paramount as there is a need for more trading space which complies to world food handling standards. Inevitably the services of the JM laboratory will also have to be broadened through innovative services as well. The additional space will enable Joburg Market to accelerate the deployment of agri-business ventures in City Deep, thus creating more jobs in the City of Johannesburg.

In closing I would like to extend my sincere appreciation towards the Board of Directors, the Executive Management Team and all staff of JM for their loyalty, commitment and dedication over the past year. Without their joint efforts, the Joburg Market sustainability would be a pipe-dream.

I am looking forward to working with the Board, Executives and Staff to build a prosperous pathway for JM in the years ahead.

.....  
Councillor Sharon Peetz  
MMC Economic Development  
30 November 2016



## Chairperson's Foreword

### Section 7:



The conclusion of the 2015/16 financial year earmarks the completion of the IDP period and the Mayoral term.

The entity would like to record its appreciation towards the outgoing Mayor: Cllr. Parks Tau and the Mayoral Committee for the leadership and direction provided. The Board and management enjoyed professional and tireless support over the past 5 years from the Mayoral Committee.

Against the backdrop of such support the company was able to continue with the company's business on a growth path. At the beginning of the previous IDP term during 2006/07, the company recorded a net loss of R3.8m. However with the implementation of recovery programs the company immediately started return to profit ability. At the conclusion of the second term during 2015/16 financial year the company recorded a surplus of R78.4M, which is well above the budgeted surplus. Over the IDO period ending 30 June 2016, the entity has grown its surplus consistently. Financial sustainability remains a key focus of deliverable.

The Board of Directors and management continued with intensive strategic planning and are ready and able to implement programmes and projects towards service excellence. Positive progress in the latter regard can be reported and the Board is confident that new service improvements will greatly assist in managing food security and achieve the effective repositioning of JM.

Innovation at JM will therefore remain a constant process in ensuring the relevance of the entity and its long term sustainability. Being a vital role-player in the fresh produce industry JM will continue to ensure that producers regard it a market of choice. Innovations will therefore be relevant and aimed at solving the challenges producers face in the marketing of fresh produce.

The JM remains a BEE enabling institution and will therefore continue to empower participants across the fresh produce value chain. Intensified efforts to enhance BEE agents and BEE producers led to significant growth in the market share of especially BEE market agents when their market turnover at JM was elevated from a targeted R234M to R333M. Against the backdrop of difficult local and international economic conditions the latter achievement is highly regarded.

The FoodBank and its operations remains a key intervention in assisting the underprivileged. Over the past year the entity was able to assist a number of indigent families in. During the 2016/17 financial year JM will continue with the development of a food security programme in close co-operation with the Shareholder.

The entity is currently managing a number of litigation matters. The Board is assisting management in dealing with the legal matters and its associated risks. Although the company saw the departure of a number of senior staff members the necessary contingency arrangements enabled the entity to operate at efficient levels.

The Board would like to convey its best wishes to the former board members and former employees and at the same time express gratitude at the entire core staff for the excellent performance displayed during the period under review.

.....  
Mr. Khehla Shubane  
Chairperson of the Board of Directors  
30 November 2016



## Chief Executive Officer's Report

### Section 8:

In the period under review, the Joburg Market continued to strive for service excellence within the fresh produce industry. This is an industry characterized by numerous inherent challenges, adverse weather conditions leading to sporadic surpluses and shortages. Consequently the quality and quantity of fresh produce traded at the market; was negatively affected. Volatile fresh produce prices lead to unpredictable variation in revenue; intense competition from other players within the industry and the declining consumer buying power. Over time, the market managed to develop resilience to continuously deal with the above challenges so that their individual and collective impact is mitigated as is evidenced by the overall performance of the Company.

The Joburg Market was able to grow the value of fresh produce traded by 17.4 percent from a planned R6.3Bn to R6.77Bn which represents a faster growth rate than that of its competitors. The business model of the market is premised on the notion that trade in fresh produce is a throughput driven business. Joburg Market will persist to build a stronger supplier base hence our consistent pledge to also attract black farmers and agents into the JM.

The Joburg Market is also mindful of the fact that more than 84 percent of its revenue is derived from the commission business. The company is therefore working tirelessly to diversify the revenue streams as part of a risk mitigation strategy. It is anticipated that the implementation of the Sweating of the Assets project will provide the company with additional revenue streams in line with our desire to diversify revenue streams.

In terms of financial performance, the Company achieved a surplus after tax of R 78.4 million and with that, delivered R38.7 million more than the anticipated surplus. Revenue improved by 12.7 percent achieving gross income of R 405, 6 million. JM was also able to save R 8, 3 million on interest charges.

In support of the CoJ drive towards food security, the JM strategic function is carefully monitoring developments and is currently in the process of refining its food bank system. JM has therefore also joined forces with CoJ's social programme which enabled the distribution of 218,752 food hampers to indigent families.

The Company is looking forward towards rolling out quality services to its various customers on the producers' side as well as the buyers supporting Joburg Market through their loyal patronage. In addition, the resolution of legal issues pertaining to the Market of the Future Project remain a key strategic focus in the next financial year. The up skilling and capacitation of Joburg Market staff remains another priority that will be driven with greater vigour. Many suppliers and buyers have sustained their presence at JM over many decades. They will play a vital role in the planning of service enhancements by JM management.

In conclusion, the Company experienced an outstanding trading year despite a number of organizational challenges. Without the combined contributions of various stakeholders in particular Organised Labour, Market Agents, Tenants and our Customers, this performance would not have been possible. JM employees should be commended for their commitment and diligence. The key role played by both the Office of the Member of the Mayoral Committee and the Board in providing leadership and guidance cannot be understated.

I wish to record my appreciation to everyone for the support I have received.

.....  
Josiah Mazibuko  
Chief Executive Officer (Acting)  
30 November 2016



# Chief Financial Officer's Report

## Section 9:



### Overview

The Company delivered another solid and consistent financial performance in the year and maintained the track record of achieving surplus targets. The diversity of products offered by the company enables it to attract a wide range of buyers across South Africa and the SADC region. Although the growth in revenue is attributed mainly to increased prices of fresh produce, relative to growth in volumes, there has been a significant increase in the number of buyers from the SADC region.

The various and value add infrastructure facilities owned by JM retains and attracts farmers to send their produce to be sold at the market, thus farmer's confidence and expectations are accomplished and attained.

A prominent highlight for FY 2015/16 was the record sales generated at the market in March 2016. These trends confirm management's commitment of ensuring that there is sustainable growth of revenue by maintaining infrastructure facilities that are of world class standards.

### Financial Performance

The company has generated adequate surplus that positively contributed towards the strong growth in the solvency and liquidity position of the company. This enables the company to grow its positive cash and cash equivalent positions. The company maintained healthy bank balances throughout the year and contributed in earnings of interest that was above average. The capital expenditure of over R44 million was self-funded for the year 2015/16.

Working capital management is resiliently driven by deliberate and consistent staff efforts to enforce debtor credit policy. The outcome resulted in increased collection levels of debtors albeit it constitutes an insignificant portion of the total income. The levels of provision for doubtful debts are declining and debtor's day is also reduced.

The net asset of the company improved immensely due to the progressive growth in surplus and reduced level of borrowings. The total liabilities decreased, compared to previous year, by R19 million in contrast to the overall increase of total assets by approximately R59 million.

Our operational expenditure for FY2015/16 was within the budgeted amount which demonstrates Management's commitment to implement effective and efficient budgetary system of cost containment. Our most significant operational expenditure relates to employee cost. Though the cost remains within the budgeted amount in the year under review, the capacitation of the new organisational structure, which created additional executive positions and critical strategic positions, is envisaged to significantly increase the employee cost in the year ahead.

### Cash Flow

The cash flows generated from operations remain positive, thus allowing interest earned to perform above target and contributed to the overall healthy financial performance of the company. Cash and cash equivalents decreased by over R10.2 million compared to the previous financial year.

### Property Management

Revenue earned from investment property contributed about 10% of the total revenue. Though the state of property facilities is not yet at the desired levels, the occupancy rate is above national averages and there is a high demand for facilities within the market. It is envisaged that the recent refurbishments aimed at moving towards the MotF will increase this revenue stream.



Vast improvements were made in the billing and management of property portfolio resulting in the collection levels exceeding the 95% target.

### Capital Expenditure

Notwithstanding the above achievements, the spending in the roll out of capital expenditure programme remained a key challenge for the organisation in the year under review: 67% was spent on the allocated capital expenditure budget of R88.29 million. An improvement from the prior year capital expenditure of 37%.

The following difficulties were encountered during the year:

- Market of the Future project was put on hold as a result of legal review process,
- Complimentary projects were affected by the delay in the MotF project,
- A number of tenders were non responsive and required re-advertisement,
- The Supply Chain Management (SCM) experienced technical capacity shortages to plan and to procure for complex infrastructure projects.

Management has instituted corrective measures of accelerating capital expenditure project and increasing both SCM and technical capacity to execute these projects during the FY16/17.

### Supply Chain Management

SCM remains a critical support unit for the company to execute service delivery projects. The company achieved BEE targets in all the quarters of the year under review. However, the number of non-responsive bids remains a concern and delayed the successful execution of projects thus resulting in non-achievements of the CAPEX targets. Procurement training to targeted groups will be intensified during FY2016/17 to allow an increased participation of Youth, Women and SMME enterprises.

### People

Investment in our people remains an important consideration in the achievement of our strategic financial goals.

### Other matters

The operation clean audit is a key priority for JM and we remain deeply committed to achieve this priority. A significant portion of the audit issues raised in the FY2014/15 have been resolved and corrective measures were taken to ensure that there are no repeat findings. Policies and procedures were also developed and approved in areas needing strengthening to improve internal control measures.

### Outlook for FY2016/17

The focus in the year ahead is to accelerate the business process re-engineering and expanding JM's capacity to deliver and accelerate the roll out of capital expenditure projects over the next three years to build the Market of the Future. This affords JM an opportunity to implement the food security and transformation strategies as recommended by the Board.

The company's investment of over R815 million represents an enormous increase in the capital expenditure budget in the medium term framework and is a bold commitment to the world class infrastructure upgrade.

We are confident that we will continue to meet the expectation of our shareholder and diligently manage our budget to sustainably support the growth and development strategy of the City of Johannesburg.

.....  
Mrs Benvinda Rocha  
Chief Financial Officer (Acting)  
30 November 2016



Chapter

# 02

Governance

Welcome to Joburg



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

# Joburg Market





# CORPORATE GOVERNANCE STATEMENT



## Section 1:

## Corporate Governance Statement

To ensure accountability and governance arrangements are in place, Section 121(2) (c) of the Municipal Finance Management Act (MFMA) supports the requirements of Section 18(1) (d) of the Municipal Systems Act (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 this annual report is to promote accountability to shareholders, CoJ communities and other stakeholders for the decisions taken by the Board and matters relating to administrative structures, throughout the 2015/16 financial year.

### 1.1 Application of King III

JM applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices in its governance structures, systems, processes and procedures. The Board of Directors and Executives are committed to the principles of openness, integrity and accountability advocated by the King III Code on Corporate Governance.

Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring JM's compliance with the King III Code on Corporate Governance forms part of the Audit and Risk Committee's (ARC) mandate. The company has complied with the Code in all respects during the year under review.

The Board of Directors has incorporated CoJ's Corporate Governance Protocol in its Board Charter which regulates its relationship with CoJ in the interest of good corporate governance and good ethics. The Protocol is premised on the principles enunciated in the King III Report for Corporate Governance for South Africa 2009. JM consolidated its position in respect of adherence to the King III report on Corporate Governance.

Continuous steps were taken to align practices with the Report's recommendations and the Board continually reviews its progress to ensure that it enhances Corporate Governance. During the year under review JM's risk management reviews, reporting and compliance assessments were conducted in terms of the Companies Act, the MSA and the MFMA. The annual Board assessments and evaluations were conducted and a report for the previous year effectively completed in accordance with the provisions of section 121 of the MFMA.

### 1.2 Group's Governance Framework

Joburg Market as an entity of the City of Johannesburg forms part of the governance structures as prescribed by the shareholder. Governance oversight meetings with the Group Governance function of the CoJ were duly attended. The customer centre approach of the CoJ and JM was captured in the Service Delivery Agreement (SDA) containing measurable service standards.



The cluster system enabled JM to consult with knowledgeable colleagues and to replicate service improvements and to peruse economies of scale. In particular it forms an ideal forum for uniform communication of policies and directives.

The company identified the following game changers as part of its efforts to be a World Class African Market:

- Market of the Future as a key transformational enabler;
- Establishment of Distribution Centres in previously disadvantaged areas;
- Empowering emerging buyers, agents and farmers to obtain greater participation in the fresh produce distribution value chain;
- Establishment of an export desk to optimise the accruable advantages from the patronage of SADC clients;
- Intensive engagement with CoJ and entity stakeholders to optimise governance and cross pollination of enhancing concepts.

### **1.3 Ethical Leadership**

JM subscribes to a code of ethical conduct and the Board provides effective leadership in terms of codes, ethics and values.

### **1.4 Corporate Citizenship**

JM as a corporate citizen recognises its social responsibilities to ensure that the company protects, enhances and invests in the well-being of the economy, society and natural environment. JM pursues its activities within the limits of social, political and environmental responsibilities outlined in international and national conventions on human and environmental rights.

### **1.5 Compliance with Laws, Rules, Codes and Standards**

The Board is responsible for ensuring the entity's compliance with applicable laws, rules, codes and standards and this was an important consideration in all its decision – making processes.

### **1.6 Integrity of the Annual Report**

The JM Board of Directors, assisted by the Audit and Risk Committee, is responsible for ensuring the integrity of the Annual Integrated Report. Accordingly, JM applies the combined assurance model by using a combination of external assurance and the input of the executive management team. The audit opinion expressed by the Auditor General is included in their audit report as part of the Annual Financial Statements of the Company.



## 1.7 Governance of stakeholder relationship

JM regards its stakeholders as integral to its ability to protect, create and grow value – a process that is advanced through relationships with others. The fresh produce industry is known for its dependency on good stakeholder relations.

Stakeholder engagement involves communicating our strategic objectives, performance results, decisions and activities that impact our stakeholders or are of significant interest to them, as well as understanding the needs and perspectives of our various stakeholders. This helps us evaluate our strategy and future growth plans especially against the backdrop of JM being a central market facility.

By determining those matters we consider most material through engaging our stakeholders, we are able to confirm the most significant risks and opportunities as well as manage expectations and priorities.

The key stakeholders of JM are tabled below:

No	Group	Functional relation	Principal involvement
<b>A. Governance</b>			
1.	CoJ	Governance Shareholder	Sole owners of the JM
2.	Board of Directors	Governance of JM	Governs JM in terms of SDA
3.	DED	Lead Department	Administrative link to CoJ
<b>B. Company</b>			
1.	Staff	Employees of JM	Managers and employees
2.	Unions	Trade Unions	SAMWU / IMATU
3.	EPWP	Job creation	Extended Public Works Programme
<b>C. Core Business</b>			
1.	Farmers	Production of produce	Supply JM from across RSA
2.	Transporters	Logistics – Farm to Market	Private contractors
3.	Market agents	Conducts actual selling of produce at JM	Private institutions
4.	Commercial Buyers	Buying of produce at JM	Distribute and process fresh produce
5.	Informal sector buyer	Informal traders	Intensive distribution in various areas
<b>D. Markets at JM</b>			
1.	Mandela Market	Traders at JM site established through empowerment programmes	Stall markets on JM site
2.	Unity Market		
<b>E. Apron services at JM site</b>			
		<ul style="list-style-type: none"> <li>• Pallet runners</li> <li>• Porters</li> <li>• Bakkie operators</li> <li>• Cooking “mamma's”</li> <li>• Recyclers</li> </ul>	Rendering of support services to traders on market for own account



No	Group	Functional relation	Principal involvement
<b>F. Tenants</b>			
.		<ul style="list-style-type: none"> <li>• Food distributors</li> <li>• Processors</li> <li>• Meat/fish traders</li> <li>• Soft drinks</li> <li>• General hospitality producers</li> </ul>	Rendering services enabling clientele to utilise JM site as “one stop” shopping centre
<b>G. Financial services</b>			
		Banks	Servicing buyers on JM to conduct transactions
<b>H. Suppliers</b>			
		Multiple services rendered at JM site (Inclusive of jozi@work participants)	<ul style="list-style-type: none"> <li>• Cleansing</li> <li>• Security</li> <li>• Waste disposal</li> <li>• Amenity gardens and land maintenace</li> </ul>





## Section 2:

## Board of Directors

Joburg Market has a unitary Board of Directors that consists of executive and non-executive directors. The Board is chaired by the non-executive director, Mr Khehla Shubane. The Board meets regularly, at least quarterly and retain full control over the company. The Board remains accountable to the City of Johannesburg Metropolitan Municipality, the stakeholder, the citizens of Johannesburg.

A Service Delivery Agreement (SDA) concluded in accordance with the provisions of the MSA governs the entity's relationship with the City of Johannesburg. The Board provides Monthly, Quarterly, Bi-Annually and Annual Reports on its performance and service delivery to the parent municipality as prescribed in the SDA, the MFMA and 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 Chief Executive Officer are separate, with responsibilities divided between them. The Chairperson has no executive functions. Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with 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. An annual director and peer review is undertaken, as well as a Board evaluation.

### 2.1 Directors

All the board of director were appointed at the AGM that was held on 15 March 2016

As at 30 June 2016 the JM Board of Directors were as follows:

- Chairperson Mr Khehla Shubane, Mr Sakhile Masango, Mr Caesar Molebatsi, Ms Shelley Childs, Mr Terry Tselane, Mr Bongani Nkosi, Mr Samuel Mafadza, Bishop Sophonia Tsekedi and Mr Sandile Ndlungwane.
- The Independent members of the Audit Committee are Prof Yaswant Gordhan, Mr Carlos Raborifi and Mr Robert Hill.



Board Member	Qualifications	Other Directorships
<p><b>Mr. Khehla Shubane</b></p>  <p><b>Committees:</b></p> <ul style="list-style-type: none"> <li>• Chairperson: Board of Directors</li> </ul>	<p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• BA (Hons)</li> <li>• MBA</li> </ul>	<p><b>Other Directorships:</b></p> <ul style="list-style-type: none"> <li>• Non-Executive Director – MMI Holdings Directors Affairs</li> <li>• Non-Executive Director – MMI Holdings Corporate Governance Committee</li> </ul>
<p><b>Mr. Sandile Ndlungwane</b></p>  <p><b>Committees:</b></p> <ul style="list-style-type: none"> <li>• Chairperson: Service Delivery Committee</li> <li>• Remunerations and Human Resources Committee</li> <li>• Finance, Investment and Procurement Committee</li> </ul>	<p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• MSc Social &amp; Economic Transformation</li> <li>• Diploma Marketing &amp; Sales Management</li> <li>• Diploma International Development &amp; advanced economics</li> <li>• Diploma Diplomatic Relations &amp; Alternative Dispute Resolution</li> </ul>	<p><b>Other Directorships:</b></p> <ul style="list-style-type: none"> <li>• Member: Maize Trust</li> <li>• Non-Executive Director – GFADA</li> <li>• Non-Executive Director – Ingcali Enterprise</li> </ul>
<p><b>Bishop. Sophonia Tsekedi</b></p>  <p><b>Committees:</b></p> <ul style="list-style-type: none"> <li>• Chairperson: Social and Ethics Committee</li> <li>• Service Delivery Committee</li> </ul>	<p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• Diploma Business Administration and Leadership</li> <li>• Diploma Theology</li> </ul>	<p><b>Other Directorships:</b></p> <ul style="list-style-type: none"> <li>• President of All African Federation of Churches</li> <li>• Executive Member of Universal Peace Federation</li> <li>• Member of Gauteng AIDS Council</li> </ul>
<p><b>Mr. Ceasar Molebatsi</b></p>  <p><b>Committees:</b></p> <ul style="list-style-type: none"> <li>• Social and Ethics Committee</li> <li>• Remunerations and Human Resources Committee</li> <li>• Service Delivery Committee</li> </ul>	<p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• MA Communications</li> <li>• MA Theology</li> </ul>	<p><b>Other Directorships:</b></p> <ul style="list-style-type: none"> <li>• Non-Executive Director -Letlana Agri-Business - Vermiculture</li> <li>• Non-Executive Director -Mmabu Agri-Business</li> <li>• Non-Executive Director –Mthunzi Agri-Business</li> <li>• Non-Executive Director – Limpopo Nuticeuticals</li> <li>• Non-Executive Director – TTO Climate Organization</li> <li>• Non-Executive Director – Orthotic &amp; Orthopaedic Services</li> <li>• Non-Executive Director –Ranngogo Agri-Holdings</li> <li>• Non-Executive Director – FIMA Films (Pty)</li> <li>• Non-Executive Director – Empowa Investments</li> <li>• Non-Executive Director – CKLM Consultancy Partners</li> <li>• Non-Executive Director – Youth Alive Development Foundation</li> </ul>



Board Member	Qualifications	Committees
<p><b>Mr. Sakhile Masango</b></p>  <p><b>Other Directorships</b></p> <ul style="list-style-type: none"> <li>• None</li> </ul>	<p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• CA (SA)</li> <li>• Independent Regulatory Board of Auditors</li> <li>• BCompt (Hons)/CTA</li> <li>• Bcompt</li> </ul>	<p><b>Committees:</b></p> <ul style="list-style-type: none"> <li>• Chairperson: Audit and Risk Committee</li> <li>• Finance, Investment and Procurement Committee</li> </ul>
<p><b>Mr. Terry Tselane</b></p>  <p><b>Other Directorships</b></p> <ul style="list-style-type: none"> <li>• IEC Commissioner</li> <li>• Vice Chairperson of the Electoral Commission of SA</li> </ul>	<p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• BA (Arts)</li> <li>• BA (Hons.) Industrial Sociology</li> </ul>	<p><b>Committees:</b></p> <ul style="list-style-type: none"> <li>• Social and Ethics Committee</li> <li>• Service Delivery Committee</li> </ul>
<p><b>Mr. Samuel Mafadza</b></p>  <p><b>Other Directorships</b></p> <ul style="list-style-type: none"> <li>• None</li> </ul>	<p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• MPhil Economic Policy</li> <li>• Bcom (Hons) Economic Development</li> <li>• Bcom Economics</li> <li>• Policy Management</li> <li>• Strategic Leadership and Governance</li> </ul>	<p><b>Committees:</b></p> <ul style="list-style-type: none"> <li>• Remunerations and Human Resources Committee</li> <li>• Service Delivery Committee</li> </ul>
<p><b>Ms. Shelley Childs</b></p>  <p><b>Other Directorships</b></p> <ul style="list-style-type: none"> <li>• Trans Caledonian Tunnel Authority</li> </ul>	<p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• BA Industrial &amp; Organisational Psychology and Economics</li> </ul>	<p><b>Committees:</b></p> <ul style="list-style-type: none"> <li>• Chairperson: Remuneration and Human Resources Committee</li> <li>• Social and Ethics Committee</li> <li>• Finance, Investment and Procurement Committee</li> </ul>
<p><b>Mr. Bongani Nkosi</b></p>  <p><b>Other Directorships</b></p> <ul style="list-style-type: none"> <li>• None</li> </ul>	<p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• Bcom Economics</li> <li>• MBL</li> </ul>	<p><b>Committees:</b></p> <ul style="list-style-type: none"> <li>• Audit and Risk Committee</li> <li>• Finance, Investment and Procurement Committee</li> </ul>
<p><b>Prof. Yaswant Gordhan</b></p> <p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• CA (SA)</li> <li>• Master of Science Business Administration</li> <li>• Bcom (Hons)</li> <li>• Bcom</li> </ul>	<p><b>Committees:</b></p> <ul style="list-style-type: none"> <li>• Independent Audit Committee Member</li> </ul> <p><b>Other Directorships</b></p> <ul style="list-style-type: none"> <li>• Member- Mining Qualifications Authority Audit Committee</li> <li>• Member- Regulating Committee Governing ACSA and ATNS</li> </ul>	<p><b>Other Directorships</b></p> <ul style="list-style-type: none"> <li>• Chairperson- Amplats Group Provident Fund Audit Committee</li> <li>• Non-Executive Director- Johannesburg Housing Company</li> <li>• Non-Executive Director- Professional Provident Society Ltd</li> <li>• W&amp;R SETA Audit Committee</li> </ul>



Board Member	Committees	Other Directorships
<b>Mr. Robert Hill</b> <b>Qualifications:</b> <ul style="list-style-type: none"> <li>BSc Information Processing</li> <li>BSc (Hons)</li> <li>Higher Diploma Computer Auditing</li> </ul>	<b>Committees:</b> <ul style="list-style-type: none"> <li>Independent Audit Committee Member</li> </ul>	<b>Other Directorships</b> <ul style="list-style-type: none"> <li>JOSHCO</li> </ul>
<b>Mr. Harry Raborifi</b> <b>Qualifications:</b> <ul style="list-style-type: none"> <li>B Jurris</li> <li>LLB</li> </ul>	<b>Committees:</b> <ul style="list-style-type: none"> <li>Independent Audit Committee Member</li> </ul>	<b>Other Directorships</b> <ul style="list-style-type: none"> <li>None</li> </ul>

The term of office of the non-executive directors is subject to review at the Annual General Meeting. A performance evaluation of the Board is conducted at the end each financial year. Any shortcomings are identified and addressed and areas of strength consolidated. The performance of board committees are evaluated against the terms of reference.

Attendance at meetings held during the year was as follows:

### Meetings attended of the Board and its Committees

**A = Meetings attended    B = Number of meetings scheduled    IM = Independent Members**

Members	Board Meeting		Audit & Risk Committee		Social & Ethics Committee		REMCO & HR Committee		Service Delivery Committee		Finance, Investment & Procurement	
	A	B	A	B	A	B	A	B	A	B	A	B
Mpofu M	6	9	-	-	-	-	-	-	-	-	-	-
Zulu E	4	9	-	-	-	-	4	4	1	1	2	3
Mafadza S	7	9	-	-	-	-	-	-	1	1	-	-
Dhlamini B	-	9	-	-	-	-	-	-	-	-	-	-
Sekgobela S	-	9	-	-	-	-	-	-	-	-	-	-
Tselane T	7	9	-	-	-	-	-	-	-	1	1	3
Sekhukhune D	5	9	-	-	-	-	4	4	-	-	-	-
Singh A	3	9	6	6	-	-	-	-	-	-	2	3
Nkosi B	9	9	5	6	-	-	-	-	-	-	3	3
Dlhamini V	5	9	6	6	-	-	-	-	-	-	3	3
Tsekedi S	5	9	-	-	-	-	3	4	1	1	-	-
Shubane K	3	9	-	-	-	-	-	-	-	-	-	-
Childs S	3	9	-	-	-	-	-	-	-	-	-	-
Masango S	2	9	-	-	-	-	-	-	-	-	-	-
Molebatsi C	3	9	-	-	-	-	-	-	-	-	-	-
Ndlungwane S	3	9	-	-	-	-	-	-	-	-	-	-
Hill R(IM)	2	9	5	6	-	-	-	-	-	-	-	-
Raborifi H (IM)	0	9	1	6	-	-	-	-	-	-	-	-
Gordhan Y (IM)	1	9	6	6	-	-	-	-	-	-	-	-



### Section 3:

### Board Committees

The Board has five standing committees, each of which is chaired by a non-executive director:

- Audit and Risk Committee;
- Social and Ethics Committee;
- Remuneration and Human Resources Committee;
- Service Delivery Committee;
- Finance, Investment and Procurement Committee.

In the year under review, the Board resolved that the Market of the Future Committee be dissolved and that the Service Delivery Committee assume responsibility for the Market of the Future project.

#### **Audit and Risk Committee**

The role of the Committee is to assist the Board to perform an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms.

The ARC operates in accordance with a written charter authorised by the Board. The Audit Committee is responsible for:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- Oversee matters relating to financial accounting, accounting policies, reporting and disclosures,
- Review internal and external audit policy;
- Review activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Review/approval of external audit plans, findings, problems, reports and fees;
- Ensure compliance with the code of ethics.

#### **Social and Ethics Committee**

The committee is constituted in terms of the provisions of the Companies Act 2008 and Regulations of 2011. Its responsibilities include the monitoring of the company's activities in respect of the following:

- Social and economic development, including the company's standing in terms of the goals and purposes;
- Ten principles set out in the United Nations Global Compact Principles;
- OECD recommendations regarding corruption;
- Employment Equity Act;
- Broad-Based Black Economic Empowerment Act;
- Promotion of good corporate citizenship, including the company's:
- Promotion of equality, prevention of unfair discrimination, and reduction of corruption;
- Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
- Record of sponsorship, donations and charitable giving;
- Promotion of environment, health and public safety, including the impact of the company's activities and of its products or services.



### **Remuneration and Human Resources Committee**

The role of the Committee is to advise the Board on remuneration policies, remuneration packages and other terms of employment for all executive directors and senior executives. Its specific terms of reference also include recommendations to the Board on matters relating to policy, remuneration, bonuses, employment contracts, training, recruitment, and general employee well-being.

### **Service Delivery Committee**

The role of the Committee is to assist the Board with oversight and monitoring of the mandate of the Service Delivery Agreement with the Shareholder. This includes overseeing and directing the development of strategies in view of economic developments affecting the fresh produce industry, increased competition, market requirements and the development of new requirements for food safety, quality and security.

The committee is furthermore responsible for reviewing the organisational objectives in line with the company's mission and goals in the areas of marketing and communications, strategy, operations, consignment, information services/technology support to the company as well as strategic planning and alignment with shareholder objectives. The Service Delivery Committee is responsible for the following in respect of the Market of the Future project:

- Oversee and direct the overall MotF project and ancillary projects aligned to the project;
- Monitoring progress of existing programs and activities as well as monitoring progress in respect of key performance indicators tied to MotF;
- Ensure a report on the MotF is provided to the Board of Directors meeting at least once a quarter which report shall form the basis of the Board report to the Shareholder in respect of the MotF project.

### **Finance, Investment and Procurement Committee**

The role of the Finance, Investment and Procurement Committee is to assist and advise the Board of Directors in the discharge of its duties relating to budgetary, financial management, procurement and Supply Chain Management; assist the Board in fulfilling its responsibilities by advising the Board, and in certain instances, by acting on behalf of the Board, on matters relating to the financing and budgeting activities as provided but not limited to the provisions of the Municipal Finance Act 56 of 2003 (as amended); Municipal Budget and Reporting Regulations 2008; Municipal Systems Act 32 of 2000 and the Companies Act 71 of 2008.

**Section 4:****Directors Remuneration**

Directors and officers are remunerated in accordance with the company's remuneration policy which is informed by directives issued by the shareholder. The policy is executed in full compliance with legislative imperatives regulating remuneration in the RSA.

Remuneration of non-executive directors and independent audit committee members is determined in terms of the CoJ Group Remuneration Policy. The remuneration of non-executive directors is based on a fee per meeting attended and a retainer. There is no performance bonus element in the remuneration of non-executive directors. The retainer of non-executive directors is intended to cover general preparation in relation to the affairs of the SOC's and the City, interaction and meetings with the City and minor travel, communication and other expenses incurred from time to time.

**Remuneration of Non-Executive Directors**

The recorded attendance of meetings by Board members for the period ended 30 June 2016 is as follows:

Non-executive

2016	Directors' fees	Retainer	Other fees	Total
Mr K Shubane (Chairman)	57,040	-	-	57,040
Ms M Mpofo (Chairman)	155,153	29,756	2,700	187,609
Ms S Childs	34,224	-	-	34,224
Dr V Dlamini	126,654	14,880	115,482	257,016
Mr S Mafadza	82,146	19,840	15,536	117,522
Mr S Masango	28,520	-	-	28,520
Mr C Molebatsi	34,224	-	-	34,224
Mr S Ndlungwane	22,816	-	-	22,816
Mr B Nkosi	117,503	19,840	-	137,343
Dr D Sekhukhune	85,572	14,880	2,700	103,152
Ms N Singh	159,732	14,880	2,700	177,312
Bishop S Tsekei	81,008	19,840	-	100,848
Mr T Tselane	85,574	19,840	3,600	109,014
Dr E Zulu	74,172	-	2,700	76,872
	<b>1,144,338</b>	<b>153,756</b>	<b>145,418</b>	<b>1,443,512</b>



Meetings attended by Independent Audit Committee Members in the year under review are summarized in the table below:

#### Independent member's remuneration

INDEPENDENT AUDIT COMMITTEE MEMBERS						
No.	Name	Designation	Meeting Fee (R)	Retainer (R)	Other (R)	Total(R)
1	Rob Theunissen	IAC	13,309	-	-	13,309
2	Robert Hill	IAC	73,014	-	-	73,014
3	Yashwant Gordan	IAC	83,284	-	-	83,284
4	Harry Radithalo Raborifi	IAC	58,280	-	-	58,280
<b>Total</b>						



## Executive Management



The details of the JM leadership team are reflected below:

Mr Josiah Mazibuko



### Qualifications:

- Master of Science: Engineering Business Management
- International Leadership Development Programme
- Senior Managers Programme
- Management Development Programme
- National Diploma: Electrical Engineering

**Area of Responsibility**  
Chief Executive Officer (Acting)

Ms Benvinda Rocha



### Qualifications:

- Bachelor of Commerce Degree
- Associate General Accountant (SAICA)
- Municipal Executive Financial Management certificate (wits)

**Area of Responsibility**  
Chief Financial Officer (Acting)

Ms Moronngoe Tladinyane



### Qualifications:

- Masters in Business Administration
- Post Graduate Diploma in Business Administration
- Bachelor's Degree (Chem.)

**Area of Responsibility**  
Executive Manager: Strategy & Transformation



Mr Tshifhiwa Madima



**Qualifications:**

- Masters in Agricultural Economics
- International Leadership Development Programme
- Honours in Agricultural Economics
- Bachelor of Agricultural Management

**Area of Responsibility**  
Executive Manager: Agribusiness

Mr Sunshine Ngcobo



**Qualifications:**

- Bachelor of Administration
- Honours in Public Administration

**Area of Responsibility**  
Executive Manager: Shared Services

Mr Charles Park



**Qualifications:**

- Masters in Business Administration (MBA)
- B-Tech in Transportation Management
- National Diploma: Transportation Management

**Area of Responsibility**  
Executive Manager : Core Operations (Acting)



## Executive Remuneration

Name	Designation	Salary	Pension	Medical Aid	Cell Phone	Travel	Subsistence	Housing	Acting	Leave Pay	Insurance	Bonus	Total
Benvinda Rocha	Acting CFO	995 607	139 463	59 450	29 250			4 200	140 742	70 371	1 785		1 447 018
Thulisiwe Nkosi	HR Exec	1 007 962	72 325		35 750			17 054			1 636		1 134 727
Thulisiwe Nkosi	Acting CEO	85 858	6 974		3 900				9 298		149		106 179
Bafana Dlamini	CFO	1 203 381	87 229		39 000						1 785		1 331 394
Simangele Sekgobela	CEO	688 304	113 388	23 292	23 400					445 798	1 041		1 295 224
Morrongoe Tladinyane	Strategy & Transformation Executive	1 249 645	94 595	55 518	39 000		720	8 400			1 785		1 449 663
Josiah Mazibuko	Core Operations Executive	109 629	9 544	7 929	3 250						149		130 500
Josiah Mazibuko	Acting CEO	1 325 435	98 982	54 629	43 187		31 638		146 047	109 339	1 636		1 810 892
Tshifhiwa Madima	Agri-Business Executive	1 202 943	92 392	39 780	39 000	35 978	31 247	12 576			1 785		1 455 701
Charles Park	Acting Core Operations Executive	809 200	50 558		32 282				102 133		1 636		995 809
Sugar Ngcobo	Shared Services Executive	633 604	55 781	25 740	22 040	140 000					1 041		878 207
Thelma Melk	Company Secretary	793 579	86 538	56 946	38 400				54 238		1 785	85 600	1 117 085
Ashwin Bhoolia	Acting HR Executive	30 626	3 063	1 487	2 500				3 675		149		41 500
<b>Total</b>		<b>10 135 773</b>	<b>910 831</b>	<b>324 771</b>	<b>357 110</b>	<b>175 978</b>	<b>63 605</b>	<b>42 230</b>	<b>456 133</b>	<b>625 509</b>	<b>16 359</b>	<b>85 600</b>	<b>13 193 898</b>

### CEO Position

- Simangele Sekgobela – Appointed from May 2013 to 4 December 2015
- Bafana Dlamini – Acting from November 2014 to 31 January 2015
- Thulisile Nkosi – Acting from 1 February 2015 to 31 July 2015
- Josiah Mazibuko – Acting from 1 August 2015 to date





## Section 5:

### Company Secretariat Function

The Company Secretary is responsible for all statutory compliance and filing of all statutory returns with the Companies and Intellectual Property Commission (CIPC). The Company Secretary advises the Board and the executive on all Governance matters and provides guidance with respect to the efficacy of Board resolutions. This function acts as a link between Board and Management as well as the Board and Shareholders.

## Section 6:

### Risks, Opportunities and Internal Controls

The Audit & Risk Committee oversees the quality, integrity and reliability of the company's risk management function. In terms of its mandate, it reviews and assesses the integrity and the quality of risk control systems and ensures that risk policies and strategies are effectively managed.

JM complies with CoJ's Risk Management Framework and its risk policy is aligned to CoJ policy and risk standards manual. The risk function is supported by CoJ's Group Risk Assurance Services (GRAS) and the Group Governance Unit.

GRAS conducts annual strategic, physical and operational risk assessments whilst JM's Audit & Risk Committee conducts oversight of all matters related to risk. JM Board members provide guidance to the organisation with respect to the company's risk control standards. The entity's strategic risk register is monitored quarterly and emanating reports submitted to GRAP.

The following documents are reviewed on an annual basis:

- Risk Policy;
- Risk Appetite statement and the Levels of Tolerance;
- Fraud Prevention Policy;
- Code of Ethics.

Refinements to JM Risk Management programme include:

- Evaluation of the potential use of a Financial Maturity Capability model similar to the one used by National Treasury;
- Revising the Business Continuity Plans. Implementation plans on critical areas will also be revised. The operational risk registers are continuously monitored and annually aligned with the company's scorecard;
- Transfers of all insurable risks through purchasing of short term insurance. The Motor and Non-Motor insurance is purchased through CoJ's GRAS;
- A group cover secured for all departments and entities.



## Risk Management

In line with the risk standards set by the CoJ, JM refined its risk management programme which is executed in terms of Sections 62 (c) and 95(c) of the MFMA. Furthermore independent risk assessments and valuations were conducted by JRAS. The Joburg Market ARC conducts oversight of all risk matters and provides guidance regarding risk controls.

During the period under review, the Board of Directors monitored the execution of the following risk policy documents, which are all aligned to the CoJ Risk Standards Manual:

- Risk Policy;
- Fleet Risk Policy;
- Risk Appetite Assessment;
- Fraud Prevention Policy;
- Code of Ethics and Ethics Framework.

### Organisational risk management approach

JM continues to follow the risk management guidelines of its Shareholder. In applying its risk management policy all important decisions of JM are risk based and suitable risk assurance is provided on Company and Board level.

Risk assessment includes annual workshops with the Board of Directors. Developments within the fresh produce industry is continually evaluated during the fiscal year and reported in time for executive intervention.

Being a service provider where trust forms a fundamental basis for continued support by both producers and buyers of fresh produce, JM also analyses reputational risk. In the latter regard, JM considers its stated values and pursue the objective of being a high-performance fresh produce market as the prime guiding principle.

In dealing with perishable products within our facilities JM strive towards maximum food safety and quality as well as executing environmental friendly practises. Human safety remains a key priority as approximately 15000 persons are present on the market site during peak hours. In this regard special attention is given to future planning of safer facilities.



**Top Risks and Mitigation Strategies**

During the period under review, the following risks were identified and mitigated against;

No.	Top risk	Context	Mitigation	Potential area of impact
1.	Aging Infrastructure and poor maintenance	The Joburg Market infrastructure is more than 40 years old and minimal infrastructure maintenance was executed over the years	<ul style="list-style-type: none"> <li>The Maintenance Plans for the building and related have been finalised</li> <li>The appointment of Maintenance Service Providers have been finalised;</li> <li>Resourcing in the Operations Department is being ramped up.</li> </ul>	<ul style="list-style-type: none"> <li>Trading Halls;</li> <li>Trading Floors</li> <li>Buildings and Equipment</li> </ul>
2.	Business Interruptions due to unavailability of utilities	Power supply from City Power to the Market has been unstable with frequent power loss	<ul style="list-style-type: none"> <li>Business Continuity Plans have been finalised and approved;</li> <li>The JM Back-up Generator farm has been completed and will be commissioned by 9 December 2016</li> <li>Stronger Uninterrupted Power Systems have been installed</li> <li>New transformers have been installed and commission</li> </ul>	<ul style="list-style-type: none"> <li>Trading Halls;</li> <li>Trading Floors</li> <li>Buildings and Equipment</li> </ul>
3.	Non compliance with regulatory requirements and legislation	The regulation of the Joburg Market remains a critical area of focus. In line with this, it is imperative that all stakeholders adhere to regulatory requirements and relevant legislation	<ul style="list-style-type: none"> <li>The JM Legislative Universe have been defined</li> <li>A Compliance Framework developed by COJ has been adopted and implemented;</li> <li>New JM Bylaws have been workshopped and will be promulgated in the new year</li> <li>New transformers have been installed and commission</li> </ul>	<ul style="list-style-type: none"> <li>Damage to reputation</li> <li>Possible Audit Findings</li> <li>Possible litigation, fines and penalties resulting in financial loss</li> </ul>
4.	Lack of review of current business model against emerging models	The current model used by JM has been in use since inception. With the environment changing at a fast pace, it is necessary to align the business model to current business realities	<ul style="list-style-type: none"> <li>JM to undertake benchmark studies (locally and abroad) to remain on the cutting edge</li> <li>Undertake a review of the business architecture</li> <li>Strengthen partnerships with key stakeholders</li> <li>Alignment with new political realities to remain relevant.</li> </ul>	<ul style="list-style-type: none"> <li>Damage to reputation</li> <li>Possible Audit Findings</li> <li>Possible litigation, fines and penalties resulting in financial loss</li> </ul>
5.	Inadequate skill sets and lack of an integrated HR Business Processes	The changing work environment requires that JM should keep up with industry skills requirements and this is found lacking. In addition, the lack of integrated HR Systems further compound the problem	<ul style="list-style-type: none"> <li>The JM HR Strategy and Plan has been developed and approved;</li> <li>A skills audit has been conducted to identify training and competency gaps in existing employees;</li> <li>HR Policies are periodically being revised to keep up with changing legislative requirements</li> </ul>	<ul style="list-style-type: none"> <li>Operational inefficiencies</li> <li>Negative impact on service delivery</li> <li>Low staff morale</li> <li>Loss of institutional knowledge</li> </ul>



**Emerging risks**

Given the rate of changes in the commercial sphere within which JM operates, the Board and executives remains prudent in dealing with anticipated future events.

JM has identified the following emerging risks

<ul style="list-style-type: none"> <li>• Inadequate information security management</li> </ul>
<ul style="list-style-type: none"> <li>• Theft, Fraud and Corruption</li> </ul>
<ul style="list-style-type: none"> <li>• Cyber attacks</li> </ul>
<ul style="list-style-type: none"> <li>• Armed Robberies</li> </ul>

**Section 7: Internal Audit Function**

JM's Internal Audit department; mandate is to independently appraise the adequacy and effectiveness of the company's systems, financial internal controls and accounting records. The findings are reported to management, the ARC and the Auditor General.

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

**Section 8: Corporate Ethics and Organisational Integrity**

The Board is cognisant of the need to ensure the development of a suitable Code of Ethics, a framework and an Ethics Risk Register. The entity has a current code of ethics, which is briefly outlined as follows:

- Ethical conduct and legal compliance are the foundation for the JM position of industry leadership. The entity's ability to maintain its leadership position requires that each employee, officer and director exhibit a high level of personal integrity when interacting with the JM customers, business partners, shareholders and each other. Directors, officers and employees must allow honesty, common sense and good judgment to govern their conduct;
- As a condition of employment, each officer, and employee of JM is expected to comply with the Code of Business Ethics and will be held accountable if he or she fails to do so. Any violation of this Code, or any conduct that violates any law, rule, regulation or ethical or professional norm, is subject to disciplinary action, up to and including termination of employment. Directors, officers and employees are also expected to cooperate fully with any company audits or investigations and to answer all questions fully and truthfully. It is a violation of company policy to intimidate or impose any other form of retaliation on any employee who reports any actual or suspected illegal or unethical conduct. However, an employee who knowingly makes a false report may be subject to discipline;

**Section 9:****Sustainability Report**

The Board of Directors has through its oversight and guidance ensured that the company's strategy, risk, performance and sustainability imperatives are inseparable as required by the King III Code.

- The company was further able to ensure the “Triple Bottom Line” principle by displaying the economic, social and environmental impact induced by its operations. The sustainability of the company can be summarised as follows

**:Environmental Issues:**

- CoJ has adopted the Green City Program that seeks to; amongst other things reduce the carbon footprint of CoJ. Many of CoJ's development decisions are taken with the need for a green planet in mind: from greening and cleaning the environment, to reducing the energy load in buildings, to cutting carbon emissions;
- JM has aligned its infrastructure program to that of CoJ. The Green Economy is one of its key drivers and was adopted in terms of the roll-out of all CAPEX projects.
- There are a number of green building principles which have been applied to the MotF and Sweating of the Assets (SoA).

**Eco-Friendly Opportunities:**

- Re-use of land and existing buildings: The recycling of existing buildings and positioning of new extensions on an existing site is important in terms of adhering to eco-friendly environments;
- Reduction of urban heat islands: The SoA development will use materials like paved roadways as opposed to tarmac for parking areas to reduce thermal radiation into the atmosphere;
- Extensive landscaped areas with indigenous vegetation are proposed around the site and on underutilised land to reduce thermal radiation;
- JM already has effective box and paper reuse and recycling systems in place;
- Recyclable waste will be kept separated from general waste in order for recycling to take place;
- Organic waste should be kept separated from general waste. Opportunities for processing of organic waste have been investigated as part of the Bio-Gas Project;

**Section 10:****Corporate Social Responsibility (CSI) Report**

The company's involvement in CSI is embedded in the Food Security PIP of the CoJ whose objective is to ensure that none of the CoJ citizens go to bed hungry. In partnership with the City, Social Development Department, Pikitup and 288 NGOs, as well as other identified indigent families, JM donated 2400 food parcels to families in crises during the passing of family members and breadwinners.

**Section 11:****Anti-corruption and Fraud**

The Anti-Fraud and Corruption Policy as approved and communicated to the entire staff in the organisation includes procedures related to the process of reporting fraud and the tip - off hotline. The Hotline is a 24-hour service centrally managed by CoJ with monthly incident reports sent to the Chief Audit Executive for follow up.

Internal Audit conducts the company-wide anti-fraud workshop annually during November with the aim of raising fraud and corruption awareness and further reminds staff about the usage of hotline number. A risk based audit plan is utilised by Internal Audit to conducts audits and address strategic and operational risks.



## Fraud Hotline

The company's Fraud Hotline facility is managed by a reputable external service provider and is well publicised and made visible on the company premises and website. An anti-fraud and corruption campaign held annually aims to attract JM's stakeholders and further emphasise the importance of the facility.

For the year to date no direct calls were made to the facility, Internal Audit also received numerous direct reports from staff, customers and suppliers especially following the fraud awareness campaign. The suspected cases were assessed and where the cases appeared significant, full investigations were conducted and reported accordingly to senior management. The further assessment of these cases concluded that they were not materially significant and could thus be closed without further escalation beyond JM senior management.

The fraud hotline is a very useful tool in the fight against theft, bribery, misuse of Joburg Market property and other unlawful acts. The Hotline facility can be accessed telephonically on **0800 00 25 87**; SMS **32840**; Email: **anticorruption@joburg.com** and website: **tip-offs.com**.

## Section 12:

## ICT Governance

As Joburg Market conducts real time trading through a purpose-designed trading system and quick accounting of sales returns are key to the success and reputation of JM the board through its committees sustain a special interest in oversight of this key function.

An independent assessment of IT governance was performed by the Auditor General during 2014/15 with a follow-up performed during 2015/16. The results indicated that JM has made substantial progress towards achieving the required maturity levels for each of the seven principles of King III relevant to IT governance. The assessment also indicated that suitable progress in addressing several of the internal audit findings rose previously was achieved.

The Joburg Market IT environment is dominated by the customized Sales Processing System (SPS) which is used for trading fresh produce on the market floor. The centralised system was developed in-house. The trading system regulates the trading activities of Market Agents. All stock, cash and sales transactions are recorded and price statistics disseminated to the industry (farmers, agents, buyers and Statistics SA). The table below depicts the main systems operating within JM:

System User	Application	Operating System	Database
Market trading Floor	SPS	Solaris	Oracle
Finance	JDE	Solaris	Oracle
Paymaster	Payday	Microsoft	N/A
Corporate	Active Directory	Microsoft	Microsoft
Corporate	Exchange	Microsoft	Microsoft
Helpdesk	Latitude	Microsoft	Microsoft
PABX	Avaya	Avaya	Microsoft
Secretariat	Paper trail	Microsoft	Microsoft

## ICT Governance Framework

JM adopted the ITIL (Information Technology Infrastructure Library) framework in 2006 and is subject to annual audits from the Auditor General. JM's Internal Audit department has an IT auditing unit in place and conducts quarterly audits with respect to General IT access and internal controls according to the COBIT and ITIL frameworks. COBIT is a framework for developing, implementing, monitoring and improving IT governance and management practices while ITIL provides guidance on the use of IT as tool for facilitating business change, transformation and growth.

**Section 13:****Supply Chain Management and Black Economic Empowerment**

The entity has adopted Supply Chain Management systems in compliance with the provisions of the MFMA and the National Treasury: Municipal Supply Chain Management Regulations, 2005. The SCM division monitors the implementation of the entity's SCM policies in line with the regulations which seeks to modernises financial governance and improve accountability and transparency in the entity's processes. The entity's SCM policies provide for the exclusion of awards to persons in the service of the state subject to the exemptions and regulations issued by National Treasury from time to time.

The entity has implemented the three –stage bidding processes with separate Bid specification, Bid evaluation and Bid Adjudication committees.

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

No unsolicited bids were made by the company.

**Section 14:****Compliance with Laws & regulations**

As provided for in Section 93A of the Local Government: Municipal Systems Act of 2000, the parent municipality (the CoJ) of a municipal entity must exercise any Shareholder, statutory, contractual or other rights and powers it may have in respect of the municipal entity to ensure that both the municipality and the municipal entity comply with the Municipal Systems Act, the Local Government: Municipal Finance Management Act, 2003 and any other applicable legislation; and that the municipal entity is managed responsibly and transparently, and meets its statutory, contractual and other obligations.

During the period under review an assessment was conducted to aid JM in monitoring compliance of the municipal entity with the legal and governance obligations set out in the Municipal Systems Act, the Municipal Finance Management Act as well as the Companies Act and the King Report on Corporate Governance. The evaluation further assisted JM with compliance and the reporting requirements required from the CoJ's protocols and reporting frameworks through the CoJ Group Governance function. The Board is responsible for ensuring the entity's compliance with applicable laws, rules, codes and standards and this remains an important consideration in all its decision making processes.

**Corporate Governance Statement**

To ensure accountability and governance arrangements are in place, Section 121(2) (c) of the Municipal Finance Management Act (MFMA) supports the requirements of Section 18(1) (d) of the Municipal Systems Act (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.

**Application of King III**

JM applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices in its governance structures, systems, processes and procedures. The Board of Directors and Executives are committed to the principles of openness, integrity and accountability advocated by the King III Code on Corporate Governance.

Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring JM's compliance with the King III Code on Corporate Governance forms part of the Audit and Risk Committee's (ARC) mandate. The company has complied with the Code in all respects during the year under review.

The Board of Directors has incorporated CoJ's Corporate Governance Protocol in its Board Charter which regulates its relationship with CoJ in the interest of good corporate governance and good ethics. The Protocol is premised on the principles enunciated in the King III Report for Corporate Governance for South Africa 2009. JM consolidated its position in respect of adherence to the King III report on Corporate Governance.



Continuous steps were taken to align practices with the Report's recommendations and the Board continually reviews its progress to ensure that it enhances Corporate Governance. During the year under review JM's risk management reviews, reporting and compliance assessments were conducted in terms of the Companies Act, the MSA and the MFMA. The annual Board assessments and evaluations were conducted and a report for the previous year effectively completed in accordance with the provisions of section 121 of the MFMA.

## Section 15: Group's Governance Framework

JM as an entity of the CoJ forms part of the governance structures as prescribed by the shareholder. Governance oversight meetings with the Group Governance function of the CoJ were duly attended. The customer centre approach of the CoJ and JM were captured in the Service Delivery Agreement (SDA) containing measurable service standards.

The cluster system enabled JM to consult with knowledgeable colleagues and to replicate service improvements and to peruse economies of scale. In particular it forms an ideal forum for uniform communication of policies and directives.

### Ethical Leadership

JM subscribes to a code of ethical conduct and the Board provides effective leadership in terms of codes, ethics and values.

### Corporate Citizenship

JM as a corporate citizen recognises its social responsibilities to ensure that the company protects, enhances and invests in the well-being of the economy, society and natural environment. JM pursues its activities within the limits of social, political and environmental responsibilities outlined in international and national conventions on human and environmental rights.

## Section 16: Batho Pele Principles

The Joburg Markets has aligned its strategies, implementation plans and business operations to the vision of Batho Pele, namely, "a better life for all South African by putting people first".

The Batho Pele ("People First") principles, which are aligned to the Constitution forms the basis of our stakeholder engagement principles. The JM Board, Executives and staff subscribes to the Batho Pele principles, which requires all employees of the City of Johannesburg to be polite, open and transparent and to deliver good service to the public. These principles are the following:

- **Consultation:** Citizens should be consulted about the level and quality of the public services they receive and, wherever possible, should be given a choice about the services that are offered.
- **Service standards:** Citizens should be told what level and quality of public service they will receive so that they are aware of what to expect.
- **Access:** All citizens should have equal access to the services to which they are entitled.
- **Courtesy:** Citizens should be treated with courtesy and consideration.
- **Information:** Citizens should be given full accurate information about the public services they are entitled to receive.
- **Openness and transparency:** Citizens should be told how Joburg Market is run, how much it cost and who is in charge.
- **Redress:** If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made, citizens should receive a sympathetic, positive response.
- **Value for money:** Public services should be provided economically and efficiently in order to give citizens the best possible value for money.

# Chapter 03

## Service Delivery Performance

**R 42 million**

Highest recorded  
sales per day

**41.2%**

Market Share

**R 59,2 million**

Capital Expenditure

**1,3 million**

Metric tons of Fresh  
Produce sold

**525,000**

Number of sales  
transactions per  
month

**75,000**

Square metres of  
trading floor space  
available

**R 20,2 million**

Amount spent on  
repairs and  
maintenance







## SERVICE DELIVERY PERFORMANCE



### Section 1:

### Core Business

JM provides trading facilities and complementary services in order to facilitate the trading of fresh fruit and vegetables. Often being described as the stock exchange for fresh produce – the specialised central trading system of the company renders the service through unique systems and processes. Producers, buyers and other intermediaries depend on the accuracy and real time availability of trading results to enable critical decision making.

Trade takes place in three Food hubs, namely: Fruit Hub, Potato & Onion Hub and Vegetable Hub, measuring a total of 75 000m<sup>2</sup> via a commission system. The Market charges the producer a marginal 5% commission on all sales made on the trading floor. A further negotiable levy of 7,5% is paid to Market Agents for selling produce on behalf of the farmer.

JM also provides cold storage services to ensure compliant preservation of large volumes of produce which is required to be kept within the logistical cold chain. Premises are also being leased to food related enterprises serving as a complementary feature in serving the requirements of the thousands of buyers visiting the JM site daily.

The company is mandated to manage and operate a market facility through the provision of world class facilities and complementary services to the fresh produce industry. This will include the following;

- Provision and management of profitable facilities and services for the distribution of fresh produce;
- Ensuring a competitive trading platform for fresh produce trading;
- Enabling market access, sustainable availability and affordable fresh produce; and
- Ensuring of food safety and quality standards thus promoting healthy lifestyles

### Section 2:

### Day to Day Operations

At any given time, approximately 5,000 producers are marketing their produce through the trading floors of JM. This ensures that a wide assortment of produce in various grades and sizes are available to buyers, from various categories.

Joburg Market currently employs 341 individuals in five divisions namely

- Finance;
- Strategy and Transformation;
- Agri-business;
- Core Operations; and
- Shared Services.



JM currently holds substantial expertise to enable the high level of services it renders. These include

- Financial services,
- Engineering expertise,
- Human resources support,
- Strategic services,
- Risk services,
- Trading and consignment regulation services,
- Property,
- Information technology for sales processing,
- Facility management,
- Property administration, and
- Laboratory and Food quality and safety inspection service.

### Section 3: Highlights and Achievements

The key achievements during the period under review include the following:

- **Achievement of KPIs:** Eighty percent of KPIs as per the balanced scorecard were achieved, with only 4, out of a total of twenty not achieved. One of the key achievement was the attainment of 10% of produce through the market, coming from emerging farmers, which is a Service Delivery Budget & Implementation Plan (SDBIP) KPI allocated by the city to the Joburg Market.
- **Record Turnover achieved:** In spite of the drought, only a slight drop in tonnage (0.3%) was experienced by the market. The financial performance was however boosted by this and resulted in a record R 6.778 Billion turnover;
- **Strong financial performance:** The Company's overall financial performance for the 4th quarter was satisfactory. This was characterised by
  - ❖ Improved financial performance against some key targets;
  - ❖ Commission revenue above the revised budget;
  - ❖ Operational Expenditure was below budget in most line items;
  - ❖ Net surplus exceeded budgeted amount;
  - ❖ Strong liquidity and solvency ratios;
  - ❖ Cash generated from operations improved;
  - ❖ Positive net cash position;
- **Market Share:** The Joburg Market continued to consolidate its growth within the National Fresh Produce Market Industry, with a recorded 41,2% year to date achievement. Subsequently, the Joburg Market has been approached by the Department of Agriculture, Fisheries and Forestry, as part of Project Rebirth to assist four ailing national produce markets with the implementation of Codes of Good Practice for the industry.



- **The laboratory sustained its ISO 17025 accreditation:** During the latest grading inspection the laboratory was found to be fully compliant to the mentioned standard. The laboratory tested 604 samples and all were found to be within limits set pesticides and other chemical residues.
- **Food bank pack line is fully operational:** The modern equipment obtained for the foodbank was fully commissioned and staff members were duly trained in the operation of the unit.
- **Stakeholder relations:**
  - ❖ The Joburg Market hosted a highly successful Joburg Market Day during the last quarter, combining emerging farmers and exporters with funders and strategic business partners. A number of business engagements and downstream benefits were realised by emerging farmers and exporters;
  - ❖ The company attended six inter-governmental meetings of which the major focus were on emerging farmers and food security; and
  - ❖ JM also attended 15 fresh produce related events which mostly focused on transformational elements in the Industry.
- **Information Technology upgrades:**
  - ❖ JM was able to complete on time its JD Edwards financial system upgrades which also added modules to monitor and track maintenance costs on infrastructure.
  - ❖ Redundancy testing was successfully conducted, additional backup fibre lines installed as well as a backup server installed.

## Section 4:

## Financial Performance

The Company delivered another solid and consistent financial performance in the year and maintained the track record of achieving surplus targets. The diversity of products offered by the company enables it to attract a wide range of buyers across South Africa and the SADC region. Although the growth in revenue is attributed mainly to increased prices of fresh produce, relative to growth in volumes, there has been a significant increase in the number of buyers from the SADC region.

A prominent highlight for FY 2015/16 was the record sales generated at the market in March 2016. These trends confirm management's commitment of ensuring that there is sustainable growth of revenue by maintaining infrastructure facilities that are of world class standards.

The company has generated adequate surplus that positively contributed towards the strong growth in the solvency and liquidity position of the company. This enables the company to grow its positive cash and cash equivalent positions. The company maintained healthy bank balances throughout the year and contributed in earnings of interest that was above average. The capital expenditure of over R59.3 million was self-funded for the year 2015/16.

The net asset of the company improved immensely due to the progressive growth in surplus and reduced level of borrowings. The total liabilities decreased, compared to previous year, by R19 million in contrast to the overall increase of total assets by approximately R59 million.

The cash flows generated from operations remain positive, thus allowing interest earned to perform above target and contributed to the overall healthy financial performance of the company. Cash and cash equivalents decreased by over R10.2 million compared to the previous financial year.

JM is confident that it will continue to meet the expectation of its shareholder and diligently manage its budget to sustainably support the growth and development strategy of the City of Johannesburg.

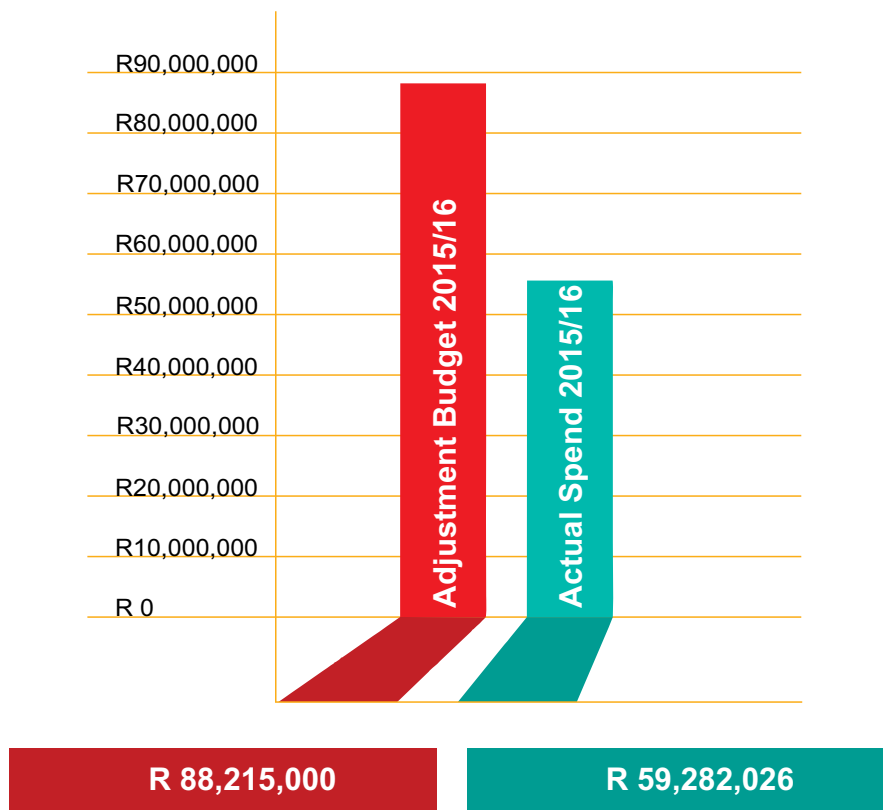


Section 5:

Capital Projects

JM was allocated a Capital Expenditure of R88,2M for the year under review. The actual CAPEX spend was R59,2m which represents an overall Capex spend of 67 percent of the 2015/2016 financial period.

**JM Capex Spend as at 30 June 2016**





### Section 6: Performance against Company Scorecard

JM uses the scorecard methodology to monitor and evaluate the implementation of the strategy; organisational strategic objectives and targets developed and approved by the Board of Directors. During the process of developing the 2015/16 corporate scorecard, various Key Performance Indicators (KPI's) were set to drive the JM strategic objectives.

The scorecard mid-year review process was undertaken and some KPI's linked to the MotF project were removed as these were unlikely to be achieved due to the judicial review process.

The table below presents a summary of JM's performance against the 2015/16 Annual KPI's as at 30 June 2016.

Item	Number KPI's
Total no. of KPIs on scorecard	20
No. of KPI's due for achievement	20
Number achieved	14
Number not achieved	6
% achievement	70%
No. of KPI exceeded	7

### Performance against Institutional SDBIP

IDP Programme	KPI	2013/14 Target	Baseline	2015/16 Target	Cumulative Achievement
Urban farmers support	% growth in market share of emerging producers	6% market share acquired by emerging producers	6% market share acquired	8% market share acquired by emerging producers	<ul style="list-style-type: none"> <li>Target achieved and exceeded.</li> <li>10% market share has been acquired at JM by emerging producers YTD</li> </ul>



The detailed performance analysis is indicated below.

Strategic Priority	KPI	Criteria/ Evidence	Measurement / Unit	Baseline	Target 2015/16	Performance 2015/16	Comments mitigation	Division
<b>Strategic Objective: Operate a sustainable resilient world class marketing &amp; trading facility (25%)</b>								
Grow customer & revenue base	Monitor JM's % market share increase in relation to other FPMs	Increase in JM market share as measured by SAUFM	% (cum)	39.75% market share held by JM in relation to other FPMs	40% market share held by JM in relation to other FPMs	41.2% market share held by JM in relation to other FPMs	Target achieved and exceeded. JM remains the price barometer for the industry due to availability of the right quantity, quality and variety of fresh produce supply	Agri- Business
	Increase tonnage throughput in JM	Tons processed through SPS	R/Millions	R 5.77Bn	5.99Bn	R6,77Bn	Target not achieved  Lower production at farm level resulted in reduced volumes to the Joburg Market	
<b>Strategic Objective: An agent for socio-economic transformation (25%)</b>								
Encouraging BEE	% achievement of BEE portion targets in total procurement	BEE portion of total procurement report	% (cum)	108% achievement of BEE portion targets in total procurement	115% achievement of BEE portion targets in total procurement	116% achievement of BEE portion targets in total procurement	The target was achieved. JM remains committed to the advancement and support of BBBEE businesses	Finance
	R/M targeted turnover of emerging agents achieved	R/M targeted turnover achieved as per SPS report	R/Millions	R 63,888M	R 295.0M * *included MOTF	R 77.9 M	The target was achieved and exceeded. JM Emerging Agents support policy implementation continues to yield positive results in this area.	Core Operations
	No of access plans implemented for emerging farmers to access the JM	Plans to enable emerging farmers' access to JM.	Number	3 access plans implemented	3 x access plans implemented for emerging farmers	3 x access plans implemented for emerging farmers	The target was achieved. JM has placed emphasis on the achievement of its empowerment	Agri Business



Strategic Priority	KPI	Criteria/ Evidence	Measurement / Unit	Baseline	Target 2015/16	Performance 2015/16	Comments mitigation	Division
<b>Strategic Objective: Operate a sustainable resilient world class marketing &amp; trading facility (25%)</b>								
<b>Encouraging BEE</b>	No. of co-operatives utilised by JM (linked to jozi@work).	No. of co-operatives appointed for jozi@work opportunities	Number (cum)	0 co-operatives appointed	4 co-operatives appointed	7 co-operatives appointed	The target was achieved and exceeded. JM implemented the Jozi@work programme with great success.	Core Operations
	No. of informal distributors trained	Training provided to traders	Number (cum)	65 informal distributors trained	95 informal distributors trained	100 informal distributors trained	The target was achieved and exceed. JM collaborated with industry partners to enhance the programme	Strategy & transformation
	No. of fresh produce distribution centres established in PDA's	Number of units in operation	Number	2 mobile units	1 Distribution Centre established	0 Distribution Centre established	Target not achieved Mitigation: The concept will be refined and the costing of the initiative will be confirmed	Core Operations
<b>Grow customer &amp; revenue base</b>	Conduct a customer satisfaction survey	Result from independent study	Overall % satisfaction	68% Overall customer satisfaction achieved	75% Overall customer satisfaction achieved.	54% Overall customer satisfaction achieved	Target not achieved Mitigation: Focused Customer Engagement Sessions are planned to address issues identified.	Strategy & transformation
	<b>Strategic Objective: Operational Excellence (20%)</b>							
<b>Achieving vision of MotF</b>	R/M value of CAPEX spent	Spending level of CAPEX against target	R/Millions (cum)	R124.9M value of CAPEX spent	R88, 2152M value of CAPEX spent	R 59.3 million	Target not Achieved Mitigation: Bottlenecks in CAPEX roll out have been identified and remedied.	Finance
	No. of bylaws reviewed	Review of current bylaw	Number	1 draft bylaw prepared for JM	1 Bylaw reviewed for JM	1 Bylaw reviewed for JM	The target was achieved The draft JM by-law has been completed	Shared Services

Strategic Priority	KPI	Criteria/ Evidence	Measurement / Unit	Baseline	Target 2015/16	Performance 2015/16	Comments mitigation	Division
<b>Strategic Objective: Operational Excellence (20%)</b>								
Achieving vision of MotF	R/M value of net surplus achieved	Net Surplus achieved	R/Millions (cum)	R31.68.M Net Surplus achieved (Mid- Year review)	R39.6M Net Surplus achieved	R 78.4 M Net Surplus achieved	Target was achieved and exceeded. JM focused on sound financial management practices.	Finance
	% Increase in collection levels for total billing	Cumulative billing	%	95% collection levels for total billing	97% collection levels for total billing	105 % collection levels for total billing	Target was achieved and exceeded. Focused collection efforts was exercised to achieve the collection levels	Finance
	Maintain a clean Audit	Achieved clean Audit	Yes	R43.3M	Clean audit achieved	Clean audit achieved	Unqualified audit achieved	Target not achieved Mitigation: SCM policies have been reviewed, critical SCM training for staff has been completed
Increase efficiencies	No .of SHE legislative compliance checklists completed	Self-assessment report	Number (Cum)	4 SHE legislative compliance checklists completed	4 SHE legislative compliance checklists completed	4 SHE legislative compliance checklists completed	Target achieved. The entity continued to focus on ensuring compliance	Core Operations
	Reduce number of injuries - Occupational Health and Safety	Number of injuries	Number	4 number of injuries - Occupational Health and Safety	<18 number of injuries - Occupational Health and Safety	8 number of injuries - Occupational Health and Safety	The target was achieved and exceeded. JM continued to uphold the OHSAct prescripts	Core Operations
Ensuring food safety and - security	No. of functional pack houses launched to enable emerging agro-processors	Functional pack houses to enable emerging agro-processors	Number	0 central pack houses launched	1 central pack house (shared facility) launched	1 central pack house (shared facility) launched	The target was achieved. The facility was created as a shared facility at the food bank premises of JM	Agri Business



Strategic Priority	KPI	Criteria/ Evidence	Measurement / Unit	Baseline	Target 2015/16	Performance 2015/16	Comments mitigation	Division	
Ensuring food safety and - security	Increase number of donations for NGOs and indigent families	Number of Donations	Number	20366 number of donations for NGOs and indigent families	68000 number of donations for NGOs and indigent families	218752 number of donations for NGOs and indigent families	The target was achieved and exceeded. JM collaborated with CoJ CSI partners to increase the number of donations	Agri-Business	
	<b>Strategic Objective: Operational Excellence (20%)</b>								
Increase efficiencies	<b>Strategic Objective: Create a centre of excellence empowering &amp; developing our human resources (15%)</b>								
	% of targeted staff members trained	Training plan	% (cum)	233% of targeted staff members trained	100% of targeted staff members trained	127% of targeted staff members trained	The target was achieved and exceeded. Training and development of staff was accelerated	Shared Services	
	No. of performance management systems implemented	Full scope implementation of PMS and Performance management policy	Number	180	105	134	Target Not Achieved Mitigation: JM Performance Management System will be rolled out in the next Financial Year	Shared Services	
			1 Plan	1 Performance management system established	Review 1 performance management system for JM implemented	Review 1 performance management system for JM implemented not achieved			



## Section 7:

### Assessment of Arrears on municipal taxes and services charges

The assessment of arrears on municipal taxes and services charges indicates that during the period under review, JM was not in arrears on any municipal taxes and service charges. In turn, no entity of the city was found to owe JM any such taxes and service charges.

## Section 8:

### Statement of amounts owed by Government Departments and Public Entities

No Government Departments and Public Entities were found to be owing any amounts to JM

## Section 9:

### Recommendations and Plans for the next Financial Year

The focus in the year ahead is to accelerate the business process re-engineering and expanding JM's capacity to deliver and accelerate the roll out of capital expenditure projects over the next three years to build the MotF. This affords JM an opportunity to implement the food security and transformation strategies as recommended by the Board.

The company's investment of over R815 million represents an enormous increase in the capital expenditure budget in the medium term framework and is a bold commitment to the world class infrastructure upgrade.

JM will continue to meet the expectation of its shareholder and diligently manage its budget to sustainably support the growth and development strategy of the City of Johannesburg.

#### Key Focus Areas for the next reporting period

In the next financial year, the Joburg Market will focus amongst others, on the following;

- Finalisation of the Judicial Review Process so that the MOTF project can be rejuvenated;
- Finalisation of the CCMA matters so that the organisation can be stabilised;
- Finalisation of CAPEX and OPEX tenders to help accelerate delivery of the required services;
- Finalization of a new set of market bylaws;
- Filling of a number of critical positions
- Commission the standby generators at the market;
- Enhance relationships and engagements with the Institute of Market Agents of South Africa;
- Accelerate stakeholder engagement initiatives.



# Accelerating Service Excellence



Chapter

# 04

Human Resources

Human Resources & Organisational  
Development



**R 2,3 million**

Amount spent on training and development of staff

**341**

Total number of JM employees





## HUMAN RESOURCES & ORGANISATIONAL DEVELOPMENT



In order to give effect to its mandate and vision Joburg Market is structured into five Business Divisions and has four Strategic Units that support the Office of the Chief Executive Officer. The main divisions and support units are as follows:

- Strategy & Transformation
- Agribusiness
- Core Operations
- Shared Services
- Finance
- Internal Audit
- Risk Management
- Project Management Office
- Company Secretariat

The organizational structure of Joburg Market is reviewed and aligned every second year in line with the Annual Business Plan of the entity.

### Section 1:

### Human Resource Management

The approach adopted by Joburg Market towards human resources management aims to position JM as an employer of choice utilising best practices and building human capacity in employees to meet the service delivery obligations of the entity.

A culture of inclusive engagement with employees and organised labour ensures we achieve collective responsibility on matters of employee satisfaction and improves employee involvement in programmes designed to promote well-being and skills development.

The JM is currently in the process of reviewing its HR processes, policies and organogram, and developing a strategic plan that speaks to the new service imperatives at prescribed by the shareholder and reviewed business strategy.



**Section 2: Employment Equity**

The JM continues to face challenges in attracting people living with disabilities and the profile of our workforce remains skewed with professional levels mostly male dominated.

**Employment Equity Profile as at 30 June 2016**

OCCUPATIONAL LEVELS	TARGET AS AT JUNE 2015									STATUS AS AT JUNE 2016									
	Male				Female				Total	Male				Female				Total	
	A	C	I	W	A	C	I	W		A	C	I	W	A	C	I	W		
Top Management	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0
Senior Manager	2	0	0	1	2	0	0	1	6	3	0	0	0	2	0	0	0	0	5
Mid Manager / Professional	10	2	3	8	10	0	0	4	37	14	2	2	7	7	0	0	2	2	34
Skilled Tech / Junior Manager	25	0	1	3	24	1	1	5	61	34	1	1	2	27	2	1	7	7	75
Semi- Skilled	78	3	0	5	68	8	2	16	180	73	2	0	3	75	6	0	9	9	168
Unskilled	8	0	0	2	11	0	0	2	23	18	0	0	0	21	0	0	0	0	39
<b>TOTAL</b>	<b>123</b>	<b>5</b>	<b>4</b>	<b>19</b>	<b>116</b>	<b>9</b>	<b>3</b>	<b>29</b>	<b>308</b>	<b>142</b>	<b>5</b>	<b>3</b>	<b>12</b>	<b>132</b>	<b>8</b>	<b>1</b>	<b>18</b>	<b>18</b>	<b>341</b>

**Section 3:****Skills Development and Training**

Capacity building and skills improvement in employees remains the core of our training and development initiatives. The implementation of the minimum competency skills for all senior managers as required by the MFMA has been prioritised for all managers charged with the responsibility of managing company's budget.

Efforts to improve the leadership skills and enhancing occupational capacity for operational team continue with the re-enrolment of unskilled workers into the matric rewrite programme. Training was further aimed at implementing individual and organisational learning plans as identified during the performance management and appraisal processes. A total of R2, 3M was spent on development initiatives

The completed development initiatives for the year include:

- A total of 210 employees across the organisation benefitted from various behavioural, technical and personal development programmes for the 2015/16 financial year.
- 24 candidates underwent a Management Leadership Development Programme.
- Learnerships: 10 employees enrolled for a Wholesale and Retail SETA Supervisory Skills programme.
- 10 employees enrolled for an artisan learnership.
- A Executive was registered for an International Leadership Development Programme.
- Occupational Skills compliance training for Forklift drivers; 7 employees were trained.
- Internships: 8 interns are being hosted and will complete their internship during the next financial year (2016/17).
- 15 Senior Managers underwent the National Treasury prescribed MFMA minimum competency course for all managers responsible for managing budgets.

**Section 4:****Performance Management**

The JM has reviewed its performance management strategy to streamline the roll-down to other levels to inculcate a culture of good performance. The disparity in performance management coordination across the reporting levels has resulted in a need to revise the performance management framework to create a standard system for all occupational levels.

A concerted effort is being employed to ensure the smooth roll-out of the performance management system to the 4th and 5th levels in the 2016/17 financial year.

**Section 5:****Employee Wellness**

Employee wellness is a strategic element to our employee safety programme. The integration of occupational safety and wellness programme ensures a rounded approach to workplace safety for employees. Quarterly wellness days are conducted with the support of external health care providers to assist employees with information and create an understanding of the importance of healthy living and the link thereof with work performance.

The programmes are aligned to the National Health Calendar and campaigns are also done through the distribution of health education materials.

**Employee Retention**

The company experienced a consistent turnover rate from last year. The challenge this time was the increase in terminations at executive and senior management levels due to unforeseen challenges experienced by the company; where the Board resolved to terminate services. Overall we recorded a 6% turnover which is still at an acceptable rate in the industry



## Employment Terminations

Employee terminations for the period ended 30 June 2016 are presented in the table below

OCCUPATIONAL LEVEL	Gender and Equity								Date of Termination	Reason for Termination	Total
	Male				Female						
	A	C	I	W	A	C	I	W			
Top Management					1				4 December 2015	1 Dismissed	1
Senior Manager	1								30 June 2016	1 Dismissed	1
Mid Manager / Professional	1		1		2				05 August 2015 31 August 2015 17 December 2015	2 Dismissed 1 Resigned 1 Dismissed	4
Skilled Tech / Junior Manager	1			1	3				24 November 2015 31 December 2015 12 April 2016 31 May 2016	3 Resigned 1 Pensioned 1 Dismissed	5
Semi- Skilled	3				2				30 September 2015 18 November 2015 21 December 2015 05 February 2016 06 June 2016	3 Resigned 1 Died  1 Dismissed	5
Unskilled	1				1				31 August 2015 29 February 2016	1 Pensioned	2
<b>TOTAL</b>	<b>7</b>		<b>1</b>	<b>1</b>	<b>10</b>						<b>18</b>

## Leave Management

The leave policy provides for leave accumulation up to 48 days and the control measures for this are in place. Cases of minor deviations are immediately reported and such employees are placed on compulsory leave to reduce their leave balances.

Management of chronic sick leave cases is at an acceptable level considering that the average age of the staff complement is 48 years. The wellness unit is working hard to promote healthy living to improve the impact of chronic disease on employees through the running of wellness events and physical exercise activities. There is an in-house gym and a sport club that ensures employees participate in all sporting activities to promote physical well-being.

## HIV/AIDS Management

HIV/AIDS Management remains our focus. The company conducts voluntary testing at every wellness event we host to inculcate the culture of Know your status and to encourage those already living with HIV to monitor their CD4 counts and get education regarding the disease and improvements in the treatment regimes.

## HIV/Aids Structures

The company has an established HIV Peer Educators Committee that not only focuses on HIV but a comprehensive support approach for all non-communicable diseases. The committee engages employees on the shop floor and it helps employees have confidence if their own peers offer support.

## HIV Testing

HIV testing remains a priority and in the year a total of seven wellness events were hosted and on four of these; HIV testing was part of the event. The testing is also extended to customers within our premises who want to be tested because we believe HIV is a national endemic and testing should be extended to all to promote education and encourage acceptance by communities.



## Section 2:

## Employment Equity

The company has an obligation to assist employees prepare for their lives beyond employment stage by providing retirement benefits and this is achieved through the utilisation of approved schemes.

JM contributes to the following three funds which were rationalised this year:

- City of Johannesburg Pension Fund;
- Momentum Provident Fund and;
- E-Joburg Retirement Fund.

The company contributes 18% of pensionable salary to all funds on behalf of employees. JM has representation only in the Momentum Provident Fund, which has the highest number of contributing employees. All new members join e-Joburg. There is consideration being given to move all momentum members to E-Joburg.

### Medical Aid Scheme

In ensuring that employees are healthy and enjoy a productive life, the company compels employees to take up membership of a medical aid scheme. The company subsidises the contribution at the rate of 60% of the applicable premium to qualifying employees and their primary dependants.

The following are three medical aid schemes in operation within JM from which employees can make a selection:

- Discovery Health;
- Bonitas;
- LAHealth.

The company has sourced services of a medical aid broker tasked with enhancing the JM employees' understanding of the complex medical aid scheme rules, monitoring the claims patterns and ensuring that employees enjoy appropriate cover from the schemes.



Our performance management framework seeks to inculcate a culture of good performance



a world class African city



# Chapter 05

## Financial Performance

**R 405,6 million**  
Revenue generated

**R 78,4 million**  
Surplus generated

**R 102 million**  
Cash position

**R 59.9 million**  
Working Capital

**R 59,1 million**  
Increase in total net  
asset





# FINANCIAL PERFORMANCE



## Section 1: Financial Overview

This section provides a summary of JM's overall financial performance for the period that ended 30 June 2016.

### Revenue

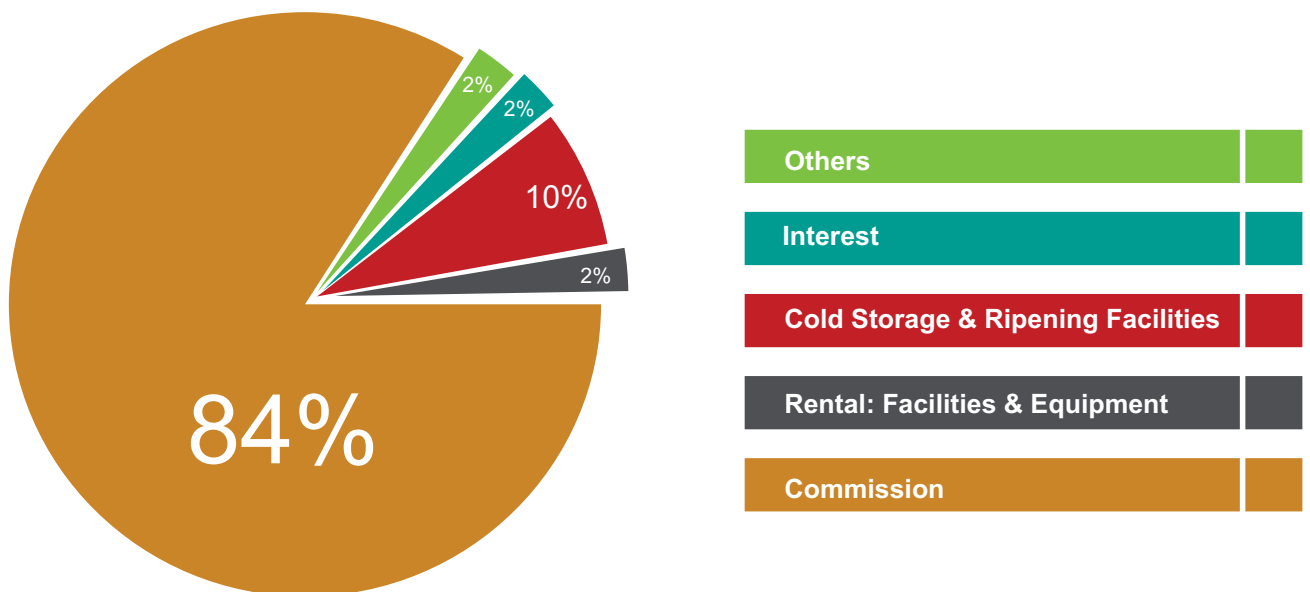
The Company's overall financial performance for the 4th quarter was exceptional and revenue performed above budget as a result of the rise in demand for products due to the drought and its effect on prices;

The revenue posted by the company as at 30 June 2016 totalled R 405.6 million, an increase of 13 percent in comparison to the R359.8 million of the 2014/2015 financial year. Revenue was 7.5 above the budgeted R377.3 million for the year under review.

The company recorded a commission income of R340.0 million, representing an 7.4 percent increase against the revised budget. The commission income contributed 84 percent of the total revenue of JM, reflecting a 18 percent increase from the R288.5 million commission income of the previous year.

Revenue contributions from rental income: facilities and equipment, cold storage and banana ripening facilities, as well as, interest received were 10 percent, two percent and two percent respectively with the remaining two percent being revenue from other sources.

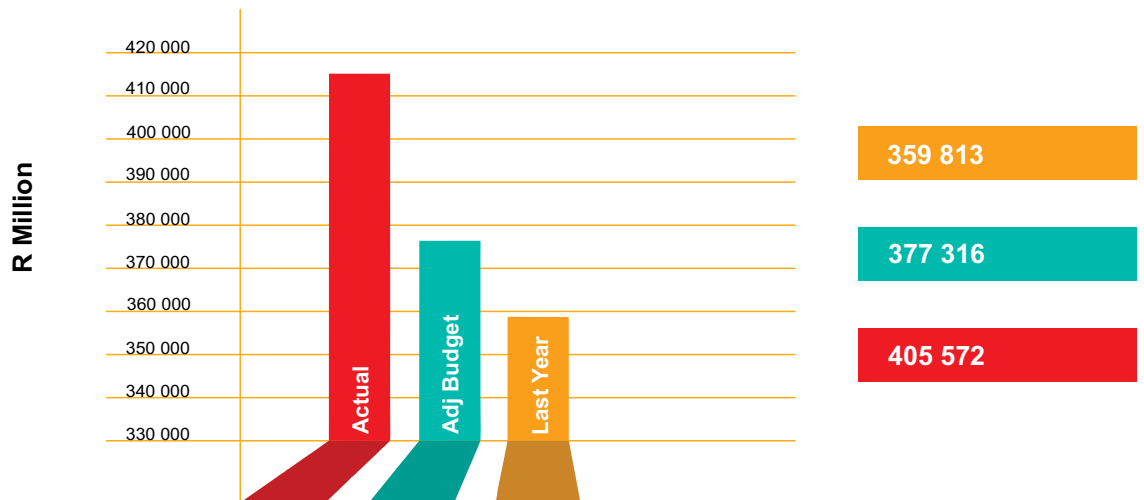
The diagram below depicts the JM revenue contributions by source:



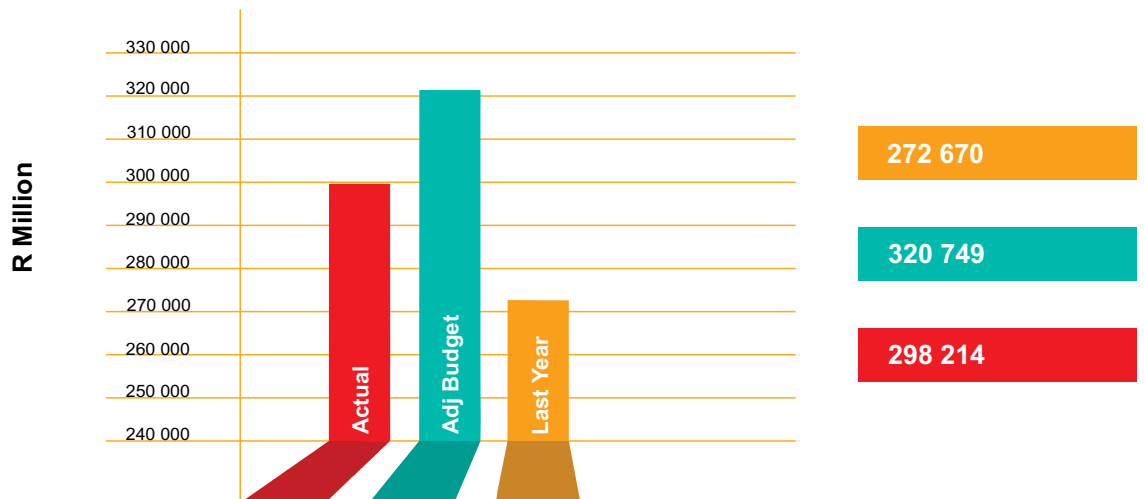


Results of Operations

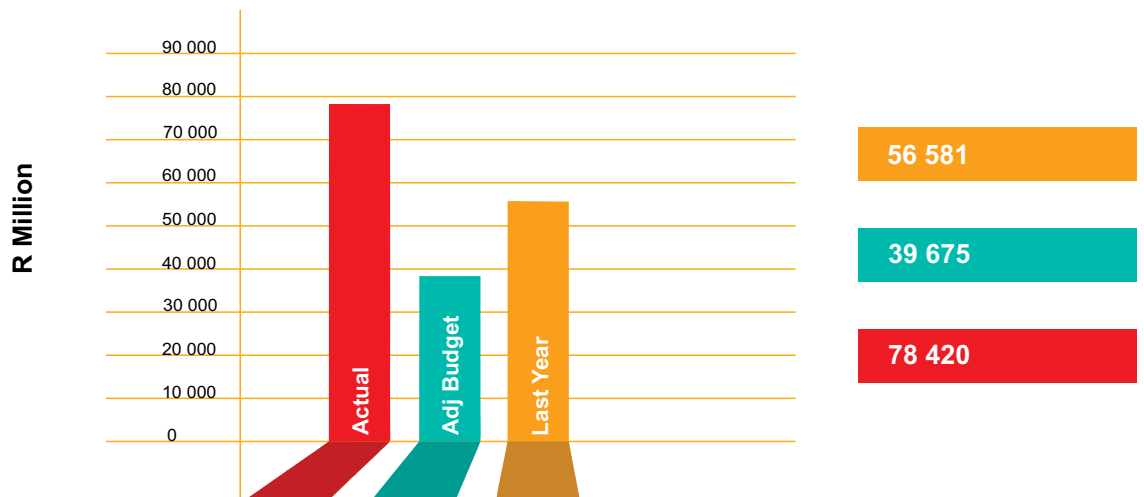
Revenue: FY 30 June 2016



Expenditure: FY 30 June 2016



Surplus: FY 30 June 2016





**Statement of Financial Position**

Non-current assets increased by R44.8 million to a total of R378.9 million as at 30 June 2016 in comparison to the R334.0 million of the 2014/2015 financial year. The increase was a net effect of the R40.5 million additions to property, plant and equipment; asset disposals and depreciation charges of R18.8 million.

The JM current ratio marginally decreased from 1.41: 1 during the 2014/2015 financial period to 1.40: 1 as at the end of the period under review. This reflects an overall stability in the company's capability to meet its short-term payment obligations.

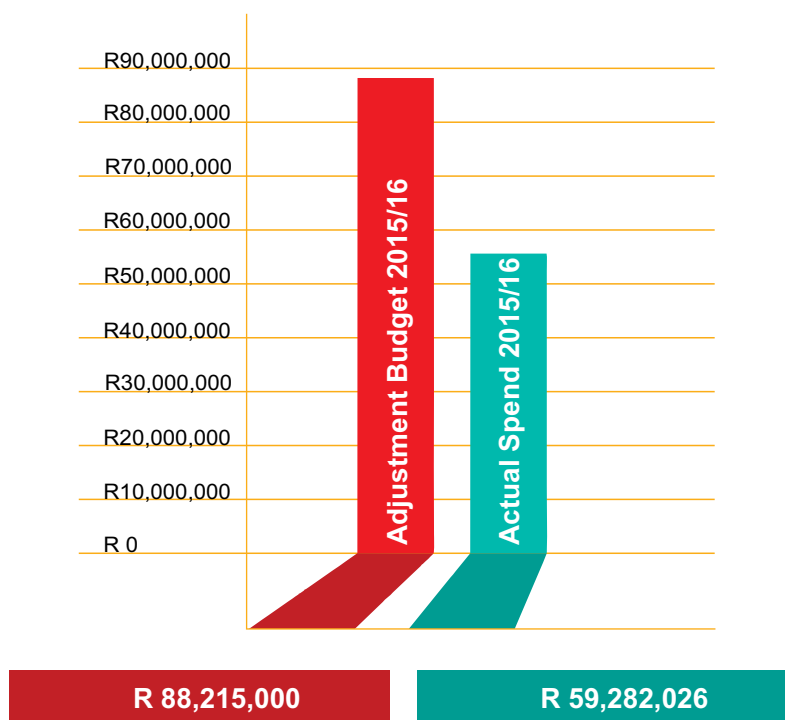
The equity ratio also increased from 59 percent as at the end of 2014/2015 to 67 percent. This means that a larger proportion of the JM total assets were funded by the Shareholder during the 2015/2016 financial year than those funded by creditors.

**Spending against Capital Budget**

The JM capital expenditure for the year under review is reflected below. The company managed to spend R59.3 million of its budget totaling R88.2 million. This represents an overall Capex spend of 67 percent of the 2015/2016 financial period. Capital expenditure budget of R13 million related to MoTF project; capital expenditure excluding MoTF was 79%.

**JM Capex Spend as at 30 June 2016**

<b>The Joburg Market (SOC) Limited - JM CAPEX Spend as at 30 June 2016</b>			
<b>JM CAPEX Number</b>	<b>JM Final Adjusted Budget R 000</b>	<b>JM Actual Spend 2016 R 000</b>	<b>Variance R 000</b>
Furniture	400,000	231,848	(168,152)
Information Technology	15,000,000	9,941,928	(5,058,072)
Land & Building	69,200,000	46,014,828	(23,185,172)
Office Equipment	-	510,400	510,400
Plant & Equipment	3,615,000	2,441,896	(1,173,104)
Plant & Equipment	-	141,125	141,125
<b>Total</b>	<b>88,215,000</b>	<b>59,282,026</b>	<b>(29,074,099)</b>





# Statement of Financial Position

Section 2:



Joburg Market SOC Limited  
Financial statements  
for the year ending 30 June 2016

The Auditor-General: South Africa



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## General Information

---

<b>COUNTRY OF INCORPORATION AND DOMICILE</b>	South Africa
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	Providing of infrastructure to distribute fresh produce mainly in the Gauteng area
<b>DIRECTORS</b>	Mr K Shubane (Chairman) Ms S Childs Mr S Mafadza Mr S Masango Mr C Molebatsi Mr S Ndlungwane Mr B Nkosi Bishop S Tsekedi Mr T Tselane
<b>REGISTERED OFFICE</b>	1 Heidelberg Road City Deep Johannesburg 2049
<b>BUSINESS ADDRESS</b>	4 Fortune Road (Off Heidelberg Road) City Deep Johannesburg 2049
<b>POSTAL ADDRESS</b>	P O Box 86007 City Deep Johannesburg 2049
<b>CONTROLLING ENTITY</b>	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
<b>BANKERS</b>	Standard Bank Limited
<b>AUDITORS</b>	The Auditor-General: South Africa
<b>SECRETARY</b>	Ms T Melk
<b>COMPANY REGISTRATION NUMBER</b>	2000/023383/07



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Section 3:

### Directors' Responsibilities and Approval

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

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

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

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

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the entity is a going concern and that the The City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The external auditors are responsible for independently auditing and reporting on the entity's financial statements. The financial statements have been examined by the entity's external auditors.

Approval of annual financial statements:

The financial statements set out on pages 8 to 61, which have been prepared on the going concern basis, were approved by the directors on 30 August 2016 and were signed on its behalf by:

---

**Mr K Shubane (Chairman)**  
Chairman

---

**Mr J Mazibuko**  
Chief Executive Officer (Acting)

Johannesburg  
30 August 2016



# Joburg Market soc Limited

(Registration number 2000/023383/07)

## Section 4:

Financial Statements for the year ending 30 June 2016

## Audit and Risk Committee Report

This Audit and Risk Committee report is presented as recommended by the King III Report on Corporate Governance and Regulation 3.1.13 of the Treasury Regulations. The Audit and Risk Committee performs its functions in accordance with section 94(7) of the Companies Act and section 166 of the Municipal Finance Management Act (MFMA). The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The Board has assigned oversight of the risk management function to the Committee, which has an oversight role with respect to financial reporting risks arising from internal financial controls, fraud and IT risks.

### Composition of the Audit Committee and Attendance:

#### Membership:

The Audit and Risk Committee consists of two non-executive directors and three independent committee members.

The CEO, CFO, Head of Internal Audit, and Risk Compliance Officer are required to attend meetings of the Committee. The external auditors together with other COJ shareholder representative attend the meetings by invitation.

#### Committee Meetings

The Committee is required to meet a minimum of four times per annum as per the provisions of the Municipal Finance Management Act (MFMA). Four ordinary and two special meetings were held during the financial year under review.

Name of Member	Role	Appointment / Resignation Date	Qualifications	No of Meetings
Mr S Masango	Non -Executive Director; Chairman	15 March 2016	<ul style="list-style-type: none"> <li>CA (SA)</li> <li>Independent Regulatory Board for Auditors</li> <li>B Compt Hons/CTA</li> </ul>	0/6*
Ms N Singh	Non -Executive Director; Chairman	26 January 2009 15 March 2016	<ul style="list-style-type: none"> <li>CA (SA)</li> <li>CCSA</li> <li>CGAP</li> <li>Certificate in Fraud Examination &amp; Forensic investigation (Cum Laude)</li> </ul>	6/6 **
Mr B Nkosi	Non -Executive Director	03 February 2015	<ul style="list-style-type: none"> <li>B.Comm (Accounting &amp; Economics)</li> <li>B.Comm Hons (Economics)</li> <li>MBL</li> </ul>	5/6
Dr V Dlamini	Non- Executive Director	03 February 2015	<ul style="list-style-type: none"> <li>PHD Economics (Agricultural, Public)</li> </ul>	6/6 **
Mr H Raborifi	Independent Committee Member	15 March 2016 03 February 2015	<ul style="list-style-type: none"> <li>B Jorris</li> <li>LLB</li> </ul>	1/6
Mr Y Gordhan	Independent Committee Member	03 February 2015	<ul style="list-style-type: none"> <li>CA (SA)</li> <li>Master of Science (Bus, Admin)</li> </ul>	6/6
Mr RS Hill	Independent Committee Member	25 February 2014	<ul style="list-style-type: none"> <li>BSc (Information Processing)</li> <li>Higher Diploma in Computer Auditing</li> <li>BSc Honours (Computer Science)</li> </ul>	5/6

- \* Appointed 15 March 2016
- \*\* Retired 15 March 2016



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Audit and Risk Committee Report

### Summary of the main activities undertaken by the Audit and Risk Committee during the year

In executing its duties, the Audit and Risk Committee performed the following activities during the year:

#### External audit

- Reviewed and approved the audit plan with the Auditor-General, with specific reference to the proposed audit scope and approach, as well as recommend the audit fee;
- Reviewed and discussed Annual Financial Statements to be included in the Annual Report, with the Auditor-General and the Accounting Officer;

#### Internal audit

- Considered the effectiveness of Internal Audit, which included approving the one-year operational and three-year strategic internal audit plans and monitored Internal Audit's adherence to its annual programme;
- Received and reviewed reports from internal auditors concerning the effectiveness of the company's internal control environment, systems and processes;
- Reviewed the adequacy and appropriateness of management's corrective action plan as a consequence of audit findings; and
- Made appropriate recommendations regarding the corrective actions to be taken as a consequence of the audit findings.

#### Risk management

- Oversee the adoption of the risk management policy, risk management framework and risk management processes, along with the development of a risk management plan.
- Monitor the implementation of the risk management policy, framework and processes
- Oversee that risk assessments are performed on a continuous basis
- Oversee that management considers and implements appropriate risk control measures
- Oversee that continuous risk monitoring by management takes place
- Make recommendations to the Board concerning the risk appetite and risk tolerance levels in line with City of Joburg Framework
- Express the committees formal opinion to the Board on the effectiveness of risk management,
- Review report concerning the risk management that is to be included in the annual report, ensuring that it is timely, comprehensive and relevant.

#### General

- Reviewed the accounting practices adopted by the company and found those to be appropriate
- Monitored the company's compliance with applicable legislation and regulations including, without limitation, the MFMA, the Treasury Regulations and the Companies Act; and
- Review items of fruitless and wasteful and irregular expenditure in terms of the MFMA.
- Finalised high risk matters in the year under review

#### Assessment of 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 in its audit.

#### Internal control environment

The internal control environment has been a focus area of management in ensuring operating effectiveness of financial controls. The system of internal control was effective for the year under review.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Audit and Risk Committee Report

The Audit and Risk Committee is satisfied with the content and quality of quarterly and yearly management reports prepared and issued by the Accounting Officer of the company during the year under review in terms of the MFMA.

### Going concern

The committee reviewed a documented assessment by management of the going concern premise of the company before recommending to the board that the company will be a going concern in the foreseeable future.

### Auditor-General South Africa

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

### Assessment of the financial function and competency of the Chief Financial Officer

As required by King III, the Audit and Risk Committee is required to assess the company's financial function as well as the competency of the Chief Financial Officer. The Audit and Risk Committee has performed this assessment and accordingly the Audit and Risk Committee is satisfied with:

- The expertise and adequacy of the resources within the financial function of the company;
- The experience of the senior members of management responsible for the financial function; and
- That the expertise and experience of the Chief Financial Officer is appropriate to meet the responsibilities commensurate with the position.

### Risk Management

The Board has assigned oversight of the company's risk management function to this Committee. The Committee fulfills an oversight role regarding enterprise wide risk management, which includes financial reporting risk, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as it relates to financial reporting.

### Annual Financial Statements

The Audit and Risk Committee has evaluated the annual financial statements for the year ended 30 June 2016 and considers that it complies, in all material aspects, with the requirements of the MFMA and the Public Audit Act, no 25 of 2004.

The Audit and Risk Committee has evaluated the Integrated Annual Report for the year ended 30 June 2016 and considers that it complies, in all material respects, with the requirements of the Companies Act, 71 of 2008 and the Municipal Finance Management Act, 56 of 2003. The Audit and Risk Committee has therefore recommended the adoption of this Integrated Annual Report by the Board of Directors at their meeting on 30 August 2016.

.....  
**Mr S. Masango CA(SA)**  
**Chairman of the Audit and Risk Committee**

**30 August 2016**  
**Johannesburg**



# Report of the Auditor-General to the Gauteng Provincial Legislature and the Council of the City of Johannesburg Metropolitan Municipality on the

## Joburg Market soc Limited

(Registration number 2000/023383/07)

Section 5:

Financial Statements for the year ending 30 June 2016

## Report on the Financial Statements

### Introduction

1. I have audited the financial statements of the Joburg Market (SOC) Limited set out on pages x to x, which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the appropriation statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), 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 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 Joburg Market (SOC) Limited as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of Grap and the requirements of the MFMA and the Companies Act.

### Emphasis of matters

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

### Significant uncertainties

8. As disclosed in note 26 to the financial statements, the municipal entity is the defendant in various court cases. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements

# Report of the Auditor-General to the Gauteng Provincial Legislature and the Council of the City of Johannesburg Metropolitan Municipality on the

## Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Report on the Financial Statements

---

### Material impairments

9. As disclosed in note 3 to the financial statements, the receivable from exchange transactions balance has been significantly impaired. The impairment of this balance amounted to R 10 238 094 (2014-15: R 10 954 258), which represents 32% (2014-15: 30%) of the total receivables from exchange transactions..

### Additional matters

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

### Other reports required by the Companies Act

11. As part of our audit of the financial statements for the year ended 30 June 2016, I have read the director's report, the audit and risk 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, I do not express an opinion on them.

### Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

### Report on other legal and regulatory requirements

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to raise findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected strategic objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2016:

- Strategic objective 1: operate a sustainable resilient world class marketing and trading facility, on pages x to x
- Strategic objective 2: create a centre of excellence empowering and developing our stakeholders, on pages x to x
- Strategic objective 5: operational excellence, on pages x to x.



# Report of the Auditor-General to the Gauteng Provincial Legislature and the Council of the City of Johannesburg Metropolitan Municipality on the

## Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Report on the Financial Statements

15. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned strategic objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPi).

16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following strategic objectives:

- Strategic objective 1: operate a sustainable resilient world class marketing and trading facility, on pages x to x
- Strategic objective 2: create a centre of excellence empowering and developing our stakeholders, on pages x to x
- Strategic objective 5: operational excellence, on pages x to x.

### Additional matter

18. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected strategic objectives, I draw attention to the following matters:

### Achievement of planned targets

19. Refer to the annual performance report on pages x to x for information on the achievement of the planned targets for the year.

### Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of strategic objective 2: create a centre of excellence empowering and developing our stakeholders and strategic objective 5: operational excellence. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

### Compliance with legislation

21. I performed procedures to obtain evidence that the municipal entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### Annual financial statements

22. 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 of the cash flow statement, property, plant and equipment and commitments identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.



# Report of the Auditor-General to the Gauteng Provincial Legislature and the Council of the City of Johannesburg Metropolitan Municipality on the

## Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

# Report on the Financial Statements

---

### **Procurement and contract management**

23. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, in contravention of SCM regulation 19(a).

### **Internal control**

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation included in this report.

### **Leadership**

25. The accounting officer did not exercise adequate oversight responsibility regarding compliance with applicable over annual financial statements preparation and compliance with procurement regulations.

### **Financial and performance management**

26. Senior management did not review and monitor compliance over annual financial statements preparation and compliance with procurement regulations.

### **Other reports**

27. I draw attention to the following engagements that could potentially impact on the municipal entity's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

### **Investigations**

28. There are various internal and external investigations in progress relating to procurement irregularities, fraud, and maladministration. The investigations were ongoing at reporting date.

Auditor General

Johannesburg  
30 November 2016



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Section 6:

## Directors' Report

---

The directors submit their report for the year ended 30 June 2016.

### 1. INCORPORATION

The entity was incorporated on 08 September 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 owned entity, engaged in providing of infrastructure to distribute fresh produce mainly in the Gauteng area and operates principally in the City of Johannesburg.

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

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements. Revenue comprising mainly of commission income increased by 12.7%. The increase is as a result of price increases of 17.8%. These increases were above long term projections. Macro factors which are prevalent in the production and trading of fresh produce have introduced some volatility in price discovery. In view of the latter it is regarded as prudent for the entity to follow its internal forecasting model.

Net surplus of the entity was R 78,420,408 (2015: surplus R 56,581,246), after taxation of R 28,872,958 (2015: R 30,496,479).

### 3. GOING CONCERN

The 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 City of Johannesburg Metropolitan Municipality, has confirmed its financial support to the entity, should it be required.

The current assets of the entity exceeds its current liabilities at year end by R59,909,396 (2015: R 57,704,411). The net liquidity position of the entity has strengthened by R3,704,985 over the last year. Included in current liabilities is an amount of R 22,276,995 (2015: R 28,897,354) relating to current portion of loans from shareholders which is payable in the coming year. The Directors are confident that the entity will meet all its obligations in the coming financial year.

### 4. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year to date of this report not otherwise dealt with in the financial statements and directors' report, which significantly affect the financial position of the entity or the results of its operations that would require adjustments to or disclosure in the annual financial statements.

### 5. DIRECTORS' PERSONAL FINANCIAL INTERESTS

None of the directors have declared any personal financial interests in any contracts entered into by the entity.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Directors' Report

---

### 6. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

There were no changes in accounting policies during the year.

### 7. SHARE CAPITAL

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

The entire shareholding of the entity is held by The City of Johannesburg Metropolitan Municipality.

Unissued ordinary shares are under the control of The City of Johannesburg Metropolitan Municipality.

### 8. BORROWING LIMITATIONS

In terms of the sale of business agreement, The Joburg Market 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 Asset and Liability Committee.

### 9. NON-CURRENT ASSETS

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

Property plant and equipment to the value of R 54,201,793 (2015: R 45,440,344) and intangible assets to the value of R 5,080,234 (2015: R1,526,282) were acquired during the year under review.

### 10. DIVIDENDS

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



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Directors' Report

### 11. DIRECTORS

The directors of the entity during the year and to the date of this report are as follows:

Name	Nationality	Changes
<b>Non-Executive Directors</b>		
Mr K Shubane (Chairman)	South African	Appointed 15 March 2016
Ms S Childs	South African	Appointed 15 March 2016
Ms M Mpofu (Chairman)	South African	Retired 15 March 2016
Dr V Dlamini	South African	Retired 15 March 2016
Mr S Mafadza	South African	
Mr S Masango	South African	Appointed 15 March 2016
Mr C Molebatsi	South African	Appointed 15 March 2016
Mr S Ndlungwane	South African	Appointed 15 March 2016
Mr B Nkosi	South African	
Dr D Sekhukhune	South African	Retired 15 March 2016
Ms N Singh	South African	Retired 15 March 2016
Bishop S Tsekedi	South African	
Mr T Tselane	South African	
Dr E Zulu	South African	Retired 15 March 2016
<b>Executive Directors</b>		
Ms S Sekgobela (Chief Executive Officer)		Retired 4 December 2015
Mr B Dhlamini (Chief Financial Officer)		Retired 30 June 2016

### 12. SECRETARY

Ms T Melk was appointed on 01 July 2013 as secretary of the entity.

Business address

4 Fortune Road (Off Heidelberg Road)  
City Deep  
Johannesburg  
2049

Postal address

P O Box 86007  
City Deep  
Johannesburg  
2049



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Directors' Report

---

### 13. CORPORATE GOVERNANCE

#### General

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

The Board of directors have endeavoured to comply with the requirements of King III including integrated and sustainability reporting, which has been adopted using the City of Johannesburg Municipality's recommended template.

#### Board of directors

The Board of directors:

- retains full control over the entity, 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 entity;
- is of a unitary structure comprising:
  - 9 non-executive directors, all of whom are independent directors as defined in the King Code of Corporate Governance.
  - 2 executive directors; Chief Executive Officer and Chief Financial Officer.

#### Chairperson and Chief Executive

The Chairman is a non-executive and independent director (as defined in the King Code of Good Corporate Governance).

The roles of Chairman and Chief Executive Officer are separate, so that no individual has unfettered powers of discretion.

#### Remuneration

The remuneration of the Chief Executive Officer and senior managers, is determined by the Board of directors in accordance with Section 89 of the Municipal Finance Management Act and the upper limits set by the City of Johannesburg Metropolitan Municipality.

#### Board and committee meetings

The directors have met on 9 separate occasions during the financial year. The directors were scheduled to meet 6 times within the year.

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

#### Audit and Risk Committee

The Audit and Risk Committee (ARC) comprises of 6 members, 3 of whom are non-executive directors and 3 independent members. The committee is constituted in accordance with Section 166 of the Municipal Finance Management Act and was chaired by Ms N Singh, who is a non-executive director. The ARC had 4 ordinary and 2 special meetings during the 2016 financial year to review matters necessary to fulfil its role. At the AGM held on 15 March 2016, Ms N Singh was retired and Mr S Masango, who is a non-executive director, was appointed as Audit and Risk Committee chair.

#### Internal audit

The internal audit function was performed internally.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Directors' Report

---

### 14. CONTROLLING ENTITY

The entity's shareholder is The City of Johannesburg Metropolitan Municipality.

### 15. SPECIAL RESOLUTIONS

There were no special resolutions taken for the year under review.

### 16. BANKERS

Standard Bank Limited.

The management of the treasury function is managed under the auspices of The City of Johannesburg Metropolitan Municipality Assets and Liabilities Committee and Treasury Department.

### 17. AUDITORS

The Auditor-General: South Africa will continue in office in accordance with the Public Audit Act No 25, section 90 of the Municipal Finance Management Act No 56 of 2003 and section 90 of the Companies Act of 2008.

### 18. CONTINGENCIES

Joburg Market has in previous financial years reported long outstanding legacy litigation matters. For the year under review the exposure on litigation matters remained the same as reported in the previous year. Disputes with employees have increased. Refer to note 26.

### 19. CURRENT INVESTIGATIONS

Procurement irregularities that necessitated investigations in the prior year, have been finalised. Disciplinary action was taken and appropriate internal processes were concluded.

## Company Secretary's Certification

---

In terms of section 88(2)(e) of the Companies Act 71 of 2008 (as 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.

-----  
Ms T Melk  
Company Secretary  
The Joburg Market (SOC) Ltd

30 November 2016



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
<b>Assets</b>			
<b>Current Assets</b>			
Loans to shareholders	2	59,680,583	36,883,676
Current tax receivable		-	2,313,045
Receivables from exchange transactions	3	41,762,675	37,855,760
VAT receivable	35	4,075,802	4,016,008
Cash and cash equivalents	4	102,435,248	112,637,880
		<b>207,954,308</b>	<b>193,706,369</b>
<b>Non-Current Assets</b>			
Investment property	5	445,654	468,536
Property, plant and equipment	6	360,348,731	324,040,798
Intangible assets	7	7,740,589	3,550,354
Deferred tax	8	10,314,716	5,964,792
		<b>378,849,690</b>	<b>334,024,480</b>
<b>Total Assets</b>		<b>586,803,998</b>	<b>527,730,849</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Loans from shareholders	2	22,276,995	28,897,354
Current tax payable		901,693	-
Finance lease obligations	9	1,373,625	1,243,422
Payables from exchange transactions	10	118,836,181	105,050,497
Provisions	11	4,656,418	2,310,683
		<b>148,044,912</b>	<b>137,501,956</b>
<b>Non-Current Liabilities</b>			
Loans from shareholders	2	42,665,209	71,231,952
Finance lease obligations	9	242,526	1,616,158
Employee benefit obligations	12	3,355,164	2,769,372
Deferred tax	8	581,586	1,117,218
		<b>46,844,485</b>	<b>76,734,700</b>
<b>Total Liabilities</b>		<b>194,889,397</b>	<b>214,236,656</b>
<b>Net Assets</b>		<b>391,914,601</b>	<b>313,494,193</b>
<b>NET ASSETS</b>			
Share capital	13	20,000,000	20,000,000
Accumulated surplus		371,914,601	293,494,193
<b>Total Net Assets</b>		<b>391,914,601</b>	<b>313,494,193</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
<b>Revenue</b>			
Commission		339,976,417	288,520,242
Storage		3,439,099	6,683,360
Rental facilities and equipment		38,685,190	37,172,879
Banana Ripening		3,754,889	5,213,365
Miscellaneous other revenue		1,094,917	1,031,102
Discount received		40,570	13,016
Grant received from shareholder		-	4,811,104
Sundry revenue		5,326,182	2,599,908
Cash handling fees		3,053,672	2,732,941
Interest received		10,138,360	10,961,753
Fair value adjustments		62,842	73,335
<b>Total revenue</b>		<b>405,572,138</b>	<b>359,813,005</b>
<b>Expenditure</b>			
Employee related costs	16	(129,766,425)	(107,323,125)
Depreciation and amortisation	19	(18,774,252)	(15,919,876)
Impairment loss	37	-	(4,915,165)
Finance costs	20	(9,626,336)	(14,620,512)
Lease rentals on operating lease		(663,307)	(423,676)
Debt Impairment	17	715,997	(2,242,201)
Repairs and maintenance		(20,164,787)	(16,809,329)
General Expenses	15	(119,967,174)	(110,416,522)
<b>Total expenditure</b>		<b>(298,246,284)</b>	<b>(272,670,406)</b>
<b>Operating surplus</b>		<b>107,325,854</b>	<b>87,142,599</b>
Loss on disposal of assets and liabilities		(32,488)	(64,874)
<b>Surplus before taxation</b>		<b>107,293,366</b>	<b>87,077,725</b>
Taxation	21	28,872,958	30,496,479
<b>Surplus for the year</b>		<b>78,420,408</b>	<b>56,581,246</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Share premium	Total share capital	Accumulated surplus	Total equity
<b>Balance at 01 July 2014</b>	<b>1</b>	<b>19,999,999</b>	<b>20,000,000</b>	<b>236,912,947</b>	<b>256,912,947</b>	
Changes in net assets						
Surplus for the year	-	-	-	56,581,246	56,581,246	
Total changes				56,581,246	56,581,246	
<b>Balance at 01 July 2015</b>	<b>1</b>	<b>19,999,999</b>	<b>20,000,000</b>	<b>293,494,193</b>	<b>313,494,193</b>	
Changes in net assets						
Surplus for the year	-	-	-	78,420,408	78,420,408	
Total changes	-	-	-	78,420,408	78,420,408	
<b>Balance at 30 June 2016</b>	<b>1</b>	<b>19,999,999</b>	<b>20,000,000</b>	<b>371,914,601</b>	<b>391,914,601</b>	



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		391,423,451	343,228,431
Interest income		10,138,360	10,961,753
		401,561,811	354,190,184
<b>Payments</b>			
Employee costs		(129 690 269)	(106,167,459)
Suppliers		(136 675 615)	(146,607,719)
Finance costs		(9,396,344)	(14,337,674)
Taxes on surpluses	24	(30,543,775)	(24,595,185)
		(306,306,003)	(291,708,037)
<b>Net cash flows from operating activities</b>	23	<b>95,255,808</b>	<b>62,482,147</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(40,920,777)	(42,168,026)
Proceeds from sale of property, plant and equipment	6	1	-
Purchase of other intangible assets	7	(5,080,234)	(1,526,282)
<b>Net cash flows from investing activities</b>		<b>(46,001,010)</b>	<b>(43,694,308)</b>
<b>Cash flows from financing activities</b>			
Proceeds from shareholders loan		-	3,528,093
Repayment of shareholders loan		(57,984,009)	944,239
Finance lease payments		(1,473,421)	(1,272,834)
Finance lease receipts		-	3,805,245
<b>Net cash flows from financing activities</b>		<b>(59,457,430)</b>	<b>7,004,743</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(10,202,632)</b>	<b>25,792,582</b>
Cash and cash equivalents at the beginning of the year		112,637,880	86,845,298
<b>Cash and cash equivalents at the end of the year</b>	4	<b>102,435,248</b>	<b>112,637,880</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)  
Financial Statements for the year ending 30 June 2016

## Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy )	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Investment revenue	2,250,000	-	2,250,000	-	-	2,250,000	10,138,360		7,888,360	451 %	451 %
Other own revenue	414,384,721	(39,319,000)	375,065,721	-	-	375,065,721	395,433,778		20,368,057	105 %	95 %
Total revenue (excluding capital transfers and contributions)	416,634,721	(39,319,000)	377,315,721	-	-	377,315,721	405,572,138		28,256,417	107 %	97 %
Employee costs	(115,056,636)	(21,912,216)	(136,968,852)	-	-	(136,968,852)	(129,766,425)		7,202,427	95 %	113 %
Debt impairment	(2,371,192)	-	(2,371,192)	-	-	(2,371,192)	715,997		3,087,189	(30)%	(30)%
Depreciation and asset impairment	(22,632,262)	4,486,614	(18,145,648)	-	-	(18,145,648)	(18,774,252)		(628,604)	103 %	83 %
Finance charges	(21,746,254)	12,055,000	(9,691,254)	-	-	(9,691,254)	(9,626,336)		64,918	99 %	44 %
Other expenditure	(155,237,656)	1,665,254	(153,572,402)	-	-	(153,572,402)	(140,827,756)		12,744,646	92 %	91 %
Total expenditure	(317,044,000)	(3,705,348)	(320,749,348)	-	-	(320,749,348)	(298,278,772)		22,470,576	93 %	94 %
Surplus/(Deficit)	99,590,721	(43,024,348)	56,566,373	-	-	56,566,373	107,293,366		50,726,993	190 %	108 %
Taxation	29,972,000	(13,080,000)	16,892,000	-	-	16,892,000	28,872,958		11,980,958	171 %	96 %
Surplus/(Deficit) for the year	69,618,721	(29,944,348)	39,674,373	-	-	39,674,373	78,420,408		38,746,035	198 %	113 %
Capital expenditure and funds sources											
Total capital expenditure	259,738,000	(171,523,000)	88,215,000	-	-	88,215,000	59,282,027		(28,932,973)	67 %	23 %

# Joburg Market soc Limited

(Registration number 2000/0233883/07)  
Financial Statements for the year ending 30 June 2016

## Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
-----------------	-----------------------------------	---	-------------------------	--------------------------

Management considers 10% or more as material. A detailed description of variances is provided below :

### **Revenue**

Investment revenue - Higher revenue has generated additional cash and interest for the entity. Good collection levels has ensured positive bank balances and additional interest income.

Other own revenue - no material difference to report. Turnover increased by 7.4% to adjustment budget mainly as a result of a increase in price per ton. Volume decreased marginally in comparison by 0.3% on prior year.

### **Expenditure**

Employee costs - within acceptable 10% variance.

Debt impairment - reversal of debt impaired due to BEE Market agents assistance program..

Depreciation and asset Impairment - marginally above budget and within the 10% variance range.

Finance charges -within the acceptable variance.

Other expenditure - within acceptable 10% variance.

### **Capital Expenditure**

The budget for the year under review for capital expenditure was R88, 2 million and the actual capital expenditure incurred by 30 June 2016 amounted to R59.3 million which represents **67%** of actual spend.

Capital expenditure for the Market of the Future was R13 million. The actual spend against the adjustment budget excluding the Market of the Future component is **79%**.





# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

---

### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the entity.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

##### Trade receivables

The entity assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

---

### Impairment testing

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

### Employee benefit Obligation

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.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

### Effective interest rate

The entity uses an appropriate interest rate taking into account guidance provided in the accounting standards and applying professional judgment, to the specific circumstances, to discount future cash flows.

### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### Useful lives and residual value

The useful lives of property, plant and equipment are reviewed at each reporting date. Their useful lives are estimated by management based on historical analysis and other available information.

The residual values of property, plant and equipment are reviewed at each balance sheet date. Their residual values are estimated by management based on historical analysis and other available information.

The carrying amounts of the assets are disclosed in note 6.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of investment property have been assessed as follows:

Item	Average useful life
Investment Property	30 years

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.4 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.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

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 through a non-exchange transaction, 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 are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Plant and machinery	Straight line	10 - 14 years
Furniture and fixtures	Straight line	7 - 13 years
Motor vehicles	Straight line	8 - 10 years
Office equipment	Straight line	7 - 10 years
IT equipment	Straight line	5 - 10 years
Finance leased assets	Straight line	3 - 5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. 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.

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.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable 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.

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.

Internally generated goodwill is not recognised as an intangible asset.

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	3 - 5 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

---

### 1.6 Financial instruments

#### Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

#### Initial recognition and measurement

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

The entity 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.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### Impairment of financial assets

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### Loans to (from) economic entities

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

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

#### Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

---

### 1.8 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 interest rate implicit in the lease.

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.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rent is recognised separately as revenue when received or receivable and are not straight-lined over the lease term.

Income for leases is disclosed under revenue in statement of financial performance.

#### 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.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rent is recognised separately as expenditure when paid or payable and are not straight-lined over the lease term.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

### 1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

### 1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

### 1.6 Financial instruments (continued)

#### 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 uncollectable, 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.

Trade and other receivables are classified as loans and receivables.

#### 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 recorded at fair value and subsequently recorded at amortised cost.

#### 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.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

### 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.

### Impairment of financial assets

The entity assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

### 1.7 Tax

#### Current tax assets and liabilities

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 end of the reporting period.

#### Deferred tax assets and liabilities

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 surplus 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 surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### 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



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

---

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less cost to sell and its value in use.

### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets' remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### 1.11 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 entity are classified according to the substance of the contractual arrangements entered into.

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



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

---

### 1.12 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 surplus sharing and 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 they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

---

### 1.12 Employee benefits (continued)

#### Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is 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. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- the entity 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 at the reporting date.

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 entity 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 reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

### 1.14 Revenue from exchange transactions

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

### Borrowing costs (continued)

The entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any
- investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

### Borrowing costs (continued)

The entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any
- investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

### Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of expense and when recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.21 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Accounting Policies

---

### 1.22 Budget information

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury. Refer to the Appropriation Statement.

### 1.23 Statements on GRAP not yet effective

At the date of authorisation of these Annual Financial Statements, the following standards of GRAP were in issue but not yet effective or adopted during the period under review:

GRAP 20 - Related Parties.

GRAP 32 - Service concession arrangements : Grantor.

GRAP 108 - Statutory Receivables.

GRAP 109 - Accounting by Principles and Agents.

The effect as a result of the adoption of the above GRAP standards will have no material impact on the financial statements.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>2. LOANS TO/(FROM) SHAREHOLDER</b>		
City of Johannesburg Metropolitan Municipality - Capital expenditure loans	(64,942,204)	(100,129,306)
Sweeping account	59,680,583	36,883,676
	<b>(5,261,621)</b>	<b>(63,245,630)</b>
Current assets	59,680,583	36,883,676
Non-current liabilities	(42,665,209)	(71,231,952)
Current liabilities	(22,276,995)	(28,897,354)
	<b>(5,261,621)</b>	<b>(63,245,630)</b>

### Credit quality of loans to shareholder

The credit quality of loans to shareholder that are neither past due nor impaired can be assessed by reference to external credit ratings and to historical information about counterparty default rates.

### Fair value of loans to and from shareholder

Loans to shareholder	59,680,583	36,883,676
Loans from shareholders	64,942,204	100,129,306

### Loans to shareholder past due but not impaired

Loans to shareholder which are less than 3 months past due are not considered to be impaired. At 30 June 2016 R - (2015:R-) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	59,680,583	36,883,676
------------------	------------	------------

### Capital expenditure claim

Loans at beginning of the year	-	3,528,093
Payments received	-	(3,528,093)
	-	-

Capital expenditure (Capex) amount due from City of Johannesburg Metropolitan Municipality. This loan is unsecured, interest free and payable within 3 months.

### Current account

Loans at beginning of the year	-	(3,528,093)
Converted to long term loan	-	3,528,093
	-	-

This loan is unsecured and interest free. This amount was converted into a long term loan within 3 months.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 2. LOANS TO/(FROM) SHAREHOLDER (continued)

#### Capital expenditure loans

Loans at beginning of the year	(100,129,306)	(144,860,909)
Receipts	-	(3,528,093)
Repayments	43,710,682	61,729,288
Interest	(8,523,580)	(13,469,592)
	<b>(64,942,204)</b>	<b>(100,129,306)</b>

The Capex loans bear interest between 9% and 10,9%, compounded monthly. The capital repayments are not fixed and the loans are repayable in forty quarterly installments over the duration of the contracts

#### Sweeping account

Loan at beginning of the year	36,883,676	86,087,611
Receipts	62,516,791	4,250,317
Repayments	(43,710,682)	(61,729,288)
Interest	3,990,798	8,275,036
	<b>59,680,583</b>	<b>36,883,676</b>

The sweeping account loan is unsecured and bears interest at an average rate of 6.0% per annum. The bank balance for the business account is rolled over on a daily basis into the sweeping account. The loan is repayable on demand.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>3 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade debtors	32,136,920	36,542,399
Prepayments	154,907	251,791
Operating lease receivables	571,280	591,508
Less : Provision for impairment	(10,238,094)	(10,954,258)
Sundry debtors	13,043,447	7,616,962
Related party debtors	6,240,226	3,890,407
Adjustment for fair value at amortised cost	(146,011)	(83,049)
	<b>41,762,675</b>	<b>37,855,760</b>

### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 22,013,409 (2015: R 24,839,167) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	19,723,098	21,285,972
2 months past due	1,118,713	1,818,159
3 months past due	1,171,599	1,735,036

### Trade and other receivables impaired

As of 30 June 2016, trade and other receivables of R 10,238,094 (2015: R 10,954,258) were impaired and provided for.

The ageing of these loans is as follows:

3 to 6 months	567,089	742,314
Over 6 months	9,671,005	10,211,944

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	(10,954,258)	(8,875,668)
Provision for impairment	(1,954,645)	(2,398,130)
Amounts written off as uncollectible	-	147,969
Unused amounts reversed	2,670,809	171,571
	<b>(10,238,094)</b>	<b>(10,954,258)</b>

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 17). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivables mentioned above. The entity does not hold any collateral as security.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	12,000	12,000
Bank balances	102,423,248	112,625,880
	<b>102,435,248</b>	<b>112,637,880</b>

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA Bank - Deposit account - 405-439-4655	3,173,306	2,733,858	6,118,142	3,173,306	(793,356)	2,590,928
ABSA Bank - Business account - 405-439-4663	1,623,312	1,375,181	1,072,633	1,623,312	1,375,181	1,072,633
ABSA Bank - RD cheque account - 405-439-4689	(3,424)	(1,938)	(793)	(3,424)	(1,938)	(793)
ABSA Bank - Trust - 405-442-3252	(4,193)	(2,704)	(1,444)	(4,193)	(2,704)	(1,444)
ABSA Bank - Salary account - 405-439-4671	(1,510)	(295)	(1,466)	(1,510)	(295)	(1,466)
ABSA Bank - charges account - 405-515-0630	(30,553)	(26,405)	(15,484)	(30,553)	(26,405)	(15,484)
First National Bank - Business account - 620-124-71257	678,251	2,722,868	2,188,651	678,251	2,722,868	2,188,651
First National Bank - Deposit account - 513-909-61353	-	-	-	-	-	(447,748)
Standard Bank - Deposit account - 000-197-033	93,195,580	107,361,783	77,809,350	96,186,726	108,582,621	80,503,390
Standard Bank - RD cheque account - 000-196-991	792,510	837,820	943,740	792,510	837,820	943,740
Standard Bank - Business account - 000-196-916	-	-	-	8,821	(67,912)	891
<b>Total</b>	<b>99,423,279</b>	<b>115,000,168</b>	<b>88,113,329</b>	<b>102,423,246</b>	<b>112,625,880</b>	<b>86,833,298</b>

Standard Bank is the entity's official banker. ABSA accounts remain open, however only the ABSA deposit account is active for deposits only. ABSA deposit account is swept periodically to the Standard Bank deposit account. First National Bank deposit account has remained open and active to accommodate buyers in areas where Standard Bank is not available.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand		2016			2015		
5	<b>INVESTMENT PROPERTY</b>	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
	Investment property	811,061	(365,407)	445,654	811,061	(342,525)	468,536

### Reconciliation of investment property - 2016

	Opening balance	Impairments	Total
Investment property	468,536	(22,882)	445,654

### Reconciliation of investment property - 2015

	Opening balance	Impairments	Total
Investment property	491,355	(22,819)	468,536

### Details of property

Investment property that was purchased from The City of Johannesburg Metropolitan Municipality, in terms of the sale of business agreement, dated 03 July 2000, has not yet been transferred into the name of the entity due to the absence of a framework provided by Section 14(6) of the Municipal Finance Management Act 2003. National Treasury has been engaged by The City of Johannesburg Metropolitan Municipality with the aim of resolving the matter.

### Investment Property consists of the following:

Stand 118 City Deep Extension 2, Johannesburg, Gauteng - comprising of retail shops.

The market value of the property as determined by an independent valuator as at 21 October 2015 is R22,524,000.

An external, independent valuation entity, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the entity's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the entity and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

The gross property rental income earned by the entity from its investment property, all of which are leased out under gross operating leases, amounted to R1,386,010 (2015: R1,303,197).  
Expenditure incurred during the year on investment property amounted to RNil (2015:RNil).



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 6. PROPERTY, PLANT AND EQUIPMENT

	2016		2015	
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost
			and accumulated depreciation and impairment	Carrying value
Land	17,639,000	-	17,639,000	17,639,000
Buildings	339,861,987	(97,545,254)	242,316,733	312,129,838
Plant and machinery	40,537,457	(11,974,469)	28,562,988	36,896,772
Furniture and fixtures	4,019,136	(2,475,375)	1,543,761	3,867,971
Motor vehicles	1,610,253	(1,034,380)	575,873	1,469,128
Office equipment	1,471,221	(731,368)	739,853	1,246,572
IT equipment	24,608,698	(12,644,730)	11,963,968	21,583,004
Capital work in progress	55,708,470	-	55,708,470	41,518,452
Finance lease assets	3,337,934	(2,039,849)	1,298,085	3,337,934
<b>Total</b>	<b>488,794,156</b>	<b>(128,445,425)</b>	<b>360,348,731</b>	<b>439,688,671</b>
				<b>(115,647,873)</b>
				<b>324,040,798</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)  
 Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 6. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17,639,000	-	-	-	-	17,639,000
Buildings	225,127,263	8,070,364	-	19,661,785	(10,542,679)	242,316,733
Plant and machinery	27,898,054	3,466,777	-	173,908	(2,975,751)	28,562,988
Furniture and fixtures	1,671,763	206,412	(3,272)	-	(331,142)	1,543,761
Motor vehicles	582,076	141,125	-	-	(147,328)	575,873
Office equipment	661,482	233,400	(7,708)	-	(147,321)	739,853
IT equipment	11,442,746	3,142,838	(21,509)	-	(2,600,107)	11,963,968
Capital work in progress	36,603,286	38,940,877	-	(19,835,693)	-	55,708,470
Finance lease assets	2,415,128	-	-	-	(1,117,043)	1,298,085
	<b>324,040,798</b>	<b>54,201,793</b>	<b>(32,489)</b>		<b>(17,861,371)</b>	<b>360,348,731</b>

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17,639,000	-	-	-	-	-	17,639,000
Buildings	210,925,998	920,618	-	23,064,947	(9,784,300)	-	225,127,263
Plant and machinery	9,006,210	2,312,533	-	17,931,054	(1,351,743)	-	27,898,054
Furniture and fixtures	1,647,592	360,625	-	-	(336,454)	-	1,671,763
Motor vehicles	728,960	-	-	-	(146,884)	-	582,076
Office equipment	579,209	206,274	-	-	(124,001)	-	661,482
IT equipment	11,560,823	2,519,591	(64,874)	-	(2,572,794)	-	11,442,746
Capital work in progress	46,731,684	35,782,769	-	(40,996,001)	-	(4,915,166)	36,603,286
Finance lease assets	41,413	3,337,934	-	-	(964,219)	-	2,415,128
	<b>298,860,889</b>	<b>45,440,344</b>	<b>(64,874)</b>	<b>-</b>	<b>(15,280,395)</b>	<b>(4,915,166)</b>	<b>324,040,798</b>

# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 6. PROPERTY, PLANT AND EQUIPMENT (continued)

The following leased assets are included in Property, Plant and Equipment listed above

#### Assets subject to finance lease (Net carrying amount)

Finance lease assets	1,298,085	2,415,128
----------------------	-----------	-----------

#### Details of properties

Freehold land and buildings to the value of R 77,582,957 were purchased from The City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement dated 03 July 2000, but/and has not yet been transferred into the name of the entity due to the absence of a framework provided by Section 14(6) of the Municipal Finance Management Act 2003. National Treasury has been engaged by The City of Johannesburg Metropolitan Municipality with the aim of resolving the matter.

#### Land and buildings comprise of the following properties:

Stand 117 City Deep Extension 2, Johannesburg, Gauteng - Market floors, retail outlets and an office block.

### 7. INTANGIBLE ASSETS

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	9,506,951	(1,766,362)	7,740,589	4,426,717	(876,363)	3,550,354

#### Reconciliation of intangible assets - 2016

	Opening balance	Transfers	Amortisation	Total
Computer software	3,550,354	5,080,234	(889,999)	7,740,589

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	2,640,730	1,526,282	(616,658)	3,550,354



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>8 DEFERRED TAX</b>		
<b>Deferred tax liability</b>		
Deferred tax liability - Trade and other receivables	(218,119)	-
Deferred tax liability - Leases	(363,467)	(829,896)
<b>Total deferred tax liability</b>	<b>(581,586)</b>	<b>(829,896)</b>
<b>Deferred tax asset</b>		
Trade and other receivables	2,190,883	(287,322)
Health care and Leases deferred tax asset	1,393,316	772,292
Trade and other payables and provisions	6,730,517	5,192,500
<b>Total deferred tax asset</b>	<b>10,314,716</b>	<b>5,677,470</b>
Deferred tax liability	(581,586)	(829,896)
Deferred tax asset	10,314,716	5,677,470
<b>Total net deferred tax asset</b>	<b>9,733,130</b>	<b>4,847,574</b>
<b>Reconciliation of deferred tax asset \ (liability)</b>		
At beginning of year	4,847,574	10,901,893
Movement in temporary timing differences	4,885,556	(6,054,319)
	<b>9,733,130</b>	<b>4,847,574</b>
<b>9 FINANCE LEASE OBLIGATION</b>		
<b>Minimum lease payments due</b>		
- within one year	(1,473,415)	(1,473,415)
- in second to fifth year inclusive	(245,569)	(1,718,984)
	(1,718,984)	(3,192,399)
less: future finance charges	102,826	332,818
<b>Present value of minimum lease payments</b>	<b>(1,616,158)</b>	<b>(2,859,581)</b>
<b>Present value of minimum lease payments due</b>		
- within one year	(1,373,625)	(1,243,422)
- in second to fifth year inclusive	(242,533)	(1,616,158)
	<b>(1,616,158)</b>	<b>(2,859,580)</b>
Non-current liabilities	242,526	1,616,158
Current liabilities	1,373,625	1,243,422
	<b>1,616,151</b>	<b>2,859,580</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### FINANCE LEASE OBLIGATION (continued)

It is entity policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2015: 11%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The entity has not defaulted on any of its interest or capital repayments during the year, and none of the terms and conditions of the finance leases were re-negotiated.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 6.

### 10 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	79,551,473	70,130,654
Accrued leave pay	6,978,710	5,247,206
Accrued staff 13th cheques	2,980,569	2,771,059
Accruals	2,137,613	1,875,929
Payroll and sundry accruals	12,438,643	18,640,918
Related party creditor	14,749,173	6,384,731
	<b>118,836,181</b>	<b>105,050,497</b>

The entity has not defaulted on any of its payments. The terms and conditions of trade and other payables were not renegotiated.

The carrying amounts of the financial liabilities approximates their fair value due.

The accounting policies for financial instruments have been applied to the line items below:

#### Fair value of trade and other payables

Trade payables	118,836,181	105,022,540
----------------	-------------	-------------

### 11. PROVISIONS

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonus	2,310,683	2,431,335	(85,600)	4,656,418

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal proceedings	18,500,000	-	(18,500,000)	-	-
Performance Bonus	1,607,431	2,100,698	(771,695)	(625,751)	2,310,683
	<b>20,107,431</b>	<b>2,100,698</b>	<b>(19,271,695)</b>	<b>(625,751)</b>	<b>2,310,683</b>

Performance evaluation for bonuses is only performed after year end and the provision is based on management's best estimate of the expected outflow of economic benefits based on past experience.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 12 EMPLOYEE BENEFIT OBLIGATIONS

#### 12.1 Defined benefit plan

The actuarial valuations were done by Arch Actuarial Consulting CC, an independent post retirement plan administrator, and they determined that the retirement plans were in a sound financial position, taking into account the notional loan account receivable from The City of Johannesburg Metropolitan Municipality.

#### Post-retirement liability

Post-Retirement Medical Aid Plan	(934,610)	(298,761)
Retirement Gratuity Plan	(2,420,554)	(2,470,611)
	<b>(3,355,164)</b>	<b>(2,769,372)</b>

#### 12.1.1 Post retirement medical aid plan

The Joburg Market SOC Limited has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. There is currently 2 qualifying staff member.

#### Movements for the year

Opening balance	298,761	594,000
Net expense recognised in the statement of financial performance	635,849	(295,239)
	<b>934,610</b>	<b>298,761</b>

#### Net expense recognised in the statement of financial performance

Current service cost	5,689	22,000
Interest cost	24,502	54,000
Actuarial (gains) losses	651,976	(371,239)
Curtailement or settlement	(46,318)	-
	<b>635,849</b>	<b>(295,239)</b>

#### Key assumptions used

Assumptions used on last valuation on 30 June 2016

Discount rates used	8.72%	8.20%
Expected increase in salaries	7.38%	6.99%

The liability is sensitive to the real rate of return earned (i.e. the difference between the rate of discount and the rate at which medical aid contributions increase) as illustrated below :

- 1% decrease in discount rate will increase the liability to R1,053,125.
- 1% increase in discount rate will decrease the liability to R836,353.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### EMPLOYEE BENEFIT OBLIGATIONS (continued)

#### 12.1.2 Post retirement gratuity plan

The Joburg Market SOC Limited provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with The City of Johannesburg Metropolitan Municipality or The Joburg Market SOC Limited when they were not members of one of the retirement funds and who meet certain service requirements in terms of The City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service. There are currently 13 qualifying staff members.

The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of The Joburg Market SOC Limited who are entitled to benefits that relate to their service with The City of Johannesburg Metropolitan Municipality from the time that the entity was established. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account and against which the entity may claim benefit payments, made. This loan does not constitute a plan asset and in terms of GRAP 25 cannot be offset against the liability. It has however been included in the assets of The Joburg Market SOC Limited.

The plan is a post-employment gratuity benefit plan.

#### Movements for the year

Opening balance	2,470,611	2,597,000
Net expense recognised in the statement of financial performance	(50,057)	(126,389)
	<b>2,420,554</b>	<b>2,470,611</b>

#### Net expense recognised in the statement of financial performance

Interest cost	187,075	223,000
Actuarial (gains) losses	(3,294)	(349,389)
Curtailement or settlement	(233,838)	-
	<b>(50,057)</b>	<b>(126,389)</b>

#### Key assumptions used

Assumptions used on last valuation on 30 June 2016

Discount rates used	8.72%	8.20%
Expected increase in salaries	7.38%	6.99%

The liability is sensitive to the real rate of return earned (i.e. the difference between the rate of discount and the rate at which medical aid contributions increase) as illustrated below :

- 1% increase in discount rate will decrease the liability to R2,320,000.
- 1% decrease in discount rate will increase the liability to R2,531,612.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

### 12. EMPLOYEE BENEFIT OBLIGATIONS (continued)

#### 12.2 Defined contribution plan

All employees transferred from The City of Johannesburg Metropolitan Municipality belong to various defined benefit plans established by The City of Johannesburg Metropolitan Municipality. New employees belong to the entity's retirement fund, a defined contribution plan established subsequent to the date of acquisition.

The total amount recognised as an expense for defined contribution plans for the year amounts to R9,076,993 (2015: R7,315,009).

During 2005 the City entered into an agreement with the Johannesburg Municipal Pension Fund and the City of Johannesburg Pension Fund to the effect that, in return for payment of an amount of R400 million plus interest from 1 January 2006:

- Except as set out below, the assets and liabilities of the City of Johannesburg Pension Fund will be merged into the Johannesburg Municipal Pension Fund and the City will sever all financial ties with the latter Fund.
- The City of Johannesburg Pension Fund will be converted into a defined contribution fund. Members will be given the option of remaining as members of the Fund and accruing future benefits on a defined contribution basis or of joining the. The Joburg Market Retirement Fund in respect of the accrual of future service benefits. Pensioners will be given the opportunity to transfer to an insurer instead of remaining pensioners of the Johannesburg Municipal Pension Fund.
- The settlement amount is to be adjusted to allow for any excess contributions paid until the effective date and for the cost of bonus service in respect of exited members.

The necessary provisions have been made in The City of Johannesburg Metropolitan Municipality financial statements.

### 13. SHARE CAPITAL

#### Authorised

1 000 000 Ordinary shares of R0.01	10,000	10,000
------------------------------------	--------	--------

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

#### Issued

1 Ordinary share rounded up to R1	1	1
Share premium	19,999,999	19,999,999
	<b>20,000,000</b>	<b>20,000,000</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 14 REVENUE

Commission	339,976,417	288,520,242
Storage	3,439,099	6,683,360
Rental facilities and equipment	38,685,190	37,172,879
Banana ripening fees	3,754,889	5,213,365
Miscellaneous other revenue	1,094,917	1,031,102
Discount received	40,570	13,016
Grant received from shareholder	-	4,811,104
Sundry revenue	5,326,182	2,599,908
Cash handling fees	3,053,672	2,732,941
Interest received	10,138,360	10,961,753
Fair value adjustments	62,842	73,335
	<b>405,572,138</b>	<b>359,813,005</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Commission	339,976,417	288,520,242
Storage	3,439,099	6,683,360
Rental facilities and equipment	38,685,190	37,172,879
Banana ripening fees	3,754,889	5,213,365
Miscellaneous other revenue	1,094,917	1,031,102
Discount received	40,570	13,016
Grant received from shareholder	-	4,811,104
Sundry revenue	5,326,182	2,599,908
Cash handling fees	3,053,672	2,732,941
Interest received	10,138,360	10,961,753
	<b>405,509,296</b>	<b>359,739,670</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

Fair value adjustments	62,842	73,335
------------------------	--------	--------



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>15 GENERAL EXPENSES</b>		
Advertising	4,649,070	5,122,668
Assets expensed	84,293	270,523
Auditors remuneration	2,321,261	1,753,173
Bank charges	5,502,112	4,992,749
Cash Losses	135,000	-
Cleaning	5,748,809	6,121,508
Conferences and seminars	1,098,221	1,266,009
Consulting and professional fees	11,956,866	9,262,298
Consumables	1,280,553	1,056,791
Donations	1,219,664	706,697
Electricity	30,608,168	26,033,692
Entertainment	-	9,951
Gifts	46,221	84,060
Hostel charges	70,885	97,038
Insurance	708,328	1,282,320
IT expenses	4,606,974	3,958,648
Irregular, fruitless and wasteful expenditure	-	109
Marketing	2,932,815	465,938
Motor vehicle expenses	1,612,544	1,747,738
Placement fees	228,551	745,413
Postage and courier	3,728	4,694
Printing and stationery	705,107	2,271,748
Protective clothing	932,813	670,739
Refuse	7,863,583	9,493,919
Secretarial fees	30,446	-
Security (Guarding of municipal property)	16,989,164	15,695,878
Sewerage and waste disposal	5,299,889	4,018,915
Staff welfare	1,382,117	1,172,412
Subscriptions and membership fees	365,855	289,646
Telephone and fax	866,988	935,398
Training	2,153,462	1,882,776
Travel - local	598,997	381,025
Travel - overseas	253,785	2,382,860
Water	7,710,905	6,239,189
	<b>119,967,174</b>	<b>110,416,522</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 16. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	86,381,420	83,681,568
Overtime payments	900,162	779,992
Bonus - 13th cheque and performance	7,777,780	6,435,830
UIF	523,020	489,911
WCA	862,925	699,233
SDL	998,620	929,386
Other payroll costs	6,124,144	4,699,815
Leave pay provision charge	3,570,039	1,461,743
Pension costs	680,656	769,221
Gratuities	259,428	61,417
Provident fund	12 21,688,231	7,315,009

**129,766,425****107,323,125**

### 17. DEBT IMPAIRMENT

Debt impairment	166	15,642
Contributions to debt impairment provision	(716,163)	2,226,559

**(715,997)****2,242,201**

Debt provided for BEE Agents cold storage was written back.

### 18. INTEREST RECEIVED

<b>Interest revenue</b>		
Bank	5,900,458	2,434,957
Interest earned - outstanding debtors	153,913	251,760
Interest earned - sweeping account	3,990,798	8,275,036
Interest received - other	93,191	-

**10,138,360****10,961,753**

### 19. DEPRECIATION AND AMORTISATION

Property, plant and equipment	17,861,371	15,280,399
Investment property	22,882	22,819
Intangible assets	889,999	616,658

**18,774,252****15,919,876**



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 20. FINANCE COSTS

Interest paid on shareholder loans	8,523,580	13,469,592
Finance leases	229,992	282,838
Bank	13,813	3,283
Fair value adjustments: Notional interest	637,774	558,040
Other interest paid	221,177	306,759
	<b>9,626,336</b>	<b>14,620,512</b>

### 21. TAXATION

#### Major components of the tax expense

##### Current

Local income tax - current period 3	4,459,512	24,472,447
Local income tax - recognised in current tax for prior periods	(700,999)	(30,286)
	<b>33,758,513</b>	<b>24,442,161</b>

##### Deferred

Originating and reversing temporary differences	(4,885,555)	6,054,318
	<b>28,872,958</b>	<b>30,496,479</b>

#### Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %
Disallowable charges	(0.50)%	(0.20)%
Current tax - prior period adjustment	(0.65)%	(0.03)%
	<b>26.85 %</b>	<b>27.77 %</b>

### 22. AUDITOR'S REMUNERATION

Fees	2,321,261	1,753,173
------	-----------	-----------



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 23 CASH GENERATED FROM OPERATIONS

Surplus	78,420,408	56,581,246
<b>Adjustments for:</b>		
Depreciation and amortisation	18,774,252	15,919,876
(Gain) loss on sale of assets and liabilities	32,488	64,874
Finance costs - Finance leases	229,992	282,838
Impairment deficit	-	4,915,165
Debt impairment	(715,997)	2,242,201
Movements in retirement benefit assets and liabilities	585,792	(421,628)
Movements in provisions	2,345,735	(17,796,748)
Movement in tax receivable and payable	3,214,738	(153,024)
Annual charge for deferred tax	(4,885,555)	6,054,318
Other non-cash items - payables capital expenditure accrued	(13,281,015)	(3,272,318)
Other non-cash items	-	8
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(3,190,918)	(7,778,670)
Payables from exchange transactions	13,785,682	8,667,007
VAT	(59,794)	(2,822,998)
	<b>95,255,808</b>	<b>62,482,147</b>

### 24 TAX PAID

Balance at beginning of the year	2,313,045	2,160,021
Current tax for the year recognised in surplus or deficit	(33,758,513)	(24,442,161)
Balance at end of the year	901,693	(2,313,045)
	<b>(30,543,775)</b>	<b>(24,595,185)</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 25. COMMITMENTS

#### Commitments in respect of capital expenditure:

##### Authorised and contracted for

• Property, plant and equipment	16,829,137	17,863,390
---------------------------------	------------	------------

##### Total capital commitments

Not yet contracted for and authorised by directors	16,829,137	17,863,390
--	------------	------------

This committed expenditure relates to plant and equipment and will be financed by available bank facilities.

#### Operating leases - as lessee (Fleet)

##### Minimum lease payments due

- within one year	310,595	414,126
- in second to fifth year inclusive	-	310,595

<b>310,595</b>	<b>724,721</b>
----------------	----------------

#### Operating leases – as lessor (income)

##### Minimum lease payments due

- within one year	8,698,726	6,943,907
- in second to fifth year inclusive	2,224,251	6,474,475
- later than five years	446,132	-

<b>11,369,109</b>	<b>13,418,382</b>
-------------------	-------------------

### 26. CONTINGENCIES

#### Economic entity

##### Other contingencies

The total estimated claims amount to R7,917,732 which is in respect of disputes with suppliers, the company is of the view that this represents the maximum exposure. The company in consultation with its legal counsel has assessed the outcome of these proceedings and the likelihood that these cases will be successfully defended, no further provision is required.

##### Disputes with employees

The entity is involved in six (6) litigation matters and disputes relating to former employees. The directors are of the opinion that the claims can be successfully defended by the company.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 27 RELATED PARTIES

#### Relationships

Shareholder

Other members of the group

The City of Johannesburg Metropolitan Municipality  
 Johannesburg Social Housing Company SOC Ltd  
 Joburg City Theatres (SOC) Ltd  
 City Power Johannesburg SOC Ltd  
 Pikitup Johannesburg (SOC) Ltd  
 Johannesburg Roads Agency (SOC) Ltd  
 Johannesburg City Parks (SOC) Ltd  
 Joburg Property Company  
 Johannesburg Development Agency  
 Johannesburg Metropolitan Bus Service  
 Johannesburg Water

#### Related party balances

##### Amounts owing by related parties

City of Johannesburg Metropolitan Municipality	65,776,511	40,545,846
Pikitup Johannesburg (SOC) Ltd	144,300	228,236
	<b>65,920,811</b>	<b>40,774,082</b>

##### Amounts owing to related parties

City of Johannesburg Metropolitan Municipality	76,535,333	111,030,840
City Power Johannesburg SOC Ltd	4,560,000	-
Joburg Theatre (SOC) Ltd	6,525	-
Johannesburg Roads Agency (SOC) Ltd	-	149,937
Johannesburg Social Housing Company SOC Ltd	7,202	12,019
	<b>81,109,060</b>	<b>11,192,796</b>

#### Related party transactions

##### Sales to related parties

City of Johannesburg Metropolitan Municipality	18,730,097	11,894,904
City of Johannesburg Metropolitan Municipality - Grant received	-	4,834,877
Pikitup Johannesburg (SOC) Ltd	639,964	482,598
Johannesburg City Parks (SOC) Ltd	15,053	126,713
	<b>19,385,114</b>	<b>17,339,092</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### Purchases from related parties

Revenue and Customer Relations	555,312	50,083,027
Pikitup Johannesburg (SOC) Ltd	10,004,122	-
City Power Johannesburg SOC Ltd	35,277,026	-
Johannesburg Water (SOC) Ltd	13,405,449	-
Johannesburg Theatre (SOC) Ltd	106,645	-
Johannesburg Roads Agency (SOC) Ltd	1,097,690	131,524
	<b>60,446,244</b>	<b>50,214,551</b>

### Interest paid to related parties

City of Johannesburg Metropolitan Municipality (loans)	8,523,580	13,469,593
City of Johannesburg Metropolitan Municipality	201,748	-
City of Johannesburg Metropolitan Municipality	(3,990,798)	-
	<b>4,734,530</b>	<b>13,469,593</b>

### Insurance paid to related party

City of Johannesburg Metropolitan Municipality	683,782	1,222,824
--	---------	-----------

### WCA occupational health and safety paid to related party

City of Johannesburg Metropolitan Municipality	862,925	699,233
--	---------	---------

## 28 DIRECTORS' EMOLUMENTS

### Executive

2016	Emoluments	Other benefits	Total
For services as Chief Executive Officer	3,180,657	31,638	3,212,295
For services as Chief Financial Officer	2,778,412	-	2,778,412
For services as Senior Management	6,909,647	293,545	7,203,192
	<b>12,868,716</b>	<b>325,183</b>	<b>13,193,899</b>

2015	Emoluments	Other benefits	Total
For services as Chief Executive Officer (4.5 months)	2,811,754	6,378	2,818,132
For services as Chief Financial Officer	1,845,569	147,328	1,992,897
For services as Senior Management	4,907,561	49,816	4,957,377
	<b>9,564,884</b>	<b>203,522</b>	<b>9,768,406</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

### 28. DIRECTORS' EMOLUMENTS (continued)

Non-executive

2016	Directors' fees	Retainer	Other fees	Total
Mr K Shubane (Chairman)	57,040	-	-	57,040
Ms M Mpofu (Chairman)	155,153	29,756	2,700	187,609
Ms S Childs	34,224	-	-	34,224
Dr V Dlamini	126,654	14,880	115,482	257,016
Mr S Mafadza	82,146	19,840	15,536	117,522
Mr S Masango	28,520	-	-	28,520
Mr C Molebatsi	34,224	-	-	34,224
Mr S Ndlungwane	22,816	-	-	22,816
Mr B Nkosi	117,503	19,840	-	137,343
Dr D Sekhukhune	85,572	14,880	2,700	103,152
Ms N Singh	159,732	14,880	2,700	177,312
Bishop S Tsekeledi	81,008	19,840	-	100,848
Mr T Tselane	85,574	19,840	3,600	109,014
Dr E Zulu	74,172	-	2,700	76,872
	<b>1,144,338</b>	<b>153,756</b>	<b>145,418</b>	<b>1,443,512</b>

2015	Directors' fees	Retainer	Other fees	Total
Ms M Mpofu (Chairman)	296,824	45,626	3,600	346,050
Ms S Childs	178,600	13,309	2,700	194,609
Dr V Dlamini	50,798	9,507	43,254	103,559
Bishop S Tsekeledi	49,020	9,507	-	58,527
Mr S Mafadza	120,412	22,816	3,600	146,828
Mr M Morokolo	57,548	-	12,253	69,801
Mr B Nkosi	99,307	15,211	-	114,518
Dr D Sekhukhune	250,307	22,816	3,600	276,723
Ms N Singh	311,173	22,816	3,600	337,589
Mr T Tselane	77,486	-	3,600	81,086
Dr E Zulu	295,296	22,816	3,600	321,712
	<b>1,786,771</b>	<b>184,424</b>	<b>79,807</b>	<b>2,051,002</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 29 RISK MANAGEMENT

#### Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The entity is exposed to a number of risks which include finance and operation risks. All risks are captured in a series of registers. The entity manages its risks in terms of the risk management framework adopted by the City of Johannesburg Metropolitan Municipality. The Board is empowered to ensure the execution of the risk management policy and guiding intervention. Management reports risk status and interventions to the Board. Finance management and the lodging of risks are exercised against the backdrop of the principles embedded in the King III Report on Corporate Governance. Risk registers are regularly updated and independently evaluated by the Audit and Risk Committee of the entity. As the entity is largely self insured loss control remains an integral part of risk management. The entity reports comprehensively on risks to the City of Johannesburg Metropolitan Municipality on a monthly, quarterly and annual basis.

#### Liquidity risk

Liquidity risk arises as a result of operations that cannot be funded and financial commitments that cannot be met timeously and cost effectively due to cash shortages. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 2 year	Between 2 and 5 year	Over 5 Years
Borrowings	22,276,995	26,356,899	16,308,310	-
Trade and other payables	118,836,181	-	-	-
Finance Lease	1,373,625	242,526	-	-
At 30 June 2015	Less than 1 year	Between 1 and 2 year	Between 2 and 5 year	Over 5 Years
Borrowings	28,897,354	37,423,775	31,561,940	2,246,337
Trade and other payables	105,050,487	-	-	-
Finance lease	2,859,580	-	-	-



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

### 29. RISK MANAGEMENT(continued)

#### Interest rate risk

This refers to the potential variability in the entity's financial condition owing to changes in interest rate levels. The entity's borrowings in interest bearing loans give rise to exposure to this risk.

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

The entity 's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the to fair value interest rate risk. All group borrowings are at fixed interest rates over the period of the loan agreements and the company is not exposed to any changes in interest rates.

At year end other financial instruments exposed to interest rate risk were balances with banks.

#### Credit risk

Credit risk is the risk of an economic loss arising from the failure of the counter party to fulfill it's contractual obligations.

Credit risk consists mainly of cash deposits, cash equivalents, loans to shareholder and trade and other receivables. The only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Loans to shareholders is managed on a monthly basis and the entity is currently not exposed to any risk regarding recoverability of this amount.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an on going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored.

Some credit limits were exceeded during the reporting period, these are closely monitored and management does not expect any losses from non-performance by these counterparties.

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

Financial instrument	2016	2015
Cash and cash equivalents	102,435,248	112,637,880
Trade and other receivables	41,762,675	37,855,760
Loans to shareholders	59,680,583	36,883,676



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 30. GOING CONCERN

The 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 ability of the entity to continue as a going concern is dependent on financial support of the entity's only shareholder, The City of Johannesburg Metropolitan Municipality, which The City of Johannesburg Metropolitan Municipality confirmed.

### 31 FRUITLESS AND WASTEFUL EXPENDITURE

#### Reconciliation of fruitless and wasteful expenditure

Identified in current year but incurred in the prior year	-	18,519,315
Identified and incurred in the current year	-	452,218
	-	<b>18,971,533</b>

### 2015

Settlement of protracted contractual dispute dating back to 2006.

### 32 IRREGULAR EXPENDITURE

No new items of irregular expenditure in the current financial year.

#### Reconciliation of irregular expenditure

Opening balance	25,690,481	8,416,854
Irregular expenditure identified in current year relating to prior year	-	15,512,212
Irregular Expenditure identified in current year	590,282	1,761,415
	<b>26,280,763</b>	<b>25,690,481</b>

#### Details of irregular expenditure – prior year

Splitting of orders	Investigations and other steps are underway to address this matter	590,282
<b>Details of irregular expenditure – prior year</b>		
120 year celebration	Investigations, disciplinary action and other steps are underway to address this matter	2,788,679
Mobile standby generators Investigations	disciplinary action and other steps are underway to address this matter	14,484,948
		<b>17,273,627</b>

### 2016

In terms of regulation 12(3) of the Municipal Supply Chain Management Regulation; supply chain management policy must state that goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy and that when determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

2016

2015

### 2015

The contract entered into does not comply with SCM regulation 28(1)(a)(ii) and PPR4, as the bids were not adequately evaluated for functionality. The irregularity was found in the current year but the bids were awarded in the prior year.

The contract for mobile generators does not comply with SCM regulation 19(a), as the mobile generators do not fall within the definition of a category B specialised vehicle in terms of the definition within the Section 32 contract elected from the parent municipality.

### 33. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### Audit fees

Current year audit fee	2,333,891	1,753,173
Amount paid - previous years	(2,333,891)	(1,753,173)
	-	-

#### PAYE and UIF

Opening balance	1,640,203	-
Current year expense	18,928,203	17,619,424
Amount paid - current year	(18,928,203)	(15,979,221)
Amount paid - previous years	(1,640,203)	-
	-	<b>1,640,203</b>

#### Pension and Medical Aid Deductions

Current year expense	8,434,973	7,524,173
Amount paid - current year	(8,434,973)	(7,524,173)
	-	-

#### VAT

VAT receivable	4,075,802	4,016,008
----------------	-----------	-----------

VAT output payables and VAT input receivables are shown in note 34.

All VAT returns have been submitted by the due date throughout the year.

### 34. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the financial statements.



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>Deviations authorised by the Accounting Officer</b>	2016	2015
Sole supplier	507,605	34,089
Extension of contracts	64,000	1,632,965
Emergency procurement	11,669,189	6,548,224
Avoidable deviations	-	600,929
	<b>12,240,794</b>	<b>8,816,207</b>

### 34. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (Continue)

During the prior year under review the Board became aware of procurement irregularities. This necessitated investigations, which resulted in the appointment of forensic investigators and legal counsel. These deviations are listed as Emergency in the above table for R10 million in 2016 (R6,5 million 2015). Refer to item 19 in the Director's report.

### 35. VAT RECEIVABLE

VAT	4,075,802	4,016,008
-----	-----------	-----------

### 36. FINANCIAL INSTRUMENTS DISCLOSURE

#### Categories of financial instruments

#### 2016

##### Financial assets

	At fair value	Total
Loans to shareholders	59,680,583	59,680,583
Trade and other receivables from exchange transactions	41,762,675	41,762,675
Cash and cash equivalents	102,435,248	102,435,248
	<b>203,878,506</b>	<b>203,878,506</b>

##### Financial liabilities

	At amortised cost	Total
Loans from shareholders	64,942,204	64,942,204
Other financial liabilities	1,616,151	1,616,151
Trade and other payables from exchange transactions	118,892,789	118,892,789
	<b>185,451,144</b>	<b>185,451,144</b>

#### 2015

##### Financial assets

	At fair value	Total
Loans to shareholders	36,883,676	36,883,676
Trade and other receivables from exchange transactions	37,855,760	37,855,760
Cash and cash equivalents	112,637,880	112,637,880
	<b>187,377,316</b>	<b>187,377,316</b>



# Joburg Market soc Limited

(Registration number 2000/023383/07)

Financial Statements for the year ending 30 June 2016

## Notes to the Financial Statements

	2016	2015
<b>Financial liabilities</b>	At amortised cost	Total
Loans from shareholders	100,129,306	100,129,306
Other financial liabilities	2,859,580	2,859,580
Trade and other payables from exchange transactions	105,050,487	105,050,487
	<b>208,039,373</b>	<b>208,039,373</b>

### 37. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

Name of the Person and company awarded	Capacity of person in service of state	Nature of the relationship	Amount
Ms Y Phosa-SMEC South Africa	Chairperson of committee for Department of Higher Education and Training	Ms Phosa is the spouse of Dr. M Phosa, Chairperson of the board of SMEC South Africa and non executive director	1 114 000

### 38. IMPAIRMENT OF ASSETS

#### Impairments

Property, plant and equipment

The cost above is as a result of impairment testing of the generator system. The generator has remained in work in progress since 2008 at cost less impairment made in 2012. It has been tested in the open market for the value of a similar system in current condition, in so doing it has been further impaired in the year under review.

- 4,915,165

### 39. CHANGE IN ESTIMATE

#### Property, plant and equipment

The useful life of Furniture and Fittings, Computer Equipment, Plant and machinery and Office Equipment was estimated in 2015 to be 12,9,13 and 9 years respectively. In the current period management have revised their estimate to 13,10, 14 and 10 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 324,900.

### 40. EVENTS AFTER THE REPORTING DATE

Non-adjusting event :

#### Performance Bonuses

As disclosed in note 11 to the annual financial statements, an amount of R2 310 683 is disclosed as a provision for performance bonus. Management did not complete the performance evaluation process for the 2014/2015 financial year in order to effect payment of performance bonuses in the 2015/2016 financial year. This was as a result of the requirements of the performance management system not being adhered to. Subsequent to the financial year evaluation criteria and ratings are in the process of been finalised in order to pay performance bonuses for the 2014/2015 financial year. The matter is awaiting final board approval.



Chapter

# 06

Internal Audit



**Matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and non compliance with legislation in future.**





# INTERNAL AUDIT



## Section 1: Internal Audit Function

Joburg Market has an independent Internal Audit Department, which reports functionally to the Audit and Risk Committee of the Board and administratively to the Chief Executive Officer.

The Internal Audit Department operates in accordance with the Internal Audit Charter approved by Audit and Risk Committee. The charter formally defines the purpose, authority, and responsibility of the Internal Audit Department.

Internal Audit independently appraises the adequacy and effectiveness of the company's systems, financial internal controls and accounting records, reporting its findings to divisional management, EXCO, the Audit and Risk Committee as well as the auditor-general.

The internal audit coverage plan is based on the Strategic Risk Register and Operational Risk and Registers. The coverage plan is updated annually and approved by the Audit and Risk Committee.

This ensures that the audit coverage is focused on identified areas of high risk.

## Section 2: Progress on the 2015/2016 Audit Plan as at 30 June 2016



Internal audit performed audits throughout the year as per the Internal Audit plan approved by the Audit and Risk Committee (ARC). Approximately 60% of the planned audit were concluded.



### Section 3

## Follow Ups on the 2014/2015 External Audit Findings

The status of the AG's findings for the year ended 30 June 2015 is as follows

Auditor-General's Findings	Responsibility	Due date	Status
Resolved: 7 (seven)	Position: Various	Completed	Completed (88%) (7/8) 
In progress: 1 (one)	Position: Various	On going	In Progress (12%) (1/8) 

### Section 4:

## Effectiveness of Internal Controls

Based on the internal audit assignments performed during the financial period, Internal Audit has assessed the internal controls and they were not fully effective for financial ended 30 June 2016.

### Section 5:

## Commitment by the Board of Directors

The board of directors has satisfied itself that the remedial actions taken or to be taken on matters raised by the Auditor-General are adequate.

\_\_\_\_\_  
K Shubane (Chairman of the Board)

\_\_\_\_\_  
S Masango (Chairman of the Audit Committee)















## Contact Details

**Postal Address:**

PO Box 86007 City Deep  
Johannesburg  
2049

**Physical Address:**

Market Main Building  
4 Fortune Road  
(Off Heidelberg Road)  
2049

Tel: + 27 11 992 8000  
Fax: + 27 11 613 7381  
E-mail: [info@joburgmarket.co.za](mailto:info@joburgmarket.co.za)

