

Planning by	Reviewed	Performed by	Final review





**Client details**

Client name: Metropolitan Trading Company SOC Ltd  
Year end: June 30, 2016

**File details**

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Builder mode has been entered

	Controlling entity	
	2016	2015
 Statement of financial position balances		
 Cash flow statement balances		
 Net Surplus per the Statement of Financial Performance does not agree with the NETINC account Diff	3	-
 Opening Accumulated Surplus (deficit) does not match the closing balance for the prior year Diff	-	(1)

**Print details**

Printed by  
Date printed



Metropolitan Trading Company SOC Ltd  
Trading as Metropolitan Trading Company (SOC) Ltd  
Annual Financial Statements  
for the year ended June 30, 2016  
The Auditor General of South Africa  
Registered Auditors

# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Legal form of entity</b>	The entity is a broadband service provider
<b>Chief Finance Officer (CFO)</b>	Quentin Green
<b>Directors</b>	Ms S Makotoko - Chairperson Ms N Makhoba Mr T Dlamini Mr P Molotsane Ms M Mosweu Dr L Marwala Mr R Nkuna Mr M Padiaychee Mr O Mabena Mr Z Majavu
<b>Business address</b>	308 Kent Avenue Randburg 2194
<b>Postal address</b>	Po Box 1049 Johannesburg 2000
<b>Controlling entity</b>	City of Johannesburg Metropolitan Municipality
<b>Bankers</b>	Standard Bank South Africa
<b>Auditors</b>	The Auditor General of South Africa Registered Auditors
<b>Secretary</b>	Rajendra Pillay
<b>Company registration number</b>	1999/011422/07
<b>Preparer</b>	The annual financial statements were internally compiled by: Quentin Green

# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Index

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

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### Abbreviations

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

# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Directors Responsibilities and Approval

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In 2009, the City of Johannesburg Metropolitan Municipality (hereafter referred to as either the "City" or "Coj") made a strategic decision to invest in the development of a broadband network to cater for its internal telecommunications requirements at a reduced cost, as well as, to stimulate social and economic development in Johannesburg. In June 2010, the City concluded to a Build-Operate-Transfer agreement with Ericson South Africa (ESA) to build the Johannesburg Broadband Network (JBN) and transfer it to the City after 15 years. ESA subsequently ceded the contract to City Connect Communications (CCC)/Bwired for a period of 12 years. The Johannesburg Broadband Network is a key focus area for the municipality's Smart City initiative.

On 17 August 2015, the Mayoral Committee of the City approved Municipal Owned Entity business model for JBN and on 3 September 2015 the transaction to take over the business was concluded with the JBN being transferred to the City owned MOE named Metropolitan Trading Company (Pty) Ltd (also referred to as "MTC").

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

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. 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 of the Board were appointed in January 2016 and the developments of internal controls has commenced with the capacitating of the internal audit function and implementation rolled out in the 2016/17 financial year.

The directors are of the opinion, based on the information and explanations given by the interim management, there is a need to establish and strengthen systems of internal controls that will provide reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the entity's cash flow forecast for the year to June 30, 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 board is primarily responsible for the financial affairs of the entity.

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 4 to 41, which have been prepared on the going concern basis, were approved by the Board on August 30, 2016 and were signed on its behalf by:

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**Ms S Makotoko - Chairperson**

# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Directors Report

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

### 1. Incorporation

The entity was incorporated on March 1, 1999 and obtained its certificate to commence business on the same day. The entity was dormant since 1 July 2013 but was resuscitated on 1 September 2015 to house the broadband business of the City.

### 2. Review of activities

#### Main business and operations

The entity is a broadband operator and operates principally in South Africa.

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

Net deficit of the entity was R 52,690 (2015: surplus R -), after taxation of R - (2015: R -).

### 3. Going concern

We draw the attention to the fact that as at 30 June 2016, the entity's Liabilities exceed the Assets.

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

The entity is dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity. A letter of comfort is issued each year by the City of Johannesburg Metropolitan Municipality regarding the ability of the entity to carrying on as a going concern in the future.

### 4. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

### 5. Directors' interest in contracts

The directors of the entity did not have any personal interest in contracts entered into by the entity during the current financial year.

### 6. Accounting policies

The financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board as the framework prescribed by The National Treasury.

### 7. Share capital / contributed 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

All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality Asset and Liability Committee and Treasury Department.

# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Directors Report

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### 9. Non-current assets

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

### 10. Dividends

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

### 11. Directors

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

Name	Nationality	Changes
Ms S Makotoko - Chairperson	Botswana	Appointed Friday, January 22, 2016
Ms N Makhoba	South African	Appointed Friday, January 22, 2016
Mr T Dlamini	South African	Appointed Friday, January 22, 2016
Mr P Molotsane	South African	Appointed Friday, January 22, 2016
Ms M Mosweu	South African	Appointed Friday, January 22, 2016
Dr L Marwala	South African	Appointed Friday, January 22, 2016
Mr R Nkuna	South African	Appointed Friday, January 22, 2016
Mr M Padiaychee	South African	Appointed Friday, January 22, 2016
Mr O Mabena	South African	Appointed Friday, January 22, 2016
Mr Z Majavu	South African	Appointed Friday, January 22, 2016

### 12. Secretary

The secretary of the entity is Rajendra Pillay

Business address

308 Kent Avenue  
Randburg  
2194

Postal address

Po Box 1049  
Johannesburg  
2000

### 13. Corporate governance

#### General

The entity confirms and acknowledges its responsibility to total compliance with King III Report on Corporate Governance for South Africa. The directors discuss the responsibilities of management in this respect, at board meetings and monitors the entity's compliance with the code during the year.

The salient features of the entity's adoption of the Code is outlined below:

#### Board of directors

The Board:

- 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:
  - 10 non-executive directors, all of whom are independent directors as defined in the Code.

# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Directors Report

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### Chair person and chief executive

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

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

### Remuneration

The remuneration of the Chief Executive officer is determined by the board of directors within the parameters set by the City of Johannesburg Metropolitan Municipality as provided for in section 89 of the MFMA. The entity has been operating under a interim management structure for the period under review. Interim management has been seconded from the City to assist the entity.

### Executive meetings

The board has met on 4 separate occasions during the financial year. The board schedules to meet at least 4 times per annum.

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

Name	Board	Audit committee	HR & Remuneration	Service delivery	Social and ethics	Strategic and Ad-Hoc
Total meetings	4	2	3	2	1	5
Mr S Makotoko - Chairperson	4					2
Ms N Makhoba	4	2				3
Mr T Dlamini	4			2	1	3
Ms P Molotsane	4		3	1		3
Mr M Mosweu	4			2	1	4
Dr L Marwala	4			2		4
Mr R Nkuna	4		1	2		3
Mr M Padiaychee	4	2		2		3
Mr O Mabena	4			2	1	3
Mr Z Majavu	3		1			
Mr L Ruka		2				2
Mr H Raborifi		1				2
Mr B Dlamini		2				2

### Audit and risk committee

The Audit committee consists of 2 non-executive directors and 3 independent members. The committee met 2 times during the 2015/2016 financial year to review matters necessary to fulfill its role.

In terms of Section 166 of the Municipal Finance Management Act no 56 of 2003 (MFMA), the City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the audit committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the entity's audit committee, National Treasury policy requires that parent municipalities should appoint further members of the entity's audit committees who are not directors of the entity onto the audit committee. All independent audit committee members were appointed on 22 January 2016. The independent members are:

- Mr L Ruka
- Mr H Raborifi
- Mr B Dlamini

### Internal audit

The entity has yet to establish an internal audit function. This responsibility will be outsourced until internal capacity is adequate. This is in compliance with the Municipal Finance Management Act, 2003.

### 14. Controlling entity

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

# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Directors Report

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### 15. Bankers

Standard Bank Limited.

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

### 16. Auditors

The Auditor General of South Africa performs the audit in terms of section 92 of the MFMA.

# **Metropolitan Trading Company SOC Ltd**

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## **Company Secretary's Certification**

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### **Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act**

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

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**Rajendra Pillay**  
**Company Secretary**

# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Statement of Financial Position as at June 30, 2016

Figures in Rand thousand	Note(s)	2016	2015 Restated*
<b>Assets</b>			
Current Assets			
Inventories	6	13	-
Receivables from exchange transactions	7	54,212	-
Receivables from non-exchange transactions	8	5,664	5,664
Cash and cash equivalents	9	53,275	-
		<b>113,164</b>	<b>5,664</b>
Non-Current Assets			
Property, plant and equipment	3	820,094	-
Intangible assets	4	161,767	-
		<b>981,861</b>	-
<b>Total Assets</b>		<b>1,095,025</b>	<b>5,664</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	12	35,407	1
VAT payable	13	9,673	-
Provisions	11	274	-
		<b>45,354</b>	<b>1</b>
Non-Current Liabilities			
Loans from shareholders	5	1,302,552	-
<b>Total Liabilities</b>		<b>1,347,906</b>	<b>1</b>
<b>Net Assets</b>		<b>(252,881)</b>	<b>5,663</b>
Share capital / contributed capital	10	163,897	163,897
Accumulated surplus		(416,778)	(158,234)
<b>Total Net Assets</b>		<b>(252,881)</b>	<b>5,663</b>

\* See Note 30

# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Statement of Financial Performance

Figures in Rand thousand	Note(s)	2016	2015 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rendering of services		47,638	-
Other income		55	-
Interest received - investment	17	424	-
<b>Total revenue from exchange transactions</b>		<b>48,117</b>	-
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	18	84,546	-
<b>Total revenue</b>	14	<b>132,663</b>	-
<b>Expenditure</b>			
Employee related costs	19	(6,643)	-
Depreciation and amortisation	20	(78,714)	-
Finance costs	21	(91,287)	-
Repairs and maintenance		(4,419)	-
General Expenses	22	(95,575)	-
<b>Total expenditure</b>		<b>(276,638)</b>	-
<b>Operating deficit</b>		<b>(143,975)</b>	-
Loss on foreign exchange		(2)	-
Fair value adjustments	23	91,287	-
		<b>91,285</b>	-
<b>Deficit for the year</b>		<b>(52,690)</b>	-

\* See Note 30

## Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

### Statement of Changes in Net Assets

Figures in Rand thousand	Share premium	Accumulated surplus	Total net assets
Opening balance as previously reported	163,897	(163,898)	(1)
Adjustments			
Prior year adjustments	-	5,664	5,664
<b>Balance at July 1, 2014 as restated*</b>	<b>163,897</b>	<b>(158,234)</b>	<b>5,663</b>
<b>Restated* Balance at July 1, 2015</b>	<b>163,897</b>	<b>(158,234)</b>	<b>5,663</b>
Changes in net assets			
Surplus for the year	-	(52,690)	(52,690)
Loss on transfer of function	-	(205,854)	(205,854)
Total changes	-	(258,544)	(258,544)
<b>Balance at June 30, 2016</b>	<b>163,897</b>	<b>(416,778)</b>	<b>(252,881)</b>
Note(s)	10		

\* See Note 30

# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Cash Flow Statement

Figures in Rand thousand	Note(s)	2016	2015 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		6,820	-
Grants		96,382	-
Interest income		424	-
		103,626	-
<b>Payments</b>			
Suppliers		(50,351)	-
<b>Net cash flows from operating activities</b>	25	<b>53,275</b>	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>53,275</b>	-
<b>Cash and cash equivalents at the end of the year</b>	9	<b>53,275</b>	-

\* See Note 30

# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Rendering of services	-	25,155	<b>25,155</b>	47,638	<b>22,483</b>	
Other income	-	-	-	55	<b>55</b>	
Interest received - investment	-	-	-	424	<b>424</b>	
<b>Total revenue from exchange transactions</b>	-	<b>25,155</b>	<b>25,155</b>	<b>48,117</b>	<b>22,962</b>	

##### Revenue from non-exchange transactions

##### Transfer revenue

Government grants & subsidies	-	84,546	<b>84,546</b>	84,546	-	
<b>Total revenue</b>	-	<b>109,701</b>	<b>109,701</b>	<b>132,663</b>	<b>22,962</b>	

#### Expenditure

Personnel	-	(21,669)	<b>(21,669)</b>	(5,877)	<b>15,792</b>	
Depreciation and amortisation	-	-	-	(78,714)	<b>(78,714)</b>	
Finance costs	-	-	-	(91,287)	<b>(91,287)</b>	
Lease rentals on operating lease	-	-	-	(2,463)	<b>(2,463)</b>	
Repairs and maintenance	-	(8,979)	<b>(8,979)</b>	(4,419)	<b>4,560</b>	
General Expenses	-	(30,249)	<b>(30,249)</b>	(1,845)	<b>28,404</b>	
Board fees	-	-	-	(767)	<b>(767)</b>	
Consulting Fees	-	(39,103)	<b>(39,103)</b>	(88,979)	<b>(49,876)</b>	
Internal charges	-	(9,701)	<b>(9,701)</b>	-	<b>9,701</b>	
Icasa licence	-	-	-	(151)	<b>(151)</b>	
Information Technology cost	-	-	-	(2,137)	<b>(2,137)</b>	
<b>Total expenditure</b>	-	<b>(109,701)</b>	<b>(109,701)</b>	<b>(276,639)</b>	<b>(166,938)</b>	

<b>Operating deficit</b>	-	-	-	<b>(143,976)</b>	<b>(143,976)</b>	
Loss on foreign exchange	-	-	-	(2)	<b>(2)</b>	
Fair value adjustments	-	-	-	91,287	<b>91,287</b>	
	-	-	-	<b>91,285</b>	<b>91,285</b>	

<b>Deficit before taxation</b>	-	-	-	<b>(52,691)</b>	<b>(52,691)</b>	
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<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	-	-	-	<b>(52,691)</b>	<b>(52,691)</b>	
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# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	-	-	-	13	13	
Receivables from exchange transactions	-	-	-	54,212	54,212	
Receivables from non-exchange transactions	-	-	-	5,664	5,664	
Cash and cash equivalents	-	-	-	53,275	53,275	
	-	-	-	<b>113,164</b>	<b>113,164</b>	

##### Non-Current Assets

Property, plant and equipment	-	-	-	820,094	820,094	
Intangible assets	-	-	-	161,767	161,767	
	-	-	-	<b>981,861</b>	<b>981,861</b>	

<b>Total Assets</b>	-	-	-	<b>1,095,025</b>	<b>1,095,025</b>	
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#### Liabilities

##### Current Liabilities

Payables from exchange transactions	-	-	-	35,407	35,407	
VAT payable	-	-	-	9,673	9,673	
Provisions	-	-	-	274	274	
	-	-	-	<b>45,354</b>	<b>45,354</b>	

##### Non-Current Liabilities

Loans from shareholders	-	-	-	1,302,552	1,302,552	
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<b>Total Liabilities</b>	-	-	-	<b>1,347,906</b>	<b>1,347,906</b>	
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<b>Net Assets</b>	-	-	-	<b>(252,881)</b>	<b>(252,881)</b>	
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

Share capital / contributed capital	-	-	-	163,897	163,897	
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##### Reserves

Accumulated surplus	-	-	-	(416,778)	(416,778)	
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<b>Total Net Assets</b>	-	-	-	<b>(252,881)</b>	<b>(252,881)</b>	
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# Metropolitan Trading Company SOC Ltd

(Registration number 1999/011422/07)

Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual 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 annual 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 annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. All figures are to the nearest Rand thousand.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

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

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

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets 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 intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as exchange rates, inflation and interest.

##### 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.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

##### Expected manner of realisation for deferred tax

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

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

#### Post retirement benefits

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

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 .

#### 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.

### 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.

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.

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

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Cables	Straight line	25
Fibre Splicing	Straight line	25
Duct Section	Straight line	25
Manholes	Straight line	25
Optical Termination units, outers and power supplies	Straight line	5
Operating systems and cabinets	Straight line	10

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.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 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.

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### 1.5 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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:

<b>Item</b>	<b>Useful life</b>
Operating system	10 - 20 years
Customer list	5 years
Computer software	3 years

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### 1.6 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.

### 1.7 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.

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### 1.7 Leases (continued)

#### 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.

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.

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

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.

### 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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### 1.8 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 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.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

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.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### 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.

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### 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.

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### 1.9 Impairment of cash-generating assets (continued)

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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### 1.9 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 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.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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.

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### 1.10 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

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.

Criteria developed by the entity to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

#### 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.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### 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:

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Trading as Metropolitan Trading Company (SOC) Ltd

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.10 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.11 Share capital / contributed capital

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

### 1.12 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 the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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### 1.12 Provisions and contingencies (continued)

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.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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### 1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

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

#### Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

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### 1.14 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### 1.16 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.

### 1.17 Fruitless and wasteful expenditure

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

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.

### 1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA 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.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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### 1.19 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2015 to 6/30/2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.20 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after July 1, 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	April 1, 2017	The impact of the amendment is not material.
• GRAP 20: Related parties	April 1, 2017	The impact of the amendment is not material.
• GRAP 32: Service Concession Arrangements: Grantor	April 1, 2016	The impact of the amendment is not material.
• GRAP 108: Statutory Receivables	April 1, 2016	The impact of the amendment is not material.
• GRAP 109: Accounting by Principals and Agents	April 1, 2017	The impact of the amendment is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	April 1, 2017	The impact of the amendment is not material.

### 3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure	872,151	(52,057)	820,094	-	-	-

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Infrastructure	-	872,151	(52,057)	820,094

#### Pledged as security

No property, plant and equipment was pledged as security:

#### Borrowing costs capitalised

No borrowing cost was capitalised to property plant and equipment assets during the year.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

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### 4. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Operating systems	50,664	(3,697)	46,967	-	-	-
Customer list	137,743	(22,957)	114,786	-	-	-
Computer software	17	(3)	14	-	-	-
<b>Total</b>	<b>188,424</b>	<b>(26,657)</b>	<b>161,767</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Operating systems	-	50,664	(3,697)	46,967
Customer list	-	137,743	(22,957)	114,786
Computer software	-	17	(3)	14
	-	<b>188,424</b>	<b>(26,657)</b>	<b>161,767</b>

#### Pledged as security

No intangible assets are pledged as security:

#### Borrowing costs capitalised

No borrowing cost was capitalised to intangible assets during the year.

### 5. Loans to (from) shareholders

Subordinated loans	(1,302,552)	-
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The loan from City of Johannesburg is subordinated in favour of creditors until such time that the assets of the entity exceeds the liabilities. The loan bears an interest of 8.81% per annum. The first capital repayment is due to City of Johannesburg Metropolitan Municipality by 30 September 2018.

#### Subordinate loans

Loans at beginning of the year	-	-
Receipts	(1,302,552)	-
Repayments	-	-
<b>Loan balance at end of year</b>	<b>(1,302,552)</b>	<b>-</b>

### 6. Inventories

Consumable stores	13	-
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#### Inventory pledged as security

No inventory was pledged as security.

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### 7. Receivables from exchange transactions

Trade debtors	23,802	-
Account receivable: Related Parties	30,410	-
	<b>54,212</b>	<b>-</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 June 30, 2016, R 54,212 (2015: R -) were past due but not impaired.

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

1 month past due	10,055	-
2 months past due	11,070	-
3 months past due	33,086	-

#### Trade and other receivables impaired

The entity is of the view that the total amount outstanding from consumers is fully recoverable as at 30 June 2016. There is no objective evidence that suggests that the debtors were impaired at this date. Most of the customers are Blue-Chip customers and reasons for delayed payments were as a result of certain documentation which the entity had to submit to effect payment.

### 8. Receivables from non-exchange transactions

South African Revenue service	5,664	5,664
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### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	53,275	-
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#### The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2016	June 30, 2015	June 30, 2014
Standard bank- Business current account - '000417963	53,274	-	-	53,275	-	-

### 10. Share capital / contributed capital

#### Authorised

475 Ordinary shares of R1 each	-	-
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#### Reconciliation of number of shares issued:

Reported as at July 1, 2015	-	-
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#### Issued

Ordinary	-	-
Share premium	163,897	163,897
	<b>163,897</b>	<b>163,897</b>

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### 11. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Bonus provision	-	274	274

The bonus provision relates to 13th cheque that the entity expects the pay to qualifying employees. The amount is based on the basic salary cost of employees. The provision is management's best estimate of the entity's liability at reporting date.

### 12. Payables from exchange transactions

Trade payables	25,282	1
Accrued leave pay	349	-
Board fees and remuneration	767	-
Icasa licence accrual	151	-
Related party payables	8,858	-
	<b>35,407</b>	<b>1</b>

### 13. VAT payable

Value added tax	9,673	-
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### 14. Revenue

Rendering of services	47,638	-
Sundry revenue	55	-
Interest received	424	-
Government grants & subsidies	84,546	-
	<b>132,663</b>	<b>-</b>

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

Rendering of services	47,638	-
Sundry revenue	55	-
Interest received - investment	424	-
	<b>48,117</b>	<b>-</b>

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

Government grants & subsidies	84,546	-
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<b>15. Operating lease - as lessor</b>		
Operating leases relate to non cancellable contracts between the entity and its customers that does not transfer the significant risk and rewards associated with ownership.		
<b>Minimum lease payment receivable</b>		
-within one year	30,597	-
-in second to fifth year inclusive	111,123	-
-later than five years	174,425	-
	<b>316,145</b>	<b>-</b>
<b>16. Other revenue</b>		
Tender fees	55	-
Tender fees relate the administration levies charged to prospective suppliers to access tender bid documentation.		
<b>17. Investment revenue</b>		
<b>Interest revenue</b>		
Interest earned: Bank	424	-
<b>18. Government grants and subsidies</b>		
<b>Operating subsidy</b>		
Subsidy - City of Johannesburg	84,546	-
<b>19. Employee related costs</b>		
Basic	3,471	-
Medical aid - company contributions	318	-
UIF	21	-
SDL	42	-
Leave pay provision charge	398	-
ER Contributions	9	-
Other short term costs	33	-
Defined contribution plans	617	-
Travel, motor car, accommodation, subsistence and other allowances	86	-
Overtime payments	498	-
13th Cheques	274	-
Loco allowances	109	-
Board fees and remuneration	767	-
	<b>6,643</b>	<b>-</b>
<b>20. Depreciation and amortisation</b>		
Property, plant and equipment	52,057	-
Intangible assets	26,657	-
	<b>78,714</b>	<b>-</b>
<b>21. Finance costs</b>		
Interest on shareholder loan	91,287	-

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### 21. Finance costs (continued)

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the entity.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2015: R -).

### 22. General expenses

Advertising	487	-
Bank charges	2	-
Consulting and professional fees	88,979	-
Consumables	5	-
Information technology expense	2,137	-
Fleet	76	-
Marketing	268	-
Printing and stationery	12	-
Protective clothing	8	-
Royalties and license fees	151	-
Subscriptions and licence fees	149	-
Telephone and fax	252	-
Rental	2,463	-
Wayleaves	576	-
Storage charges	10	-
	<b>95,575</b>	<b>-</b>

### 23. Fair value adjustments

Loan from shareholder	91,287	-
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### 24. Taxation

#### Major components of the tax expense

No provision has been made for 2016 tax as the entity has no taxable income as a result of an assessed loss.

### 25. Cash generated from operations

Deficit	(52,690)	-
<b>Adjustments for:</b>		
Depreciation and amortisation	78,714	-
Loss on foreign exchange	2	-
Fair value adjustments	(91,287)	-
Interest income	(424)	-
Finance costs	91,287	-
Movements in provisions	274	-
Cost on transfer of function	42,551	-
Other non-cash items	3,665	-
<b>Changes in working capital:</b>		
Inventories	(13)	-
Receivables from exchange transactions	(54,212)	-
Payables from exchange transactions	35,408	-
	<b>53,275</b>	<b>-</b>

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### 26. Transfer of functions between entities under common control

#### Transfer of functions between entities under common control occurring during the current reporting period

Entities involved in the transfer of functions were:

City of Johannesburg Metropolitan Municipality and Metropolitan Trading Company Soc Ltd.

The following functions were transferred:

Broadband business and manage the Johannesburg Broadband network (JBN).

The initial accounting of the transfer of function was incomplete as at 30 June 2016. The account balances affected are Property, plant and equipment and intangible assets. The amounts recognised are therefore provisional amounts as per paragraph 40 of GRAP 105.

The transfer of function took place during the 2016 financial year and was finalised on Friday, September 4, 2015.

#### Value of the assets acquired and liabilities assumed

##### Assets acquired

Property, plant and equipment	865,738	-
Intangible assets	188,407	-
	<b>1,054,145</b>	<b>-</b>

##### Adjustments to the basis of accounting

Legal expenses	42,551	-
<b>Difference between the carrying amounts of the assets acquired, the liabilities assumed and adjustments required to the basis of accounting</b>	<b>1,096,696</b>	<b>-</b>

##### Consideration paid

Loan	1,302,551	-
<b>Difference between net assets and the consideration paid</b>	<b>205,855</b>	<b>-</b>

##### Net cash inflow (outflow) on transfer of function

Cash consideration paid	1,302,551	-
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#### Initial accounting is incomplete

Assets were accounted for at provisional amounts at acquisition date, the parent municipality is still embarking on a valuation exercise to confirm the Asset values.

### 27. Commitments

#### Authorised capital expenditure

##### Total commitments

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated.

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2016

2015

### 28. Related parties

#### Relationships

Controlling entity

Other members of the group

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

#### Related party balances

##### Loan accounts - Owing to related parties

City of Johannesburg Metropolitan Municipality	1,302,552	-
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##### Amounts included in Trade receivable regarding related parties

City of Johannesburg Metropolitan Municipality	30,410	-
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##### Amounts included in Trade and other Payables related parties

City of Johannesburg Metropolitan Municipality	8,858	-
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#### Related party transactions

##### Revenue from related parties - Rendering services

City of Johannesburg Metropolitan Municipality	20,917	-
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##### Revenue from related parties - Subsidies and grants

City of Johannesburg Metropolitan Municipality	84,546	-
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### 29. Directors' emoluments

#### Non - Executive

##### 2016

	Directors' fees	Total
Ms S Makotoko - Chairperson	76	76
Ms N Makhoba	71	71
Mr T Dlamini	71	71
Mr P Molotsane	73	73
Ms M Mosweu	72	72
Dr L Marwala	68	68
Mr R Nkuna	68	68
Mr M Padiaychee	75	75
Mr O Mabena	68	68
Mr Z Majavu	21	21
Mr L Ruka	38	38
Mr H Raborifi	23	23
Mr B Dlamini	43	43
	<b>767</b>	<b>767</b>

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### 30. Prior period errors

During the financial year the entity discovered that an amount receivable from South African Revenue Services of R5,664,287 relating to a tax refund was never recognised in prior years. This error has been corrected in the current financial year by processing correcting entries in the 2014 financial year.

The correction of the error results in adjustments as follows:

#### Statement of financial position

Receivables: Non Exchange transactions	-	5,664
Retained Earnings (Value added tax)	-	(5,664)

### 31. Risk management

#### Financial risk management

The treasury function of the municipal entities is centrally managed by the parent municipality City of Johannesburg Metropolitan Municipality.

This includes the management all financial risks and liquidity risk which the entity might be exposed to. Such as 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, central treasury maintains flexibility in funding by maintaining availability under committed credit lines.

#### Liquidity risk

### 32. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	-	-
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There was no fruitless and wasteful expenditure for the financial year under review.

### 33. Irregular expenditure

Opening balance	-	-
Add: Irregular Expenditure - current year	-	-
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-

### 34. Deviation from supply chain management regulations

Emergency interim management services, electrical services and 5 times Small form-sector pluggables were procured post takeover of the business amounting to R8,365 during the financial year under review. The process followed in procuring those services was in terms of from the provisions of paragraph 36(1)(a)(v) per the MFMA. The reasons for these deviations were documented and reported to the Board of directors who considered them and subsequently approved the deviation from the normal supply chain management regulations.

### 35. Budget differences

#### Material differences between budget and actual amounts

The budget was approved late during the financial year, 29 February 2016. The entity had only four months in which to spend the approved budget. The transfer of function from City of Johannesburg to the entity was approved in July 2016 with an effective date of 21 September 2015. All of these uncertainty resulted in inappropriate budgeting. The material variances are as follows:

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### 35. Budget differences (continued)

**Employee cost** : There was a delay in the appointment of employees to capacitate the entity since take over.

**Finance costs**: The loan was changed from an interest free loan to interest bearing loan after the approved budget.

**Depreciation**: No depreciation was budgeted for due to the uncertainty around the transfer of functions.

**Repairs and maintenance**: The ceded contractors could not cope with the magnitude of maintenance work anticipated.

**General expenditure**: Not all budgeted costs for training, insurance, information technology, travelling and accommodation were not incurred due to the late transfer of functions.