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Joburg Market (SOC) Limited
Financial statements
for the year ended 30 June 2019

Joburg Market (SOC) Limited

(Registration number 2000/023383/07)

Financial Statements for the year ended 30 June 2019

General Information

COUNTRY OF INCORPORATION AND DOMICILE	Republic of South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Providing of infrastructure to distribute fresh produce
DIRECTORS	Ms Y Ngxabazi (Chairperson) Mr J Mocke (Chairperson) Dr P Naidoo Mr S Ndlovu Mr H Raborifi Ms A Ramakoaba Ms B Makgalo
REGISTERED OFFICE	1 Heidelberg Road City Deep Johannesburg 2049
BUSINESS ADDRESS	4 Fortune Road (Off Heidelberg Road) City Deep Johannesburg 2049
POSTAL ADDRESS	P O Box 86007 City Deep Johannesburg 2049
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	Standard Bank Limited
AUDITORS	The Auditor-General: South Africa
SECRETARY	Mr K Singh (Acting)
COMPANY REGISTRATION NUMBER	2000/023383/07
PREPARER	The financial statements were internally compiled by: Mr S Dlamini CA(SA) Chief Financial Officer

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Directors' Responsibilities and Approval

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

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

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


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

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

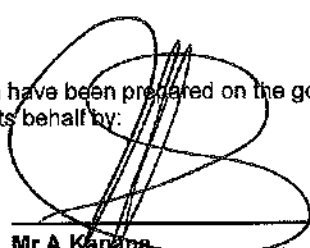
The annual financial statements are prepared on the basis that the entity is a going concern and that the City of Johannesburg Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity

Approval of annual financial statements:

The financial statements set out on pages 5 to 63, which have been prepared on the going concern basis, were approved by the directors on 30 August 2019 and were signed on its behalf by:



Ms Y Ngxabazi
Board Chairperson



Mr A Karana
Chief Executive Officer

Johannesburg
31 August 2019

Joburg Market (SOC) Limited

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Audit and Risk Committee's Report

Joburg Market (SOC) Limited

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Financial Statements for the year ended 30 June 2019

Directors' Report

The directors hereby submit their report for the year ended 30 June 2019.

1. INCORPORATION

The entity was incorporated on 08 September 2000 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

The entity is a municipal entity, engaged in the provision of infrastructure to distribute fresh produce and operates principally in the City of Johannesburg.

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

The total turnover generated by the entity was R 7,894,779,031 (2018: R 7,283,390,420) and the revenue recognised is R 496,573,822 (2018: R 451,540,917) of which an average of 80% is the main revenue - commission.

Net surplus of the entity was R 123 575 424 (2018: surplus R 95 838 404).

3. GOING CONCERN

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

The current assets of the entity exceeds its current liabilities at year end by R347,665,173 (2018: R237,423,510). Included in current liabilities is an amount of R 8,192,449 (2018: R10,408,637) relating to current portion of loans from the shareholder which is payable in the coming year. The directors are confident that the entity will meet all its obligations in the coming financial year.

4. SUBSEQUENT EVENTS

After several attempts to engage Joburg Water about incorrect water billing, they replaced the water meter subsequent to year end (July 2019). Invoices post this date might include corrections to prior periods billing. As at the date of preparation of the financial statements, it was impractical to determine the possible financial impact of the change.

5. DIRECTORS' PERSONAL FINANCIAL INTERESTS

All of the directors have declared that they do not have any personal financial interests in any contracts entered into by the entity.

6. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting standards and Municipal Finance Management Act.

There were no changes in accounting policies during the year.

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.

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Financial Statements for the year ended 30 June 2019

Directors' Report

8. BORROWING LIMITATIONS

In terms of the sale of business agreement, The Joburg Market SOC Limited does not have the authority to borrow on its own behalf. All external funding is managed under the auspices of The City of Johannesburg Metropolitan Municipality's treasury department.

9. NON-CURRENT ASSETS

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

Property plant and equipment to the value of R34,165,483 (2018: R 9,524,147) and intangible assets to the value of R0 (2018: R4,702,046) were acquired during the year under review.

10. DIVIDENDS

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

11. DIRECTORS

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

Name	Nationality	Changes
Ms Y Ngxabazi (Chairperson)	South African	Appointed 17 April 2019
Ms D Dondur (Chairperson)	South African	Resigned 29 October 2018
Mr M Makopo	South African	Resigned 17 April 2019
Mr J Mocke (Chairperson)	South African	Retired 17 April 2019
Dr P Naidoo	South African	
Mr S Ndlovu	South African	
Mr L Nengovhela	South African	
Mr H Raborifi	South African	
Ms A Ramakoaba	South African	
Mr M Kgopa	South African	Appointed 17 April 2019
Ms B Makgalo	South African	Appointed 17 April 2019
Mr M Mutangwa	South African	Appointed 17 April 2019
Mr H Godi	South African	Appointed 17 April 2019
Dr W Thwala	South African	Retired 17 April 2019
Mr T Mlangeni	South African	Retired 17 April 2019
Mr A Kanana (Chief Executive Officer)	South African	
Mr S Dlamini (Chief Financial Officer)	South African	

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Directors' Report

12. SECRETARY

Mr K Singh was appointed as acting secretary as of 01 July 2017.

Business address

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

Postal address

P O Box 86007
City Deep
Johannesburg
2049

13. CORPORATE GOVERNANCE

General

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

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

Board of directors

The Board of directors:

- Retains full control over the entity, its plans and strategy;
- Acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- Is of a unitary structure comprising:
 - 9 non-executive directors, all of whom are independent directors as defined in the King Code of Corporate Governance.
 - 2 executive directors; Chief Executive Officer and Chief Financial Officer.

Chairperson and Chief Executive Officer

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

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

Remuneration

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

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Financial Statements for the year ended 30 June 2019

Directors' Report

Board and committee meetings

The directors have met on 11 separate occasions during the financial year. The directors were scheduled to meet 6 times within the year. Ongoing investigations and the appointment of the Chairperson and Directors necessitated 5 additional special meetings.

Non-executive directors have access to all members of management of the entity. The board is also expected to meet with the shareholder on a quarterly basis.

Name	Board Meeting	Audit & Risk committee meeting	Remuneration Social and ethics committee meeting	
Total number of meetings held	11	7	4	-
Ms Y Ngxabazi (Chairperson)*	2			
Ms D Dondur (Chairperson)**	4			
Mr J Mocke (Chairperson)***	8		4	
Dr P Naidoo	10		3	
Mr S Ndlovu	10			
Mr L Nengovhela	9	7	4	
Ms A Ramakoaba	8		4	
Mr M Kgopa*	2			
Ms B Makgalo*	2			
Mr M Mutungwa*	2			
Mr H Godi*	2			
Dr W Thwala***	3			
Mr T Mlangeni***	3			
Mr A Kanana	10	7	4	
Mr S Dlamini	8	7	4	
Independent audit committee members:				
Mr R Theunissen (Chairperson)***	7	6		
Mr C Tilly***		6		
Mr R Hill***		7		
Mr M Sass*	1			
Mr A Mokwena*				
Mr M Ramonyai*	1			

The members did not all serve for the full year:

*Appointed 17 April 2019.

**Resigned 29 October 2018

***Resigned 17 April 2019

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Directors' Report

Audit and Risk Committee

The Audit and Risk Committee (ARC) comprises of 6 members, 3 of whom are non-executive directors and 3 independent members. The committee is constituted in accordance with Section 166 of the Municipal Finance Management Act and was chaired by Mr M Sass, who is an independent audit and risk committee member. The ARC had 4 ordinary and 3 special meetings during the 2018/19 financial year to review matters necessary to fulfil its role.

Internal audit

The internal audit function was performed internally. Certain internal audit activities were outsourced. This ensured that the internal audit function was effective throughout the period of review.

14. CONTROLLING ENTITY

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

15. SPECIAL RESOLUTIONS

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

16. BANKERS

Standard Bank Limited.

The management of the treasury function is under the auspices of The City of Johannesburg Metropolitan Municipality's Assets and Liabilities Committee and Treasury Directorate.

17. AUDITORS

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

18. CONTINGENCIES

Joburg Market has in previous financial years reported long outstanding legacy litigation matters. For the year under review the exposure on litigation has increased compared to the previous year. Disputes with employees have decreased. Refer to note 29.

19. CURRENT INVESTIGATIONS

Some procurement irregularities that necessitated investigations in prior years have not all been finalised. Those that were finalised and disciplinary action recommended, action was taken by the organisation and concluded. For investigations that are still ongoing, the entity will await the finalisation thereof and implement the recommendations as directed.

Joburg Market (SOC) Limited

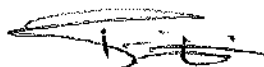
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Financial Statements for the year ended 30 June 2019

Company Secretary's Certification

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, I certify that, to the best of my knowledge and belief, the entity has lodged and/ or filed, for the financial year ended 30 June 2019, all such returns and notices as required and that all such returns and notices are true, correct and up to date.



Mr K Singh
Company Secretary

Joburg Market (SOC) Ltd

Joburg Market (SOC) Limited

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Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Loans to shareholder	5	309 255 164	153 606 150
Current tax receivable		7 459 353	8 140 804
Receivables from exchange transactions	8	44 808 969	39 485 957
VAT receivable	9	3 035 939	561 873
Cash and cash equivalents	10	170 943 947	201 206 750
		535 503 372	403 001 534
Non-Current Assets			
Investment property	2	377 197	400 016
Property, plant and equipment	3	340 251 740	337 569 080
Intangible assets	4	6 354 040	9 239 707
Deferred tax	6	7 925 135	6 076 335
		354 908 112	353 285 138
Total Assets		890 411 484	756 286 672
Liabilities			
Current Liabilities			
Loans from shareholder	5	8 192 449	10 408 637
Finance lease obligation	12	-	136 126
Payables from exchange transactions	14	176 947 633	155 033 261
Provisions	13	2 698 117	-
		187 838 199	165 578 024
Non-Current Liabilities			
Loans from shareholder	5	10 306 694	18 499 143
Employee benefit obligation	7	2 528 000	2 782 000
Deferred tax	6	12 486 922	15 751 263
		25 321 616	37 032 406
Total Liabilities		213 159 815	202 610 430
Net Assets		677 251 669	553 676 242
Share capital / contributed capital	11	20 000 000	20 000 000
Accumulated surplus		657 251 671	533 676 247
Total Net Assets		677 251 671	553 676 247

* See Note 32

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Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Commission		399 301 851	367 793 837
Rental of facilities and equipment		53 474 606	47 991 889
Interest received	16	28 458 379	19 027 199
Storage		5 963 998	7 180 719
Cash handling fees		3 662 673	3 215 574
Banana ripening		1 826 047	3 669 889
Sundry revenue		2 601 078	1 434 850
Miscellaneous other revenue		1 260 193	1 224 960
Discount received		4 997	2 000
Total revenue		496 573 822	451 540 917
Expenditure			
Employee related costs	17	(141 940 177)	(136 011 858)
Depreciation and amortisation	18	(25 114 372)	(23 438 759)
Impairment loss	19	(5 081 665)	-
Finance costs	20	(3 106 866)	(4 061 997)
Lease rentals on operating lease		(645 784)	(590 678)
Debt impairment	21	(8 363 733)	(55 880)
General expenses	22	(133 998 431)	(131 928 620)
Total expenditure		(318 251 028)	(296 087 792)
Operating surplus		178 322 794	155 453 125
(Loss) gain on disposal of assets and liabilities		(4 361 769)	7 311
Surplus before taxation		173 961 025	155 460 436
Taxation	24	50 385 601	59 622 032
Surplus for the year		123 575 424	95 838 404

* See Note 32

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Statement of Changes in Net Assets

	Share capital / contributed capital	Share premium	Total share capital	Accumulated surplus	Total net assets
Figures in Rand					
Balance at 01 July 2017	1	19 999 999	20 000 000	437 837 843	457 837 843
Changes in net assets	-	-	-	95 838 404	95 838 404
Surplus for the year	-	-	-	95 838 404	95 838 404
Total changes	-	-	-	95 838 404	95 838 404
Restated* Balance at 01 July 2018	1	19 999 999	20 000 000	533 676 247	553 676 247
Changes in net assets	-	-	-	123 575 424	123 575 424
Surplus for the year	-	-	-	123 575 424	123 575 424
Total changes	-	-	-	123 575 424	123 575 424
Balance at 30 June 2019	1	19 999 999	20 000 000	657 251 671	677 251 671
Note(s)	11	11	11		

* See Note 32

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Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		457 613 231	429 735 850
Interest income		28 458 379	19 027 199
		486 071 610	448 763 049
Payments			
Employee costs		(138 058 835)	(138 030 415)
Suppliers		(138 896 980)	(85 862 026)
Finance costs		(3 106 866)	(4 017 559)
Taxes on surpluses	26	(54 817 291)	(42 884 827)
		(334 879 972)	(270 794 827)
Net cash flows from operating activities	25	151 191 638	177 968 222
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(15 258 960)	(8 740 275)
Purchase of intangible assets	4	-	(4 702 046)
Loan to shareholder - Sweeping account		(155 649 014)	(71 987 846)
Net cash flows from investing activities		(170 907 974)	(85 430 167)
Cash flows from financing activities			
Repayment of shareholders' loan		(10 408 637)	(14 418 746)
Finance lease payments		(137 830)	(934 711)
Net cash flows from financing activities		(10 546 467)	(15 353 457)
Net increase in cash and cash equivalents		(30 262 803)	77 184 598
Cash and cash equivalents at the beginning of the year		201 206 750	124 022 152
Cash and cash equivalents at the end of the year	10	170 943 947	201 206 750

* See Note 32

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Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.o.s28 and budget s31 of the MFMA)	Final adjustments	Shifting of funds (i.o. s31 of the MFMA)	Virement (i.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Investment revenue	2 250 000	-	2 250 000	-	-	2 250 000	28 458 379		26 208 379	1 265 %	1 265 %
Other own revenue	450 581 000	(3 005 000)	447 576 000	-	-	447 576 000	468 115 443		20 539 443	105 %	104 %
Total revenue (excluding capital transfers and contributions)	452 831 000	(3 005 000)	449 826 000	-	-	449 826 000	496 573 822		46 747 822	110 %	110 %
Employee costs	(160 839 000)	37 506 000	(123 333 000)	-	-	(123 333 000)	(141 940 177)		(18 607 177)	115 %	88 %
Debt impairment	-	-	-	-	-	-	(8 363 733)		(8 363 733)	- %	- %
Depreciation and asset impairment	(22 921 000)	-	(22 921 000)	-	-	(22 921 000)	(30 196 037)		(7 275 037)	132 %	132 %
Finance charges	(32 274 000)	24 624 000	(7 650 000)	-	-	(7 650 000)	(3 106 866)		4 543 134	41 %	10 %
Other expenditure	(145 652 000)	(29 335 000)	(174 987 000)	-	-	(174 987 000)	(139 005 984)		35 981 016	79 %	95 %
Total expenditure	(361 686 000)	32 795 000	(328 891 000)	-	-	(328 891 000)	(322 612 797)		6 278 203	98 %	89 %
Surplus/(Deficit)	91 145 000	29 790 000	120 935 000	-	-	120 935 000	173 961 025		53 026 025	144 %	191 %
Taxation	33 826 000	(10 433 000)	23 393 000	-	-	23 393 000	50 385 601		26 992 601	215 %	149 %
Surplus/(Deficit) for the year	57 319 000	40 223 000	97 542 000	-	-	97 542 000	123 575 424		26 033 424	127 %	216 %
Capital expenditure and funds sources											
Total capital expenditure	39 676 000	-	39 676 000	-	-	39 676 000	34 165 483		(5 510 517)	86 %	86 %

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Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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Management considers a variance of 10% or more as material. A detailed description of variances is provided below :

Revenue

1. Investment revenue - The increase resulted from the interest on the sweeping account which was not budgeted for in the current period.

Expenditure

2. Employee costs - Over budget by 15% is due to R37,5m budget cut-off by the shareholder during budget adjustment.

3. Debt impairment - This is the current year impairment of debtors which was not budgeted for. This resulted from the current debtors that were in arrears in their account.

4. Depreciation and asset impairment - Over budget by 32% is due to the impairment of generators of R4m which was not budgeted for.

5. Finance charges - The decrease in finance charges is due to the reduction in the shareholder loan and no new loans taken in the current year.

6. A delay in the award of a tender for maintenance has resulted in under-spending on maintenance. R&D expenses as well as legal expenses budget has not been fully utilised

Capital expenditure

7. The budget for the year under review for capital expenditure was R39,7m and actual capital expenditure incurred by 30 June 2019 amounted to R34m which represents 86% of actual spend.

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Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Financial Statements

Basis of preparation and presentation

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions are to be developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated where material. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly where material. Where the error is immaterial, the full effect is accounted for in the current year. Where there has been a change in accounting policy or reclassification in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Assets, liabilities, revenues and expenses were not offset, except where offsetting was required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern at least twelve months from the end of the reporting period.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements in conformity with GRAP, management is required to use professional judgment, estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Future actual results could differ from these estimates which may be material to the Annual Financial Statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Effect of changes in estimates are accounted for on a prospective basis in the statement of financial performance.

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Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market value of other similar instruments, discounted cash flow analysis and option pricing models. Quoted market prices or dealer quotes for similar instruments are used for long-term debt.

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

Impairment of property, plant and equipment

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

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 fair value assumption may change which may have an impact on estimations and may then require a material adjustment to the carrying value of cash-generating units and individual assets.

The excess of the carrying amounts over the recoverable amount is recognised as impairment loss in the statement of financial performance.

Provisions, contingent assets and contingent liabilities

Management's judgment is required when recognising and measuring provisions, contingent liabilities and contingent assets. Provisions are raised based on current information available to management.

A provision is recognised when the municipality has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and the amount of the obligation can be reliably estimated.

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.

Employee benefit obligation

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact 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, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties.

Impairment of financial assets

Where objective evidence of impairment loss on financial assets measured at amortised cost exists, the present value of the future cash flows of the financial assets discounted at the financial asset's original effective rate is determined and compared to the carrying value of the financial assets. The carrying amount of asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognised in the statement of financial performance.

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1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual value

The useful life of assets are based on management's estimates. Management considers the impact of technology, service requirements and the required return on assets to determine the optimum useful life expectation, where appropriate. The estimated residual value of assets is also based on management's judgment which takes into account the condition of assets at the end of their useful life.

Budget Information

Management makes a judgement as to which variances are regarded as material. Management considers a variance of 10% or more as material and all material variances are explained in the notes to the annual financial statements

1.5 Investment property

Definition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation excluding property held for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of operations

Recognition

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

Initial measurement

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property comprise of land which is not depreciated.

Investment properties, with the exception of land, are depreciated on the straight line basis over their expected useful lives as follows:

Item	Average useful life
Investment property	30 years

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

Derecognition

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1.5 Investment property (continued)

The entity derecognises investment property on disposal, or when no future economic benefits or service potential are expected from its use or disposal. If the entity has recognised in the carrying amount of an investment property, the cost of a replacement part, it derecognises the carrying amount of the replaced part. As investment property is accounted for using the cost model, a replaced part is not a part that was depreciated separately. If it is not practicable for the entity to determine the carrying amount of the replaced part, the entity uses the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. The gain or loss arising from derecognition of investment property is recognised in the statement of financial performance.

1.6 Property, plant and equipment

Definition

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.

Recognition

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.

Initial measurement

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, its deemed cost is the carrying amount of the asset(s) given up.

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

Subsequent measurement

PPE are shown at cost less accumulated depreciation and any accumulated impairment. Land is measured at cost less any impairment in value and is not depreciated since the useful life is considered to be indefinite.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready and available for its use as intended by management.

Property, plant and equipment with the exception of land are depreciated on a straight line basis over their expected useful lives to their estimate residual values. The depreciation method used for each asset reflects the pattern in which the asset's economic benefits or service potential has been expected to be consumed by the entity.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	10 - 30 years
Plant and machinery	Straight line	10 - 17 years
Furniture and fixtures	Straight line	7 - 15 years
Motor vehicles	Straight line	8 - 10 years
Office equipment	Straight line	7 - 13 years

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1.6 Property, plant and equipment (continued)

IT equipment	Straight line	5 - 12 years
Finance leased assets	Straight line	3 - 5 years

Subsequent expenditure is included in the cost of the asset when incurred, if it is probable that such expenditure will result in future economic benefits associated with the item flowing to the entity and the cost can be measured reliably.

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 and also depreciated separately.

Assets held under finance leases are depreciated based on the lower of lease term or expected useful life. When it is reasonable certain that ownership will be transferred to the lessee at end of lease term, the leased asset will be depreciated over the useful life of the asset. Depreciation is recognised in the statement of financial performance.

The entity assesses at each reporting date whether there is any indication that its expectation about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such exists, the entity will revise the expected useful life and/or residual value accordingly. The change will be accounted for as a change in an accounting estimate in accordance with the relevant GRAP standard. In assessing whether there is any indication that the expected useful life of an asset has changed, the entity considers; the composition of the asset change during the reporting period and the factors influencing the change in the use of the asset. In assessing any indications pertaining to the residual value, the entity considers any changes regarding the expected timing of disposal of the asset.

The entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, it shall estimate the recoverable service amount of the asset.

The depreciation charge for each period is recognised in the statement of financial performance unless it is included in the carrying amount of another asset.

Derecognition

The entity derecognises property, plant and equipment on disposal, or when no future economic benefits or service potential are expected from its use or disposal. If the entity had recognised a replacement part at a carrying amount, the entity derecognises the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. If it is not practicable for the entity to determine the carrying amount of the replaced part, the entity uses the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. The gain or loss arising from derecognition of property, plant and equipment is recognised in the statement of financial performance.

1.7 Intangible assets

Definition

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

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.

Recognition

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.

Initial recognition

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1.7 Intangible assets (continued)

Intangible assets are initially recognised at cost. 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.

Subsequent measurement

Under the cost model intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Amortisation commences when the intangible assets are available for their intended use. The amortisation period and method for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with finite useful life are amortised on the straight-line basis over their useful lives.

Intangible assets with an indefinite useful life are not amortised but will be tested for impairment when there is an indicator. The entity reviews the useful life of an intangible asset with an indefinite useful at each reporting period to determine whether events and circumstances continue to support an indefinite useful life for that asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 7 years

The amortisation charge for each period is recognised in the statement of financial performance.

Derecognition

The entity derecognises intangible assets; on disposal, when there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of intangible assets is recognised in the statement of financial performance.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The entity enters into contractual agreements with other parties that have clear economic consequences that the parties involved have little, if any, discretion to avoid, usually because the agreement is enforceable by law.

Classification

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

Class

Cash and cash equivalents
Receivables from exchange transactions
Loans to shareholder

Class

Payables from exchange transactions
Loans from shareholder

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1.8 Financial instruments (continued)

Initial recognition

The entity recognises a financial instrument when the entity becomes a party to the contractual provisions of the instrument.

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

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1.8 Financial instruments (continued)

Financial assets and financial liabilities

Financial assets

A financial asset is a) cash; b) a residual interest in another entity; or c) a contractual right to:

(i) Receive cash or another financial asset from another entity; or

(ii) Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Receivables from exchange transactions

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

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

Loans to shareholder

Loans to shareholder are classified as financial assets measured at amortised cost.

Cash and cash equivalents

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

All receivables are on accrual basis except for VAT which is on a cash basis.

Financial liabilities

A financial liability is any liability that is a contractual obligation to: a) deliver cash or another financial asset to another entity; or b) exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Finance costs on financial liabilities at amortised cost are expensed in the statement of financial performance in the period in which they are incurred using the effective interest rate method. In addition, gains and losses on these financial liabilities are recognised in the statement of financial performance when the liability is derecognised.

Loans from shareholder

Loans from shareholder are classified as financial liabilities which are initially recognised at fair value and subsequently measured at amortised cost.

Payables from exchange transactions

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

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1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) where:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party.

Financial liabilities

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

1.9 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 profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable income 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 profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable income will be available against which the unused tax losses 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 the statement of financial performance for the period.

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.

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1.10 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 - 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.

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

Any contingent rent is expensed in the period in which it is incurred.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

A cash-generating unit is the smallest identifiable group of assets used 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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1.11 Impairment of cash-generating assets (continued)

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

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

Identification

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

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

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

Irrespective of whether there is any indication of impairment, the entity also tests 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.

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 the statement of financial performance

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.

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1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The entity assesses 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 the statement of financial performance.

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.

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

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

1.13 Employee benefits

Short-term employee benefits

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

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

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

The entity recognises the expected cost of bonus and performance related payments when and only when: (a) it has a present legal or constructive obligation to make such payments as a result of past events, (b) a reliable estimate of the obligation can be made.

Defined contribution plans

A defined contribution plan is a post-employment pension plan under which the entity pays fixed contributions into a separate entity (a fund). The municipality has no further payment obligations once the contributions have been paid. Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees have rendered a service.

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit funds are actuarially valued on the projected credit method.

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

Past service costs are recognised immediately in the statement of financial performance in the reporting period in which the plan is amended.

Actuarial gains and losses are recognised in full in the statement of financial performance when they arise.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement. The entity does not only account for the legal obligation under formal terms but also for any constructive obligation that arises from the entity's informal practices.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation less fair value of planned assets out of which obligations are to be settled directly, plus any liability that may arise as a result of the minimum funding requirement.

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1.13 Employee benefits (continued)

Other post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.14 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.

Expense relating to provisions is presented in the statement of financial performance.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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.

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.

Additional disclosures of estimates of provisions are included in the provisions note.

Contingent assets and contingent liabilities are not recognised but are separately disclosed. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

1.15 Commitments

A commitment is a contract that is non-cancelable or only cancelable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

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1.15 Commitments (continued)

These commitments are disclosed in the notes to the annual financial statements.

1.16 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 entity 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.

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 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.

Interest

Interest revenue 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 on a time-proportion basis in the statement of financial performance, using the effective interest rate method.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Joburg Market (SOC) Limited

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Accounting Policies

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure which was incurred and identified during the financial year is disclosed in the notes to annual financial statements. However, fruitless and wasteful expenditure which was incurred and identified during the financial year but failed to be written off by the council is initially recognised as expenditure based on its nature and after further investigations classified to receivables and income. Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

1.20 Irregular expenditure

Irregular expenditure is expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the MFMA, Municipal Systems Act or the Public Office-Bearers Act, and which has not been written off in terms of the MFMA.

Irregular expenditure which was incurred and identified during the current financial year but was still waiting to be written off or condoned by a council at year end, is disclosed in the irregular expenditure note to financial statements. The amount recorded is equal to the value of the irregular expenditure incurred.

Irregular expenditure is only removed from the balance of irregular expenditure note when it is either condoned or written off by the council in terms of MFMA or recovered from the liable official.

1.21 Value-added tax (VAT)

The entity is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with section 15(2) of the VAT Act No.89 of 1991.

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Management is considered a related party, and comprises of the Board of Directors, Chief Financial Officer, Chief Operating Officer and Executives.

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.

Related party relationships where control exists are disclosed. The entity discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the financial statements.

1.23 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).

Reporting date means the last day of the reporting period to which the financial statements relate.

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

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Financial Statements for the year ended 30 June 2019

Accounting Policies

1.23 Events after reporting date (continued)

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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Financial Statements for the year ended 30 June 2019

Accounting Policies

1.24 Statements on GRAP issued but not yet effective

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

Name	Effective date
GRAP 20 - Related Parties	01 April 2019
GRAP 32 - Service concession arrangements: Grantor.	01 April 2019
GRAP 34 - Separate financial statements	Not yet effective
GRAP 35 - Consolidated financial statements	Not yet effective
GRAP 36 - Investments in associates and joint ventures	Not yet effective
GRAP 37 - Joint arrangements	Not yet effective
GRAP 38 - Disclosure of interest in other entities	Not yet effective
GRAP 108 - Statutory Receivables	01 April 2019
GRAP 109 - Accounting by Principles and Agents	01 April 2019
GRAP 110 - Living and non-living resources	Not yet effective
GRAP 18 - Segment reporting	Not yet effective
IGRAP 18 - Interpretation of the standard of GRAP on recognition and derecognition of land	01 April 2019
IGRAP 17 - Service concession arrangements where a grantor controls a significant residual interest in an asset	Not yet effective
IGRAP 19 - Liabilities to pay levies	Not yet effective

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

The municipality applied the principles established in the Standard of GRAP that has been issued, but not yet effective, in developing an appropriate accounting policy dealing with the Related Parties (GRAP 20).

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Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

Figures in Rand	2019	2018
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2. INVESTMENT PROPERTY

	2019		2018	
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation
Investment property	811 061	(433 864)	377 197	811 061
				(411 045)
				400 016

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	400 016	(22 819)	377 197

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	422 835	(22 819)	400 016

Joburg Market (SOC) Limited

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Notes to the Financial Statements

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2. INVESTMENT PROPERTY (continued)

Details of property

Investment property was purchased from The City of Johannesburg Metropolitan Municipality. In terms of the sale agreement signed in May 2003, Joburg Market has rights to this property and is awaiting the finalisation of the transfer process from COJ.

Investment property consists of the following properties:

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

The market value of the property as determined by an independent valuer in the current year is R53 000 000.

Valuation of Investment property

An external, independent valuation entity, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the entity's investment property portfolio every two years.

Valuation method

In the current year, the JM property was valued and the purpose of the valuation was to determine the fair market value, rental determination and replacement cost estimate.

The method of valuation employed was the Income Capitalisation Approach. The net normalised income of the property was determined based on the assumption that the property is fully let at open market rentals; market escalation applies and incurs market related operating cost. The net normalised income was then capitalised into perpetuity using a market related capitalisation rate to reflect the open market value.

As a cross reference the Comparable Sales Approach was also utilised. The value indicated was established by comparing the subject property with similar properties, called comparable sales. Comparable sales are recent property transactions that were sold in accordance with the definition of market value. The valuer considered a comparable sales rate/m².

As a third reference the Depreciated Replacement Cost Method was utilised in order to determine the replacement value of the subject property. This method allows for the calculation of the current replacement costs of the improvements that are then depreciated based on physical, functional, economical depreciation and buyers resistance.

The gross property rental income earned by the entity from its investment property, all of which are leased out under gross operating leases, amounted to R1,404,382 (2018: R1,451,429).

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.

During the year no assets were pledged for security.

Joburg Market (SOC) Limited

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Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

Figures in Rand

3. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	17 639 000	-	17 639 000	17 639 000	-	17 639 000
Buildings	369 204 958	(132 036 189)	237 168 769	358 937 922	(120 845 198)	238 092 724
Plant and machinery	70 267 351	(25 428 617)	44 838 734	63 234 606	(21 067 650)	42 166 956
Furniture and fixtures	4 777 343	(3 300 231)	1 477 112	4 262 207	(3 090 991)	1 171 216
Motor vehicles	1 816 783	(1 495 498)	321 285	1 816 783	(1 363 257)	453 526
Office equipment	2 083 736	(1 087 388)	996 348	1 817 073	(935 691)	881 382
IT equipment	29 901 558	(16 876 619)	13 024 939	22 919 169	(13 771 654)	9 147 505
Capital work in progress	24 718 977	-	24 718 977	27 558 260	-	27 558 260
Finance lease assets	783 873	(717 297)	66 576	783 873	(325 362)	458 511
Total	521 193 579	(180 941 839)	340 251 740	498 968 893	(161 399 813)	337 569 080

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17 639 000	-	-	-	-	-	17 639 000
Buildings	238 092 724	210 264	(4 104 398)	15 463 241	(12 493 062)	-	237 168 769
Plant and machinery	42 166 956	3 776 402	(193 259)	4 513 319	(5 424 684)	-	44 838 734
Furniture and fixtures	1 171 216	598 900	(25 828)	-	(267 176)	-	1 477 112
Motor vehicles	453 526	-	-	-	(132 241)	-	321 285
Office equipment	881 382	304 499	(14 203)	-	(175 330)	-	996 348
IT equipment	9 147 505	7 222 975	(24 080)	-	(3 321 461)	-	13 024 939
Capital work in progress	27 558 260	22 052 443	-	(19 976 580)	-	(4 915 166)	24 718 977
Finance lease assets	458 511	-	-	-	(391 935)	-	66 576
Total	337 569 080	34 165 483	(4 361 768)	-	(22 205 889)	(4 915 166)	340 251 740

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Financial Statements for the year ended 30 June 2019

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Figures in Rand

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 639 000	-	-	-	-	17 639 000
Buildings	247 759 688	633 822	-	1 590 529	(11 891 315)	238 092 724
Plant and machinery	46 736 875	449 831	-	-	(5 019 750)	42 166 956
Furniture and fixtures	1 357 113	117 676	-	-	(303 573)	1 171 216
Motor vehicles	440 050	181 000	-	-	(167 524)	453 526
Office equipment	759 363	279 007	-	-	(156 988)	881 382
IT equipment	11 998 279	274 090	7 311	-	(3 132 175)	9 147 505
Capital work in progress	22 343 941	6 804 848	-	(1 590 529)	-	27 558 260
Finance lease assets	188 480	783 873	-	-	(513 842)	458 511
	349 222 789	9 524 147	7 311	-	(21 185 167)	337 569 080

Assets subject to finance lease (Net carrying amount)

Finance lease assets	66 576	458 511
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Refer to Note 12 for the liability relating to the finance lease assets. Other than that no assets were pledged for security.

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Financial Statements for the year ended 30 June 2019

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

Details of properties

Freehold land and buildings to the value of R 77,582,967 were purchased from The City of Johannesburg Metropolitan Municipality. In terms of the sale agreement signed in May 2003, Joburg Market has rights to this property and is awaiting the finalisation of the deeds transfer process.

The total market value of the freehold land and building as determined by an independent valuer in the current year is R680 000 000.

Land and buildings comprise of the following properties:

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

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 municipality.

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Sweating of assets (New strategic direction regarding land development.)	1 103 803	1 264 450
Generator (Entity unable to commission generators acquired in 2008)	-	4 915 165
Speedstyle	196 500	-
Electricity reticulation	935 000	-
	2 235 403	6 179 615

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Other PPE	Total
Buildings	40 258 616	-	40 258 616
Plant and machinery	-	9 352 084	9 352 084
Transferred to completed items	(15 539 640)	(9 352 084)	(24 891 724)
	24 718 976	-	24 718 976

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Other PPE	Total
Buildings	19 796 705	-	19 796 705
Plant and machinery	-	9 352 084	9 352 084
Transferred to completed items	(1 590 529)	-	(1 590 529)
	18 206 176	9 352 084	27 558 260

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment Included in Statement of Financial Performance

Expenditure on property, plant and equipment in aggregate	9 359 687	19 662 074
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Joburg Market (SOC) Limited

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Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

Figures in Rand	2019	2018
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4. INTANGIBLE ASSETS

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	14 896 826	(8 542 786)	6 354 040	14 896 826	(5 657 119)	9 239 707

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	9 239 707	(2 885 667)	6 354 040

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	6 768 435	4 702 046	(2 230 774)	9 239 707

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 municipality.

5. LOANS TO (FROM) SHAREHOLDERS

City of Johannesburg Metropolitan Municipality - Capital expenditure loans	(18 499 143)	(28 907 780)
Sweeping account	309 255 164	153 606 150
	290 756 021	124 698 370
Current assets	309 255 164	153 606 150
Non-current liabilities	(10 306 694)	(18 499 143)
Current liabilities	(8 192 449)	(10 408 637)
	290 756 021	124 698 370

Credit quality of loans to shareholders

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

Fair value of loans to and from shareholders

Loans to shareholders	309 255 164	153 606 150
Loans from shareholders	18 499 143	28 907 780

Loans to shareholders past due but not impaired

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

1 month past due	8 192 499	28 907 780
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Joburg Market (SOC) Limited

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Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

Figures in Rand	2019	2018
5. LOANS TO (FROM) SHAREHOLDERS (continued)		
Capex loans		
Loans at beginning of the year	(28 907 780)	(43 328 526)
Repayments	12 865 151	18 177 283
Interest	(2 456 514)	(3 758 537)
	(18 499 143)	(28 907 780)
The Capex loans bear interest between 9% and 10,4%, compounded monthly. The capital repayments are not fixed and the loans are repayable in forty quarterly installments over the duration of the contracts.		
Sweeping account		
Loans at beginning of the year	153 606 150	81 618 304
Receipts	151 378 990	79 902 835
Repayments	(12 865 151)	(18 177 283)
Interest	17 135 175	10 262 294
	309 255 164	153 606 150
The sweeping account loan is unsecured and bears interest at an average rate of 6.60% per annum. The bank balance for the business account is rolled over on a daily basis into the sweeping account. The loan is repayable on demand.		
6. DEFERRED TAX		
Deferred tax liability		
Property, plant and equipment	(12 227 801)	(15 588 155)
Trade and other receivables	(240 479)	(34 726)
Leases	(18 641)	(128 382)
Total deferred tax liability	(12 486 921)	(15 751 263)
Deferred tax asset		
Trade and other receivables	4 167 814	2 411 445
Health care and leases deferred tax asset	707 840	817 075
Trade and other payables and provisions	3 049 481	2 847 815
Total deferred tax asset	7 925 135	6 076 335
Deferred tax liability	(12 486 921)	(15 751 263)
Deferred tax asset	7 925 135	6 076 335
Total net deferred tax liability	(4 561 786)	(9 674 928)
Reconciliation of deferred tax asset \ (liability)		
At beginning of year	(9 674 928)	(8 184 112)
Movement in temporary timing differences	5 113 141	(1 490 816)
	(4 561 787)	(9 674 928)
Recognition of deferred tax asset		
The entity is confident that there will be sufficient taxable profit in the foreseeable future against which the deferred tax asset will be utilised.		

Joburg Market (SOC) Limited

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Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

Figures in Rand	2019	2018
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7. EMPLOYEE BENEFIT OBLIGATIONS

7.1 Defined benefit plan

The actuarial valuations were done by ZAQ Consultants and Actuaries in June 2019, an independent post retirement plan administrator, and they determined that the retirement plans were in a sound financial position, taking into account the notional loan account receivable from The City of Johannesburg Metropolitan Municipality.

Post-retirement liability		
Post-Retirement Medical Aid Plan	(980 000)	(954 000)
Retirement Gratuity Plan	(1 548 000)	(1 828 000)
	(2 528 000)	(2 782 000)

7.1.1 Post retirement medical aid plan

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

Movements for the year

Opening balance	954 000	903 412
Net expense/(surplus) recognised in the statement of financial performance	26 000	50 588
	980 000	954 000

Net expense/(surplus) recognised in the statement of financial performance

Interest cost	87 000	74 964
Actuarial (gains) losses	4 786	34 624
Curtailment or settlement	(65 786)	(59 000)
	26 000	50 588

Key assumptions used

Assumptions used on last valuation on 30 June 2019.

Discount rates used	9,27 %	9,37 %
Expected increase in salaries	7,05 %	7,36 %

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

+ 1% increase in discount rate will increase the liability to R2,704,000.

- 1% decrease in discount rate will decrease the liability to R2,372,000.

	2019	2018	2017	2016	2015
Post retirement medical aid plan	980 000	954 000	903 412	934 610	298 761

Joburg Market (SOC) Limited

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Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

Figures in Rand	2019	2018
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7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

7.1.2 Post retirement gratuity plan

The Joburg Market SOC Limited provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with The City of Johannesburg Metropolitan Municipality or The Joburg Market SOC Limited when they were not members of one of the retirement funds and who meet certain service requirements in terms of The City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service. There are currently 8 qualifying staff members.

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

The plan is a post-employment gratuity benefit plan.

Movements for the year

Opening balance	1 828 000	2 115 833
Net expense/(surplus) recognised in the statement of financial performance	(280 000)	(287 833)
	1 548 000	1 828 000

Net expense/(surplus) recognised in the statement of financial performance

Interest cost	151 000	146 241
Actuarial (gains) losses	(431 000)	(34 074)
Curtailment or settlement	-	(400 000)
	(280 000)	(287 833)

Key assumptions used

Assumptions used on last valuation on 30 June 2019.

Discount rates used	9,27 %	9,37 %
Expected increase in salaries	7,05 %	7,36 %

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

- 1% increase in discount rate will increase the liability to R1,911,000.
- 1% decrease in discount rate will decrease the liability to R1,751,000.

	2019	2018	2017	2016	2015
Present value of post retirement gratuity plan	1 548 000	1 828 000	2 115 833	2 420 554	2 470 611

Joburg Market (SOC) Limited

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Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

Figures in Rand	2019	2018
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7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

7.2 Defined contribution plan

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

The total amount recognised as an expense for defined contribution plans for the year amounts to R 10,102,287 (2018: R 10,121,454).

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

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

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

Joburg Market (SOC) Limited

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Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

Figures in Rand	2019	2018
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8. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables	48 278 318	37 053 326
Less : Provisions for impairment	(19 846 733)	(11 483 073)
Sundry receivable	7 249 502	10 317 060
Prepayments	808 855	380 811
Operating lease receivables	-	18 149
Related party debtors	8 319 027	3 199 684
	44 808 969	39 485 957

Fair value of trade and other receivables

Trade and other receivables	44 808 969	39 485 957
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Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2019, 22 547 770 - (2018: 19 835 064) were past due but not impaired.

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

1 month past due	19 011 946	16 177 527
2 months past due	1 543 712	1 371 269
3 months past due	1 992 113	2 286 268

Trade and other receivables impaired

As of 30 June 2019, trade and other receivables of 19 846 733 - (2018: 11 483 073) were impaired and provided for.

The ageing of these loans is as follows:

3 to 6 months	591 684	204 285
Over 6 months	19 255 050	11 273 685

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(11 483 073)	(11 430 636)
Provision for impairment	(8 817 113)	(388 747)
Unused amounts reversed	453 453	336 310
	(19 846 733)	(11 483 073)

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance (note 21). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

9. VAT RECEIVABLE

VAT	3 035 939	561 873
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All VAT returns have been submitted by the due date throughout the year.

Joburg Market (SOC) Limited

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Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

Figures in Rand	2019	2018
10. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	15 000	15 000
Bank balances	170 928 947	201 191 750
	170 943 947	201 206 750

The entity had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Standard Bank - Deposit account - 000-197-033	157 424 983	181 818 508	170 315 417	198 749 423
Standard Bank - RD cheque account - 000-196-991	601 554	491 812	601 554	491 812
Standard Bank - Business account - 000-196-916	1	-	-	-
Standard Bank - Salary account - 000-196-924	-	1 950 515	-	1 950 515
Standard Bank - Charges account - 000-196-878	-	1	-	-
Standard Bank - Trust account - 000-197-025	-	1	-	-
Total	158 026 538	184 260 837	170 916 971	201 191 750

11. SHARE CAPITAL / CONTRIBUTED CAPITAL

Authorised		
1 000 000 Ordinary shares of R0.01	-	10 000
Issued		
1 Ordinary share rounded up to R1	1	1
Share premium	19 999 999	19 999 999
	20 000 000	20 000 000

12. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	-	(137 830)
	-	(137 830)
less: future finance charges	-	1 704
Present value of minimum lease payments	-	(136 126)
Present value of minimum lease payments due		
- within one year	-	136 126

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

The average lease term was 3-5 years and the average effective borrowing rate was (2018: 11%).

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

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

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13. PROVISIONS

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Performance bonus	-	2 698 117	2 698 117

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	3 054 108	1 194 812	(1 755 801)	(2 493 119)	-

In the prior year, no performance bonus were provided for due to the performance management system that was not implemented. In the current year, performance management system has been implemented.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	101 615 286	98 495 464
Related party creditor	51 193 380	36 670 003
Payroll and sundry accruals	11 946 044	8 462 541
Accrued leave pay	7 441 836	6 737 421
Accrued staff 13th cheques	3 449 166	3 433 348
Accruals	1 301 921	1 234 484
	176 947 633	155 033 261

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

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

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

Fair value of trade and other payables

Trade payables	176 947 633	155 033 261
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15. REVENUE		
Commission	399 301 851	367 793 837
Storage	5 963 998	7 180 719
Rental of facilities and equipment	53 474 606	47 991 889
Banana ripening	1 826 047	3 669 889
Miscellaneous other revenue	1 280 193	1 224 960
Discount received	4 997	2 000
Sundry revenue	2 601 078	1 434 850
Cash handling fees	3 662 673	3 215 574
Interest received	28 458 379	19 027 199
	496 573 822	451 540 917
The amount included in revenue arising from exchanges of goods or services are as follows:		
Commission	399 301 851	367 793 837
Storage	5 963 998	7 180 719
Interest received	53 474 606	47 991 889
Banana ripening	1 826 047	3 669 889
Miscellaneous other revenue	1 280 193	1 224 960
Discount received	4 997	2 000
Sundry revenue	2 601 078	1 434 850
Cash handling fees	3 662 673	3 215 574
Interest received	28 458 379	19 027 199
	496 573 822	451 540 917
16. INVESTMENT REVENUE		
Interest revenue		
Bank	11 057 902	8 686 277
Interest earned - outstanding debtors	265 302	98 628
Interest earned - sweeping account	17 135 175	10 262 294
	28 458 379	19 027 199
17. EMPLOYEE RELATED COSTS		
Employee related costs : Salaries and wages	102 457 834	102 887 108
Provident fund	10 102 287	10 121 454
Other payroll costs	8 091 123	6 885 921
Bonus - 13th cheque and performance	8 961 431	4 824 267
Pension costs	4 351 306	4 245 914
Leave pay provision charge	3 068 218	2 445 850
Overtime payments	1 769 411	1 347 216
SDL	1 204 162	1 191 233
WCA	1 206 293	1 119 082
UIF	592 678	577 600
Gratuities	135 434	366 213
	141 940 177	136 011 858
18. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	22 205 886	21 185 166
Investment property	22 819	22 819
Intangible assets	2 885 667	2 230 774
	25 114 372	23 438 759

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19. IMPAIRMENT OF ASSETS		
Impairments		
Property, plant and equipment	5 081 665	-
Impairment of generators that were never commissioned and a discontinued project on a farm		
20. FINANCE COSTS		
Interest paid on shareholder loans	2 466 514	3 758 537
Finance leases	1 704	44 438
Bank	435	32 344
Fair value adjustments: Notional interest	346 967	-
Other interest paid	301 246	226 678
	3 106 866	4 061 997
21. DEBT IMPAIRMENT		
Debt impairment	73	6 096
Contributions to/(reversals of) debt impairment provision	8 363 660	49 784
	8 363 733	55 880
22. GENERAL EXPENSES		
Advertising	1 073 482	1 770 115
Assets expensed	190 153	121 429
Auditors remuneration	2 754 782	2 600 520
Bank charges	6 412 443	5 900 490
Cleaning	6 647 115	5 935 655
Conferences and seminars	543 363	244 108
Consulting and professional fees	9 520 819	5 464 376
Consumables	1 103 293	964 494
Donations	558 720	668 964
Electricity	41 067 080	33 693 623
Gifts	16 799	58 948
Insurance	1 130 906	1 063 126
IT expenses	4 519 401	5 711 138
Marketing	5 000	1 866 500
Motor vehicle expenses	1 921 416	1 863 744
Placement fees	45 815	535 751
Postage and courier	562	455
Printing and stationery	1 924 475	2 039 847
Protective clothing	2 467 001	1 382 383
Refuse	16 268 151	15 164 355
Repairs and maintenance	9 359 688	19 978 040
Secretarial fees	135 747	94 798
Security (Guarding of municipal property)	18 670 948	17 957 834
Sewerage and waste disposal	1 037 145	553 198
Staff welfare	964 931	1 077 496
Subscriptions and membership fees	138 205	193 744
Telephone and fax	1 215 236	1 055 914
Training	2 474 825	2 346 776
Travel - local	368 821	474 941
Travel - overseas	414	-
Water	1 461 695	1 147 858
	133 998 431	131 928 620

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Figures in Rand	2019	2018
23. AUDITORS' REMUNERATION		
Fees	2 754 782	2 600 520
24. TAXATION		
Major components of the tax expense		
Current		
Local income tax - current period	55 498 742	41 215 157
Local income tax - recognised in current tax for prior periods	-	(1 028 777)
	55 498 742	40 186 380
Deferred		
Originating and reversing temporary differences	(5 113 141)	19 435 652
	60 385 601	59 622 032
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28,00 %	28,00 %
Disallowable charges	0,09 %	1,49 %
Current tax - prior period adjustment	- %	(0,67)%
Deferred tax - prior year adjustment	- %	9,55 %
	28,09 %	38,37 %
25. CASH GENERATED FROM OPERATIONS		
Surplus	123 575 424	95 838 404
Adjustments for:		
Depreciation and amortisation	25 114 372	23 438 759
(Gain) loss on sale of assets and liabilities	4 361 769	(7 311)
Finance costs - Finance leases	-	44 438
Interest income	(28 458 379)	-
Net movement in finance costs	348 021	-
Impairment deficit	5 081 665	-
Debt impairment	8 363 733	55 880
Movements in retirement benefit assets and liabilities	(254 000)	(237 245)
Movements in provisions	2 698 117	(3 054 108)
Movement in tax receivable and payable	-	(2 698 448)
Other non-cash items - deferred tax	(5 113 141)	19 435 652
Reclassification of creditors with debit balances	113 397	(2 449 465)
Changes in working capital:		
Receivables from exchange transactions	(5 323 012)	(2 831 748)
Net movement in tax	1 243 366	-
Payables from exchange transactions	21 914 372	48 476 721
VAT	(2 474 066)	956 693
	151 181 638	177 968 222

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26. TAX PAID		
Balance at beginning of the year	8 140 804	5 442 356
Current tax for the year recognised in surplus or deficit	(55 498 742)	(40 186 380)
Balance at end of the year	(7 459 353)	(8 140 804)
	(54 817 291)	(42 884 828)

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27. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Loans to shareholders	309 255 164	309 255 164
Trade and other receivables from exchange transactions	44 808 969	44 808 969
Cash and cash equivalents	170 943 947	170 943 947
	525 008 080	525 008 080

Financial liabilities

	At amortised cost	Total
Loans from shareholders	18 499 143	18 499 143
Trade and other payables from exchange transactions	176 947 633	176 947 633
	195 446 776	195 446 776

2018

Financial assets

	At amortised cost	Total
Loans to shareholders	153 606 150	153 606 150
Trade and other receivables from exchange transactions	39 485 957	39 485 957
Cash and cash equivalents	201 206 750	201 206 750
	394 298 857	394 298 857

Financial liabilities

	At amortised cost	Total
Loans from shareholders	28 907 780	28 907 780
Trade and other payables from exchange transactions	155 033 261	155 033 261
	183 941 041	183 941 041

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28. COMMITMENTS		
Authorised capital expenditure		
Authorised and contracted for		
• Property, plant and equipment	199 761 027	30 447 018
Total capital commitments		
Contracted for and authorised by directors	199 761 027	30 447 018
This committed expenditure relates to buildings and plant and equipment and will be financed by available bank facilities.		
Operating leases - as lessor (Income)		
Minimum lease payments due		
- within one year	-	447 171

29. CONTINGENCIES

Other contingencies

The total estimated claims amount to R1 812 078 195, excluding legal costs, which is in respect of disputes with suppliers, the entity is of the view that this represents the maximum exposure. Details of the four (4) disputes are as follows:

Dispute with service provider due to a utility cost analysis project that was suspended as a result of an invalid tender award - R792 070

A claim for loss of income with a service provider due to a diesel project that was suspended - R27 266 125

Dispute with a customer who sustained injuries in an accident involving a forklift of an agent - R4 020 000

Dispute with a customer who slipped on a peel of lettuce on the premises of the entity and sustained injuries - R1 780 000 000

The directors are of the opinion that the cases can be successfully defended by the entity.

Disputes with employees

The entity is involved in five (5) litigation matters with employees and former employees. Three (3) of the matters are currently lodged with the CCMA and two (2) of the matters are currently lodged with the labour court. The directors are of the opinion that the cases can be successfully defended by the entity.

Contingent assets

Subsequent to the disciplinary hearing in respect of the irregular expenditure referred to in Note 35, civil proceedings will commence against the employee concerned to recover an amount of R 674 144. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

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30. RELATED PARTIES

Relationships

Directors

Controlling entity

Other entities within COJ group

Refer to directors' report note 31

The City of Johannesburg Metropolitan Municipality

The Johannesburg City Parks/Zoo

Johannesburg Metro Trading Company

Johannesburg Road Agency

Johannesburg Development Agency

Johannesburg Property Company

Pikitup Johannesburg (SOC) Ltd

Joburg Theatre (SOC) Ltd

Johannesburg Water (SOC) Ltd

City Power Johannesburg (SOC) Ltd

Related party balances

Amounts owing by related parties

The City of Johannesburg Metropolitan Municipality	313 658 230	154 308 978
Joburg Water	3 824 076	-
The Johannesburg City Parks/Zoo	91 886	47 390

Amounts owing to related parties

The City of Johannesburg Metropolitan Municipality	52 138 543	65 674 150
Johannesburg Metro Trading Company	4 422 616	10 523
Johannesburg Road Agency	7 728 975	-
Johannesburg Development Agency	539 276	-
Johannesburg Property Company	4 169 846	-

Related party transactions

Sales to related parties

The City of Johannesburg Metropolitan Municipality	4 164 169	947 889
Pikitup Johannesburg (SOC) Ltd	-	27 870
The Johannesburg City Parks/Zoo	708 408	321 135

Purchases from related parties

The City of Johannesburg Metropolitan Municipality	2 062 465	1 730 443
The Johannesburg City Parks/Zoo	11 802	-
Johannesburg Metro Trading Company	109 806	108 275
Joburg Theatre (SOC) Ltd	-	44 265
Pikitup Johannesburg (SOC) Ltd	16 255 120	15 141 505
Johannesburg Water (SOC) Ltd	2 483 839	1 679 106
City Power Johannesburg (SOC) Ltd	41 067 080	33 693 623

Interest paid to related parties

The City of Johannesburg Metropolitan Municipality (loans)	2 456 514	3 758 537
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Interest received from related parties

The City of Johannesburg Metropolitan Municipality	17 135 175	10 262 294
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30. RELATED PARTIES (continued)

Remuneration of management

Executive management

2019

Name	Basic salary	Bonuses and performance related payments	Other benefits received	Total
Chief Executive Officer	1 794 698	-	520 649	2 315 347
Chief Financial Officer	1 580 375	-	278 443	1 858 818
Executive : Strategy & Transformation	1 511 453	-	570 923	2 082 376
Executive : Core Operations	1 734 143	-	224 369	1 958 512
Executive : Core Operations (Acting)	578 382	-	138 443	716 825
Executive : Agr-Business	695 995	-	296 387	992 382
Company Secretary (Acting)	464 362	45 602	244 898	754 862
	8 359 408	45 602	2 274 112	10 679 122

2018

Name	Basic salary	Bonuses and performance related payments	Other benefits received	Total
Chief Executive Officer	1 415 141	-	407 354	1 822 495
Chief Executive Officer (Acting)	212 443	-	88 989	301 432
Chief Financial Officer	749 658	-	127 230	876 888
Chief Financial Officer (Acting)	554 525	-	246 926	801 451
Executive: Core Operations	1 649 673	148 734	214 829	2 013 236
Executive : Shared Services	217 387	72 917	184 842	475 146
Executive : Agri-Business	1 316 866	114 075	395 522	1 826 463
Executive : Strategy & Transformation	954 992	116 795	468 861	1 540 748
Executive : Strategy & Transformation (Acting)	471 169	117 770	180 124	769 063
Company Secretary	678 644	79 986	265 547	1 024 177
Company Secretary (Acting)	434 677	42 619	261 764	739 060
	8 655 175	692 896	2 842 088	12 190 159

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31. DIRECTORS' EMOLUMENTS

Executive

2019

	Emoluments	Other benefits*	Total
Mr A Kanana (Chief Executive Officer)	1 794 698	520 649	2 315 347
Mr S Dlamini (Chief Financial Officer)	1 580 375	278 443	1 858 818
	3 375 073	799 092	4 174 165

Non-executive

2019

	Directors' fees	Total
Ms Y Ngxabazi (Chairperson)	40 000	40 000
Ms D Dondur (Chairperson)	68 000	68 000
Mr J Mocke (Chairperson)	203 000	203 000
Dr P Naidoo	187 000	187 000
Mr S Ndlovu	144 000	144 000
Mr L Nengovhela	213 000	213 000
Ms A Ramakoaba	158 000	158 000
Mr M Kgopa	24 000	24 000
Ms B Makgalo	24 000	24 000
Mr M Mutangwa	30 000	30 000
Mr H Godi	24 000	24 000
Dr W Thwala	72 000	72 000
Mr T Mlangeni	36 000	36 000
Mr R Theunissen (ARC chairperson)	117 000	117 000
Mr C Tilly	30 000	30 000
Mr R Hill	35 652	35 652
Mr M Sass (ARC chairperson)	8 000	8 000
Mr A Mokwena	-	-
Mr M Ramonyai	-	-
	1 413 652	1 413 652

2018

	Directors' fees	Committees fees	Total
Ms D Dondur (Chairperson)	536 168	-	536 168
Mr M Makopo	137 403	-	137 403
Mr J Mocke	424 211	34 924	459 135
Dr P Naidoo	210 752	-	210 752
Mr S Ndlovu	186 588	220	186 808
Mr L Nengovhela	362 130	-	362 130
Mr H Raborifi	27 209	-	27 209
Ms A Ramakoaba	132 504	-	132 504
Mr R Theunissen (ARC chairperson)	501 000	-	501 000
Mr C Tilly	68 445	-	68 445
Mr R Hill	91 260	-	91 260
	2 677 670	35 144	2 712 814

32. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

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32. PRIOR-YEAR ADJUSTMENTS (continued)

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Current tax receivable		-	8 140 804	8 140 804
Current tax payable		(8 104 996)	8 104 996	-
Building accumulated depreciation		(120 806 201)	(38 997)	(120 845 198)
Plant and equipment accumulated depreciation		(20 698 076)	(369 574)	(21 067 650)
VAT		2 909 900	(2 348 027)	561 873
Retained earnings		(520 187 045)	(17 002 398)	(501 184 647)
		(666 886 418)	(3 513 196)	(634 394 818)

Company tax

An error in the calculation of company tax in the prior year was identified and corrected in the current year. The error resulted from passing an incorrect journal to the company tax account.

Sweeping account - Loan to shareholder

In the prior years, the bank balance that is swept by the shareholder daily was incorrectly reported as financing activities instead of investing activities in the cash flow statement which has been updated accordingly.

Assets

During the year under review, certain assets were identified in the work in progress that should have been capitalised in the prior period. The assets were moved to property, plant and equipment and accumulated depreciation was adjusted accordingly.

Audit and Risk Committee

In the prior years, the related party disclosure note omitted members of the Audit and Risk Committee. They are however, in terms of section 75 of the Companies Act, they are considered as a related party.

VAT

VAT error resulting from take on balances.

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33. RISK MANAGEMENT

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The directors provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

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

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	8 192 449	6 100 404	4 206 288	-
Trade and other payables	176 947 633	-	-	-
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	10 408 637	14 292 854	4 206 288	-
Payables from exchange transactions	155 033 261	-	-	-
Finance lease	136 126	-	-	-

Credit risk

Credit risk consists mainly of loans to shareholders, cash and cash equivalents and trade receivables.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2019	2018
Cash and cash equivalents	170 943 947	201 206 750
Receivables from exchange transactions	44 808 969	39 485 957
Loans to shareholder	309 255 164	153 606 150

34. EVENTS AFTER THE REPORTING DATE

Non-adjusting event:

- Numerous communications were sent to Joburg Water indicating incorrect billing resulting from a faulty meter. The meter was subsequently replaced by Joburg Water after year end.
- It was impracticable to determine the financial impact of the non-adjusting event during the preparation of the financial statements as a result of the above. The impact could be material to the financial statements.

35. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	26 400 916	26 195 891
Identified in the current year but incurred in the prior year	11 087 884	205 025
Current year	5 648 936	-
	43 137 736	26 400 916

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35. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

2019: Penalty and interest relating to provisional tax return filed in an incorrect period R206,692. PAYE late payment penalty R467,808 (R204,168 relates to an amount that was filed on time however payment was late since the filing system was linked to the old JM bank account). Legal Service Interest incurred on late payment R59,269. Generators that were never commissioned R16 003 050 (In terms of the assessment report, the generators had deteriorated to a state of non-functionality and the original voltage was not compatible with the local frequency 50Hz and voltage 400V/220V).

The above fruitless and wasteful expenditure has been identified in the current year and has been reported accordingly for investigation.

No disciplinary steps or criminal proceedings have taken place pending the outcome of the investigation.

Included in the opening balance of 2018, are matters still under investigation and some matters have been concluded.

36. IRREGULAR EXPENDITURE

Opening balance	81 255 952	61 283 636
Add: Irregular Expenditure - Outside of Joburg Market's control	25 011 914	19 298 172
Add: Irregular Expenditure - Within Joburg Market's control	4 849 794	674 144
	111 117 660	81 255 952

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36. IRREGULAR EXPENDITURE (continued)			
Details of irregular expenditure – current year			
CCTV rental	The contract was extended whilst the entity awaits the organisational decision of Metro Trading Company.	8 700 861	
Rental and maintenance of photocopying machines	The contract was extended whilst the entity awaits the finalisation of group procurement contracts.	832 558	
Security	The contract was extended whilst the entity awaits the insourcing of security services by the City of Johannesburg.	14 240 237	
Avis car rental	The contract expired, however there was a need to use the vehicles. The extension of the contract was done by COJ which allowed the entities to continue to rent the Avis cars for transportation purposes.	1 238 258	
Irene country lodge	The amount spent exceeded the contracted amount. The amount incurred outside the appointment was committed without following the correct process.	14 450	
Segosedi	The service provider was appointed without following the proper tender process as stipulated in the MFMA.	30 000	
City Youth Media	The service provider was appointed without following the proper tender process as stipulated in the MFMA.	4 855	
Eenbee	The service provider was appointed without following the proper tender process as stipulated in the MFMA.	196 277	
1st ground events management	The service provider was appointed without following the proper tender process as stipulated in the MFMA.	108 261	
Johannesburg Roads Agency	Road refurbishment costs went over the contract amount of R9 000 000 due to additional work being performed without the approval of the Accounting Officer.	4 453 674	
Inqaba Ya Matolo	The service provider was appointed without following the proper tender process as stipulated in the MFMA.	9 200	
Tsoelepele	The service provider was appointed without following the proper tender process as stipulated in the MFMA.	7 751	
Eazi access	The contract term was exceeded.	25 325	
		29 861 707	

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Figures in Rand	2019	2018
36. IRREGULAR EXPENDITURE (continued)		
Details of irregular expenditure - prior year		
CCTV rental	The contract was extended whilst the entity awaits the organisational decision of Metro Trading Company.	7 049 640
Rental and maintenance of photocopying machines	The contract was extended whilst the entity awaits the finalisation of group procurement contracts.	897 206
Security	The contract was extended whilst the entity awaits the insourcing of security services by the City of Johannesburg.	10 832 271
Travelling	The amount spent was over R200 000, the entity should have followed an open tender process	361 568
Avis car rental	The contract expired, however there was a need to use the vehicles. The extension of the contract was done by COJ which allowed the entities to continue to rent the Avis cars for transportation purposes.	349 045
Eqstra equipment rental	The contract expired, however there was a need to use the vehicles. The extension of the contract was done by COJ which allowed entities to continue to rent Eqstra forklifts.	170 010
Strauss Daly Attorneys	The deviation was caused by a variation on the appointment which went above the threshold of R200 000. This is because the service provider was charging on an hourly basis and the process was not completed when the budget was depleted. Therefore it would have been impractical to source another service provider.	312 576
		19 972 316

Joburg Market (SOC) Limited

(Registration number 2000/023383/07)

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

Figures in Rand	2019	2018
37. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
Audit fees		
Current year audit fees	2 754 782	2 600 520
Amount paid - current year	(2 754 782)	-
Amount paid - previous years	-	(2 600 520)
	-	-
PAYE and UIF		
Opening balance	1 873 408	-
Current year expense	23 036 467	23 481 793
Amount paid - current year	(23 036 467)	(21 608 385)
Amount paid - previous years	(1 873 408)	-
	-	1 873 408
Pension and Medical Aid Deductions		
Current year expense	13 729 422	13 514 085
Amount paid - current year	(13 729 422)	(13 514 085)
	-	-

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38. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

Deviations authorised by the Accounting Officer	2019	2018
Sole supplier	3 279 735	-
Exceptional Case	1 165 050	-
Emergency procurement	3 700 200	537 478
Minor Breaches	1 081 216	-
	9 226 201	537 478

Details regarding the deviation is as follow

Emergency procurement

Bracken Refrigeration (Mechanical preventative maintenance work) - The banana ripening facility and some cold rooms were not functional due to failure by the appointed service provider to replace and repair key components.

Klaue engineering (Fault finding and repairs of ammonia plant compressors) - Compressors in the cold rooms were frequently (within 3 hours) tripping, this causes the temperature to rise negatively affecting fresh produce. The repairs were to avoid claims from the users as a result of damage to their fresh produce.

Unified plumbing (Plumbing) - The tender process of outsourcing plumbing preventative maintenance services is still on-going. The ablution facilities were not functional due to lack of maintenance, therefore a plumber was sourced.

Sizabantu (Plumbing) - The tender process for plumbing preventative maintenance services is still on-going. The ablution facilities were not functional due to failure to maintain. A plumber was, therefore sourced.

Malonza (Plumbing) - The tender process for plumbing preventative maintenance was not approved, new tender process is underway. The pipeline system for both sewer and storm water were not functional.

Exceptional Case

Fast fire security (Repair of fire room detection panel) - Fire suppression panel malfunctioned causing a discharge of fire suppressant gas. Repairing the detection panel will ensure that fire alarms are activated.

Nexus forensic services - The service provider was appointed by COJ to testify on behalf of JM. There were disputes in terms of who is supposed to settle the debt between COJ and JM.

Database administration - The contract was extended while the entity awaits the finalisation of the tender process.

Minor Breach

Home components design - Minor breach in terms of regulation 36(1)(b), telephone and fax number was not provided.

Global payment technologies - Minor breach in terms of regulation 36(1)(b)

Pilu Holdings - Minor breach in terms of regulation 36(1)(b)

Sole Supplier

Oracle (Licences) - This includes annual licences for 2019 as well as annual licences for 2020 year where deviation was signed and approved before 30 June 2019.