INTEGRATED REPORT 2017/18

Towards a
clean, safe and smart market.

Joburg

Joburg|Market

COMPANY INFORMATION

JM (SOC) LTD

Country of Incorporation and Domicile:	South Africa
Registration Number:	2000/023383/07
Registered Address:	Market Main Building 4 Fortune Road (Off Heidelberg Road) City Deep 2049
Postal Address:	P O Box 86007 City Deep 2049
Municipal Erf Number:	Erf 117 & 118 City Deep
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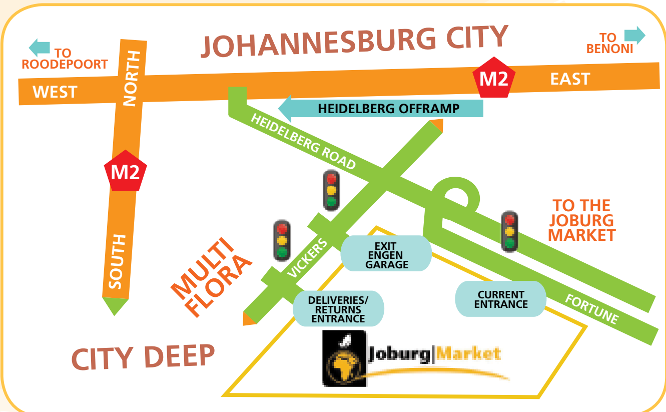
Fax Number:	(011) 613-7381
Website:	www.joburgmarket.co.za
Bankers:	Standard Bank
Auditors:	Auditor-General of South Africa
E-mail:	info@joburgmarket.co.za
Anti-Fraud Hotline:	0800 002 587
GPS Coordinates:	S26° 13’ 678” E28° 04’ 866”



ON A NEW STRATEGIC TRAJECTORY TOWARDS 2021/22

CLEAN

- Physical cleanliness
- Clean Administration

SAFE

- Secure Environment
- Food Safety Compliance
  SANAS Accreditation

SMART

- SMART Business Processes
- SMART Innovation

Towards 2021/22 to achieve a SMART Market

GLOSSARY OF TERMS

ACRONYM	DETAIL
AFS	Annual Financial Statement
AGM	Annual General Meeting
ARC	Audit and Risk Committee
AGSA	Auditor-General of South Africa
APAC Act	Agricultural Produce Agents Act of 2003
Archives Act	National Archives Of South Africa Act 43 of 1996
BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CAPEX	Capital Expenditure
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COBIT	Control Objectives for information Technology
CoJ	City of Johannesburg
DoL	Department of Labour
EPWP	Expanded Public Works Programme
Foodstuffs Act	Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972
FPM	Fresh Produce Market
FSC	Food Support Centre
FVC	Fruit and Vegetable City
FY	Financial Year
GDS	Growth and Development Strategy
GRAS	Group Risk and Assurance Services
GRAP	Generally Accepted Accounting Practices
HR	Human Resources
IDP	Integrated Development Plan
IMASA	Institute of Market Agents of south Africa

JMFSC	Joburg Market Food Support Centre
JM	Joburg Market (SOC) Ltd
KPI	Key Performance Indicator
MFMA	Municipal Finance Management Act
MMC	Member of the Mayoral Committee
MotF	Market of The Future
MSA	Municipal Systems Act
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
OHASA	Occupational Health and Safety Act
OPEX	Operational Expenditure
PA	Performance Agreement
PPE	Personal Protective Equipement
PSA	Potatoes South Africa
PSP	Professional Service Provider
REMCO	Human Resources & Remuneration Committee
R&M	Repair and Maintenance
SADC	South African Development Community
SANAS	South African National Accreditation System
SAUFM	South African Union of Food Markets
SCM	Supply Chain Management
SDA	Service Delivery Agreements
SDC	Service Delivery Committee
SDS	Service Delivery Standards
SDBIP	Service Delivery and Budget Implementation Plan
SETA	Sector Education Training Authority
SHE	Safety, Health and Environment Department
SMME	Small Medium and Micro Enterprise
SLA	Service Level Agreement
SPS	Sales Processing System
SOP	Standard Operating Procedure
Structures Act	Municipal Structures Amendment Act 1 of 2003
JDE	JD Edwards Accounting System
VAT	Value Added Tax
W&RSETA	Wholesale and Retail Sector Education and Training Authority

JM is a Fresh Produce Market Leader

- Turnover R7.3bn
- Surplus R95.8m
- Net Cash and equivalents R201.2m
- Strong liquidity ratio 2.3
- Revenue R451.5m
- Cash Coverage 249 days

Informal Trader Programs

- Tonnage sold 1.3M

Service Delivery

- Market Share 44.02%
- Publication of e-Newsletters
- Appointment of 100 EPWP employees and 25 interns
- R682m Record trading achieved during October 2017

- JM Participated as key partner at the PSA Transformation Symposium
- 100 Hectares identified for Urban Farming Project

Sound Financial Results

- JM serves as a price barometer for all participants
- Training of 202 aspiring Informal Traders
- 2 engagements with Informal Traders Association (SACHIB)

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Objective of the report

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

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

Basis of preparing the report

The JM Integrated Report (IR) was drafted in accordance with the international standards on integrated reporting and in compliance to National Treasury Circular 63 (MFMA). The report also complies to the provisions of the MFMA in terms of Sections 46, 65(1)(a), 121(2)c as well as Section 18(1)(d) of the MSA.

Disclosure process

Disclosures published in this report were vigorously tested through the processes of the Audit and Risk Committee and Board of Directors. Disclosures are further published in compliance to the provisions for same as embodied in the companies Act (Act 71 of 2008) the King code and were duly assessed by the Auditor-General of South Africa (AGSA) during the 2017/18 external audit.

Internal controls and combined assurance

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

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

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

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

Assurance

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

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

Materiality

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

In this process JM considered a response model to produce plausible outcomes. The model is based on the principles of sustainability and stakeholder inclusiveness. The concept of "materiality" is fundamental to corporate reporting practice. To be effective, reporting should provide information that is of value or material interest to the intended users of the report.

Joburg Market has determined that materiality can best be described as those issues that are determined through a process of identifying relevant matters that affect the company's ability to create value over the short, medium and long term. In defining materiality for our Integrated Report (IR), Joburg Market is striving to bring together a comprehensive, balanced and accessible assessment of the material information about its strategy, governance, performance and prospects in a manner that reflects the commercial, social and environmental context within which it operates. It was consequently an imperative for the company to embed its materiality evaluation approach systematically by reviewing each element for materiality and aggregated findings to determine materially towards guiding the quantum for financial statement adjustments.

Matters of significance reported during the prior financial year

During the 2016/17 financial year the company addressed the following matters:

OHASA matters relevant to the cold storage ammonia plant

Assessments were done during the latter part of 2016/17 with the assistance of expert service providers assisted a task team of JM management to address priority aspects of safety at the plant. During the 2017/18 reporting period JM continued to monitor the plant and focused on specialized PPE for staff operating in the plant room area. A total of 29 staff members received training on Ammonia environments.

CAPEX spending

During 2017/18 interventions were introduced to improve on the continued low CAPEX spending through the assistance of a CAPEX Committee. CAPEX projects stopped as a result of alleged irregularities were subjected to forensic investigations.

Matters of legacy litigation

The entity reported the existence of a number of legacy matters of litigation which were still being in progress in the processes. The company continued during the 2017/18 financial year to monitor same and worked with legal counsel in the efforts to conclude the various cases at hand.

The following material matters were identified:

No.	Material Factor	Mitigation
	Challenging Marco-economic factors	Cost cutting to enhance JM financial bottom line Improve on key ratios and good going concern Prioritising of CAPEX expenses
	Growth of the core business of JM	Refining trading floors and site management Efficient consignment control practises Promoting JM to users
	People development	Training staff in suitable subject spheres Promoting a culture of performance Enhanced health and safety

	Pursuing sustainability	Delivering on shareholder value Deliver value for money services to producers and buyers Focus on key competencies Operate as socially responsible "Corporate Citizen" Compliance to legislation Environmental awareness

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

Materiality matter number 1: Growth below food inflation

It is envisaged that the turnover growth in the next 3 – 5 years would be approximately 6% per annum.

In response to this factor JM will consider methologies to enhance it's central trading platform as a regional facility with the view to maintain growth the entity in excess of the anticipated 8% growth.

How it affects JM

JM will be affected in its ability to grow income to fund important physical extension of its trading facilities. In response JM will continue to pursue its growth as regional market and implement stringent cost controls.

Materiality matter number 2: Adverse weather conditions

Weather conditions is of significant importance to JM as it impacts on quality and quanitities of fresh produce reaching the trading floors. Adverse weather conditions often lead to short supply of produce which then lead to high prices.

How it affects JM

The variables in production capacity of farmers may cause times of shortages in key commodity groups. Prices will fluctuate considerably and JM will therefore take a conservative view on revenue forecasts.

JM will in close consultation with the fresh produce industry will conduct regular assessments on production patterns and adjust it's services portfolio accordingly.

Materiality matter number 3: Labour environment stability

The labour environment within the CoJ context is unpredictable.

How it affects JM

JM will be able to focus of development of its staff and thus continue to develop a strong work force to enable successful service delivery of fresh produce market services.

JM will strive towards a content staff component which includes opportunities for growth and development.

Materiality matter number 4: Ability to implement key strategic projects and programmes

All strategic projects will be funded to ensure execution;

How it affects JM

JM will be able to optimize trading space through staged implementation of CAPEX projects.

Materiality matter number 5: Competitor activities

- Mainstream businesses in the food industry will continue to conduct practises of strategic procurement and will seek to achieve BEE partnerships, and;
- Competition by direct marketing channel operators will increase;

JM will refine it's competitor analysis methodology and adjust it's marketing programmes accordingly.

How it affects JM

Certain key commodity lines in fresh produce may be attracted away from especially the JM fruits sales hall. In response JM will mitigate the situation by building on the strengths in its services portfolio, i.e. promoting JM as a convenient 'one-stop-shopping' facility.

Materiality matter number 6: Food security and social impact

- Food scarcity and the potential for food related unrest has increased exponentially as a result of the continuing rise if food prices, and;
- Related to the latter both inflation and interest rate hikes will put the consumer and distributors of food under pressure reducing buying capacity and creating food insecurity challenges for the most vulnerable citizens.

How it affects JM

Buyers may at times purchase lesser quantities of produce which will affect the income of JM from a number of buyer groups. JM will continue to engage with the fresh produce industry with endeavours to enable smaller traders during severe down cycles.

Materiality matter number 7: Supply side cost pressures

Operating costs of suppliers of fresh produce, service providers to JM and utility services will increase substantially.

How it affects JM

Producers endeavor to also reduce their marketing costs. The cost pressures and consequent lobbying in the production sector disable fresh produce markets in general to increase market commission rates. JM will continue to focus on internal efficiencies and promotion of increased throughput towards sustainable income from commission.

Organisational risk management approach

The JM Board continues to ensure that the risk management guidelines of the shareholder are followed and applied. In applying its risk management policy, all important decisions of JM are risk based and suitable risk assurance is provided on company and Board level.

Risk assessment includes annual workshops held between the Board of Directors and the executive. Developments within the fresh produce industry are continually evaluated during the financial year. JM has commenced with a risk identitification process to ensure compliance.

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

In dealing with perishable products within our facilities JM strive towards maximum food safety and quality as well as executing environmental friendly practises. This was prudently monitored against the listeriosis outbreak experienced in South Africa over the past year. Human safety remains a key priority as large numbers of people are present on the market site during peak hours. In this regard special attention is given to future planning of safer facilities and operating environments.

During the course of the 2017/18 financial year the company established a signed scorecard with the CEO which was then cascaded to the Senior and Executive levels. All new ideas based on being a smart market was then translated into divitional strategy plans. The current performance framework is being reviewed to ensure an improved performance management systems.

Demographic and economic growth considerations

At present the influx of people into the greater COJ area is happening at a rapid rate to be at the rate of 10 000 per month. Being mindful of the need for suitable qualities and quantities of fresh produce JM planned for accomodation of the additional needs through it's infrastructure development plans. This initiative also provides for the creation of additional jobs at the site of the Joburg Market and across the fresh produce distribution chain.

Reporting boundary

JM seeks to establish a consistent boundary for reporting across all of its sustainable development metrics, JM do report on developments, impacts and data outside the reporting boundary where these are material to the business and its sustainable development performance.

In the context of this report, outside of the organisation refers to market agents, producers, buyers and various intemediatries in the distributoion chaneel for fresh produce. Within the organisation refers to all operations of JM and on site service providers like security, cleansing and sanitisation which are under our management, in terms of a contractual obligation.

We do not therefore report on non-financial information for either market agents or any onsite private operators.

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

The Annual report for 1 July 2017 to 30 June 2017 is in an integrated financial, social and economic report. The entity aligns itself local and international sustainability best reporting practices including the:

- Municipal Finance Management Act (MFMA)
- Municipal Systems Act
- MFMA circular 63
- Generally Recognized Accounting Principles (GRAP)
- Section 46(1) on the Municipal Systems Act (MSA)
- Discussion papers issued by the South African Integrated Reporting Committee and the International Integrated Reporting Council (IIRC)
- International Financial Reporting Standards (IFRS)
- Millennium Development Goals
- Joburg 2040 Growth and Development Strategy (GDS)
- 2017/18 Integrated Development Plan (IDP)
- Batho Pele Principles

Board responsibility and approval

The Board is accountable for the integrity and completeness of the integrated report and any supplementary information, and is assisted by the Audit and Risk Committee and the Social and Ethics Committee. The Board has applied its collective mind to the preparation and presentation of the integrated report and has concluded that it is presented in accordance with the prescribed framework. Considering the completeness of the material items dealt with and the reliability of information presented, based on the combined assurance process followed, the Board approved the 2017/18 integrated report, annual financial statements and supplementary information on 28 August 2018.

PP. Naidoo

Doris Dondur
Chairperson Board of Directors

Naidoo

Pat Naidoo
Chairperson: Social & Ethics Committee

Rob Theunissen
Chairperson: Audit and Risk Committee

CHAPTER ONE:

CORPORATE
PROFILE AND LEADERSHIP

- Our History
- Our Vision and Mission
- Our Mandate
- Our Salient Features

CHAPTER ONE:
CORPORATE PROFILE AND LEADERSHIP

Section 1: Corporate Profile/Overview of the Entity

The company owes its origins to the establishment of the fresh produce market at the Market Square in central Johannesburg in 1887 where three thousand people congregated at this market to trade in fresh produce. The economic boom emanating from the Gold Rush era resulted in the rapid growth of the City and subsequently the trading of fresh produce. To accommodate growth, new facilities were built in Newtown (Johannesburg) in 1913.

As trading increased over the years, the Newtown premises relocated to the current 64 hectare site in City Deep. The Company, which is 100% owned by the City of Johannesburg (CoJ) Metropolitan Municipality, operates on a commission-based business model where producers deliver their produce to market agents who in turn sell to buyers.

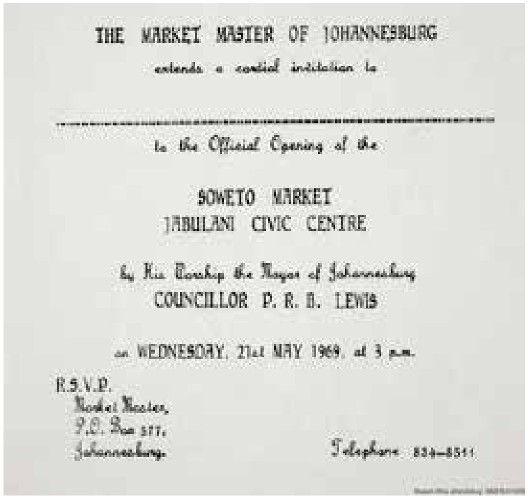
The JM renders a series of services and provides amenities which facilitate the trading of fresh produce. On a daily basis several thousands of buyers - depending on the marketing season - visit JM from across South Africa and the Southern African Development Community (SADC) region.

At any given time producers from accross South Africa sell their products through the trading floors of JM. This ensures that a wide assortment of produce in various grades and sizes are available to buyers from various categories.

Images of The Newtown Market duing early trading days

Off loading was conducted by Ox Wagon

Trading was conducted by auctioneers



THE MARKET MASTER OF JOHANNESBURG
extends a cordial invitation to

....

to the Official Opening of the

SOWETO MARKET
JABULANI CIVIC CENTRE

by His Worship the Mayor of Johannesburg
COUNCILLOR P. R. B. LEWIS

on WEDNESDAY, 21st MAY 1969, at 3 p.m.

R.S.V.P.
Market Master,
P.O. Box 577,
Johannesburg.

Telephone 834-8511

The Jabulani Market was established in Soweto during 1969. This market was utilized especially during times of over supply to bring fresh produce at lower prices to the community

The Newtown Market buildings still exists and is currently being utilized to house The Museum Africa

STRATEGIC OVERVIEW

MANDATE

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

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

STRATEGIC PRIORITIES

JM has adopted a strategy based on achieving key organisational priorities that are aligned to the development objectives of CoJ. They are:

- Financial stability and growth;
- Develop JM into a High Performance Organisation;
- Productive, motivated and engaged employees;
- Drive socio-economic transformation;
- Ensuring food security and safety;
- Implement business growth programmes.

ALIGNMENT OF PROJECTS TO PRIORITIES

GDS and IDP

JM will pursue projects and programmes linked to the GDS and IDP. The Table below shows the alignment of JM Programmes/Projects to the GDS and IDP:

Modern day Market activities characterised by the presence of very large delivery vehicles

MAYORAL PRIORITIES PROGRAMME

The programmes and projects are executed in strict compliance and alignment to the selected priority programmes to which JM will contribute.

GDS OUTCOME	GDS OUTPUT / OTHER	IDP PROGRAMME/ACTIVITY	PROJECT/PROGRAMME
KEY PRIORITY NUMBER 1 : PROMOTE ECONOMIC DEVELOPMENT AND INVESTMENT ATTRACTION TOWARDS ACHIEVING A 5% ECONOMIC GROWTH			
• Attract residents and businesses to increase density in transit development corridors • Ensure liveability of corridors i.e. facilities for health, education, culture and sport • Proactively promoting inward investment into the City of Johannesburg through various marketing strategies • Assisting existing potential exporters with market access to local and international markets • Providing relevant investment and export intelligence.	• Participate in City Deep logistics hub planning • Promote healthy living and food preservation and value adding on fresh produce • Promote JM as a regional market and establish external buyer companies in offices and facilities at JM • Assist SMME exporters to develop in SADC region • Assist developing SMME's to access export opportunities in SADC region • Create a refined client and business opportunity data base and network.	• New Transit orientated development corridor • Produce preserved food to extend Food Bank support packages to beneficiaries • Investment friendly business environment; • Generate the rand value of trade and Investment business transactions; • Have a business to business matchmaking; • Expose SMME's and BEE's to business opportunities.	• Transformation in work and live environment • Prevent people from going hungry • International buyers establishing offices at JM and employing locally • Traders conducting large scale transactions • Growth in number of businesses operated by targeted groups at JM.
KEY PRIORITY NUMBER 2: ENSURE PRO-POOR DEVELOPMENT THAT ADDRESSES INEQUALITY AND PROVIDES MEANINGFUL REDRESS			
• GDS 2040 outcome: Improved life for all. • Related output: Food security that is both improved and safe- guarded, reduce poverty and dependence, and City characterised by social inclusivity and enhanced social cohesion • Addressing poverty and income inequality • Creating conditions for economic growth • Identifying entrepreneurial and SMME key success areas and developing these	• Sustain agricultural stakeholder relationships / management programmes; • Participate in Local Agri-forums • Agri-business ventures • Develop BEE trading facilities • Link BEE participants to mainstream food business • BEE agro processors, emerging agents, emerging farmers project • Targeted procurement practises • BEE support programmes	• Enabled environment for high value vegetables & fruit to be sold locally, linking small farmers in their own areas • Agribusiness Ventures and Farm Enterprises providing fresh produce which is grown locally • Food for growing urban population • Viable food procurement and distribution systems • Work with large food retailers and distributors to create localised system to ensure food security • Decrease in unemployment rate; • Growth and sustainability of SMME sector in the City (through, amongst others, a focus on strategic procurement); and • Local economic development.	• Sufficient production of quality produce for self-sustainment and trading balances for income • Effective participation by historically disadvantaged entrepreneurs in large transactions • Creation of job opportunities in value adding activities • Increased number of SMME & BEE entrepreneurs providing services and goods to JM

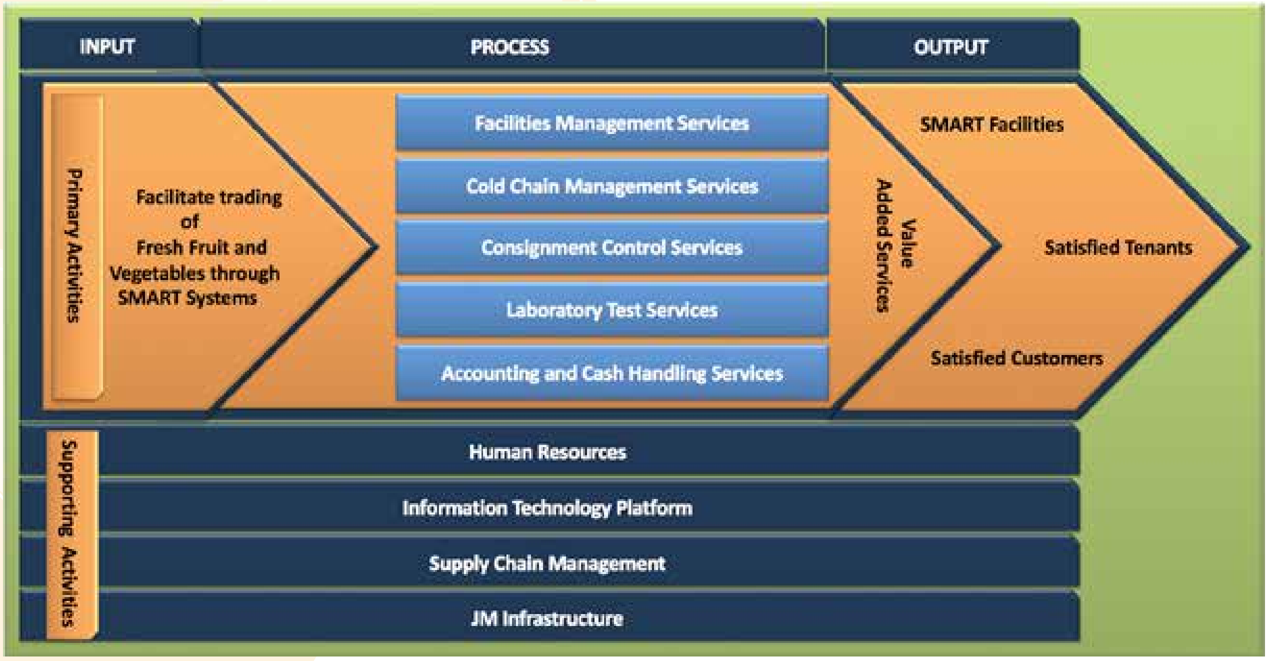
GDS OUTCOME	GDS OUTPUT / OTHER	IDP PROGRAMME/ACTIVITY	PROJECT/PROGRAMME
KEY PRIORITY NUMBER 6: CREATE A CITY THAT RESPONDS TO NEEDS OF RESIDENTS			
• Ensuring citizens play an active role in their communities • One stop walk-in centres	• Stakeholder engagements	• Enhancement of the vision of a caring municipality; • Meaningful state-society engagement;	• Women, youth and disabled in agriculture prepared to conduct trading • One stop centre to guide aspiring entrepreneurs in fresh produce trading
KEY PRIORITY NUMBER 8: ENCOURAGE INNOVATION AND EFFICIENCY THROUGH PROGRAMMES SUCH AS SMART CITY			
• ICT upgrade in order to increase City's capacity to deliver quality services • Joburg becomes a smart institution that enhances efficiency and productivity • Smart service delivery • Municipal services provided to households utilising the broadband infrastructure	• Fresh produce market operations best practises • Innovation in trading methodologies	• CoJ a technologically competent institution; • Johannesburg a Smart City with enhanced service efficiencies and productivity; • Smart and effective service delivery maintained as the norm; • Job creation through improved economic development environment	• Exponential growth in fresh produce trading • Linking semi-mobile markets with JM through the broad band system
KEY PRIORITY NUMBER 8: ENCOURAGE INNOVATION AND EFFICIENCY THROUGH PROGRAMMES SUCH AS SMART CITY			
• Action plan for Green Infrastructure • Green jobs	• Separation of organic and non-organic waste (energy strategy) • SMME's dealing with harvested non-organic material (green jobs) • Utilise food-safe chemicals for sanitisation • Eradicate use of diesel forklifts • Generation (bio-gas, solar, and tri-generation) • Action plan for Green Initiatives	• Job creation and income generation as a result of energy diversification; • City becoming a leader in innovation in respect of the green economy. • Energy generation through waste recycling;	• Transformation in agricultural production • Self-sustaining families and SMME's • Clean air & Safe food

VALUE CREATION PROCESS

Value is created from a strong and sustainable financial and operational perspective of the Company that provides service delivery to all stakeholders. JM operates in a unique environment that serves as one of the marketing channels for fresh produce in South Africa, whereby a variety of qualities and quantities of fresh produce are traded amongst producers and buyers. The company's footprint even expands into the SADC region and this is evident from numerous buyers who frequent the JM premises.

The delivery of the company's strategic agenda is set around the requirements of CoJ as a Shareholder which expects JM to operate a well-functioning trading facility aimed at creating financial returns, whilst supporting the producers, traders, communities and citizens of Johannesburg. This will ensure that key outcomes such as food security, a well-nourished and healthy population, a job creation organisation and food safety are achieved.

JOBURG 2040 STRATEGY	5-YEAR IDP	BUSINESS PLAN/SDBIP
• Identifies the City's Future trends and Long-term strategy • Outlines the City's Vision & Mission to 2040	• Identifies the City's Programmes for current term of office linked to its priorities	• Detailed business Plans and SDBIPs for Departments and Municipal Entities
LONG-TERM FINANCIAL PERSPECTIVE	MEDIUM-TERM FINANCIAL PLAN	ANNUAL BUDGET AND SDBIP



The Fresh Produce Market Value Chain - A bird's eye view on value creation.

The fresh produce market system, and in particular the Joburg Market holds a number of benefits for the producer of fresh fruit and vegetables. The latter can be listed as follows:

In the short term:

- First and foremost the farmer receives his payment quickly. Normal payment is done within 5 days which greatly enhances the cash flow position of the farming enterprise;
- A market like JM has the capability to accommodate all produce assortments in terms of grade and sizes at competitive market prices. This enables the farmer to achieve prices based on a fair competitive and managed trading system.

The above elements enables JM to attract recurring business with farmers and it also enables wide assortments of produce on the JM trading floor which stimulates turnover.

In the medium term:

- A producer trade mark and associated quality that is regularly present on the market floor contributes towards it being a sought after label. This enhances the availability of a stable and growing loyal group of buyers;
- Buyers acquainted to farmer labels knowing what their clients require build loyalty towards a farmer brand increasing the demand for the farmers brand and enhances growth in demand for the brand.

The medium term elements enable JM to grow faster than its peer markets and underpin the role of JM as price barometer.

In the longer term:

- Stable produce supply supported by superior market services and improved logistics enhances trust and repeat business. This renders JM a trustworthy supplier of market services and custodian of a transparent trading system;
- I rendering a full portfolio of trustworthy and suitable trading space an d and a buyers core of magnitude

The longer term benefits enable JM to plan optimum planning of facility extensions to achieve synergistic growth in its business.

Specific risks to be mitigated over planning time horizons of JM:

Risk	**Short term Mitigation**	**Medium term Mitigation**	**Long term Mitigation**
Erosion of JM market share in key commodity groups	Develop programmes to enhance attractiveness of JM as 'one-stop-shopping' facility	Develop buyer and producer promotional programmes	Develop potential favourable market commission rates for consistent users
Trading space shortfalls	Plan extension of trading spaces	Implement trading hall space extention	Refine trading floor operations to comply to food handling standards

Business model and deliverables

Relevent to the business model of JM the inputs, the business activities, the outputs and outcomes are captured in section 13 of chapter 3 in the main heading of each scorecard deliverable. Alignment to shareholder inperatives are also captured in the mentioned tables partaining to the company scorecard.

The business model of the entity is to essentially serve as a central trading platform for fresh produce. JM provides facilities and services in order to facilitate the trading of fresh fruit and vegetables. Often being described as the stock exchange for fresh produce – the specialised central trading system of the company renders the service through unique systems and processes.

Producers, buyers and other intermediaries depend on the accuracy and real time availability of trading results to enable critical decision making.

Trading of fresh produce takes place in three (3) Food hubs, namely: Fruit Hub, Potato & Onion Hub and Vegetable Hub, measuring a total of 65 000m2 via a commission system. The Market charges the producer a mere 5% commission on all sales made on the commission floor. A further negotiable levy of 7,5% is paid to Market Agents for selling produce on behalf of the farmer.

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

The company currently holds substantial expertise to enable suitable levels of services it renders. These include

- Financial services;
- Project management expertise;
- Human resources support;
- Strategic services;
- Risk services;
- Trading and consignment regulation services;
- Information technology for sales processing;
- Facility management, and
- Property administration.

The company holds certification for its food testing lab through the SA National Accreditation System (SANAS) system.

JOBURG MARKET, THE HOME OF QUALITY FRUIT

Joburg Market from Origin to Modern day context

The company owes its origins to the establishment of the fresh produce market at the Market Square in central Johannesburg in 1887 where three thousand people congregated at this market to trade in fresh produce. As the city grew so did the trading of fresh produce. This prompted the building of a new facility in Newtown in 1913. The Market achieved an annual turnover of R1.5 million in 1913. The premises in Newtown became too small and by 1974 the market relocated to its current location in City Deep.

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

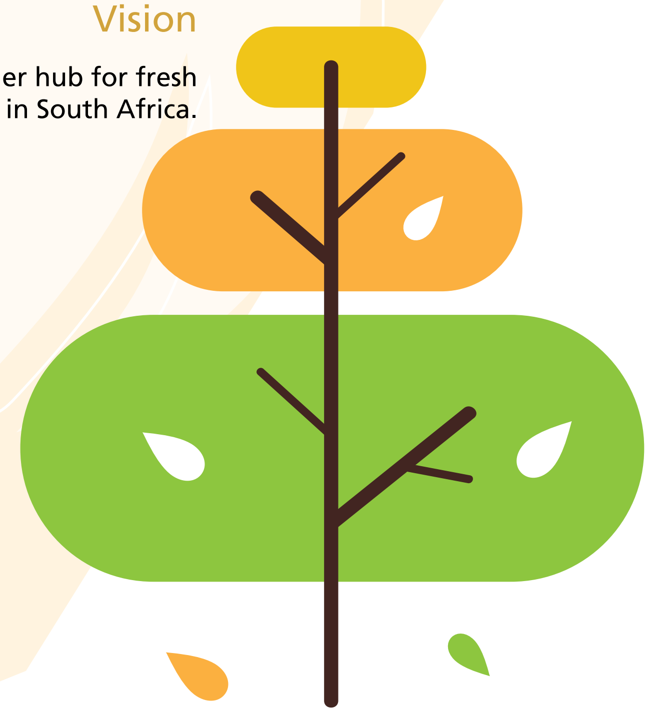
The Company represents the biggest fresh produce market in Africa in terms of the volume of fresh produce traded and has a staff complement of 314 employees. JM trading facilities are provided to farmers across the RSA whose produce is marketed and exposed daily to thousands of buyers from South Africa and the Southern African Development Community (SADC) region. JM, Market Agents and Tenants operating within JM's facilities create jobs for several thousands of employees within the sector.

JM plays a critical role of determining the price for the fresh produce industry in South Africa since it represents 44.02% market share of the National Fresh Produce Market in both volume and turnover. The Company is the only fresh produce market with a South African National Accreditation System (SANAS TO532) accredited laboratory to ensure maintenance of food safety standards.

Section 2: Business Strategy

Vision

The premier hub for fresh produce trading in South Africa.



Values

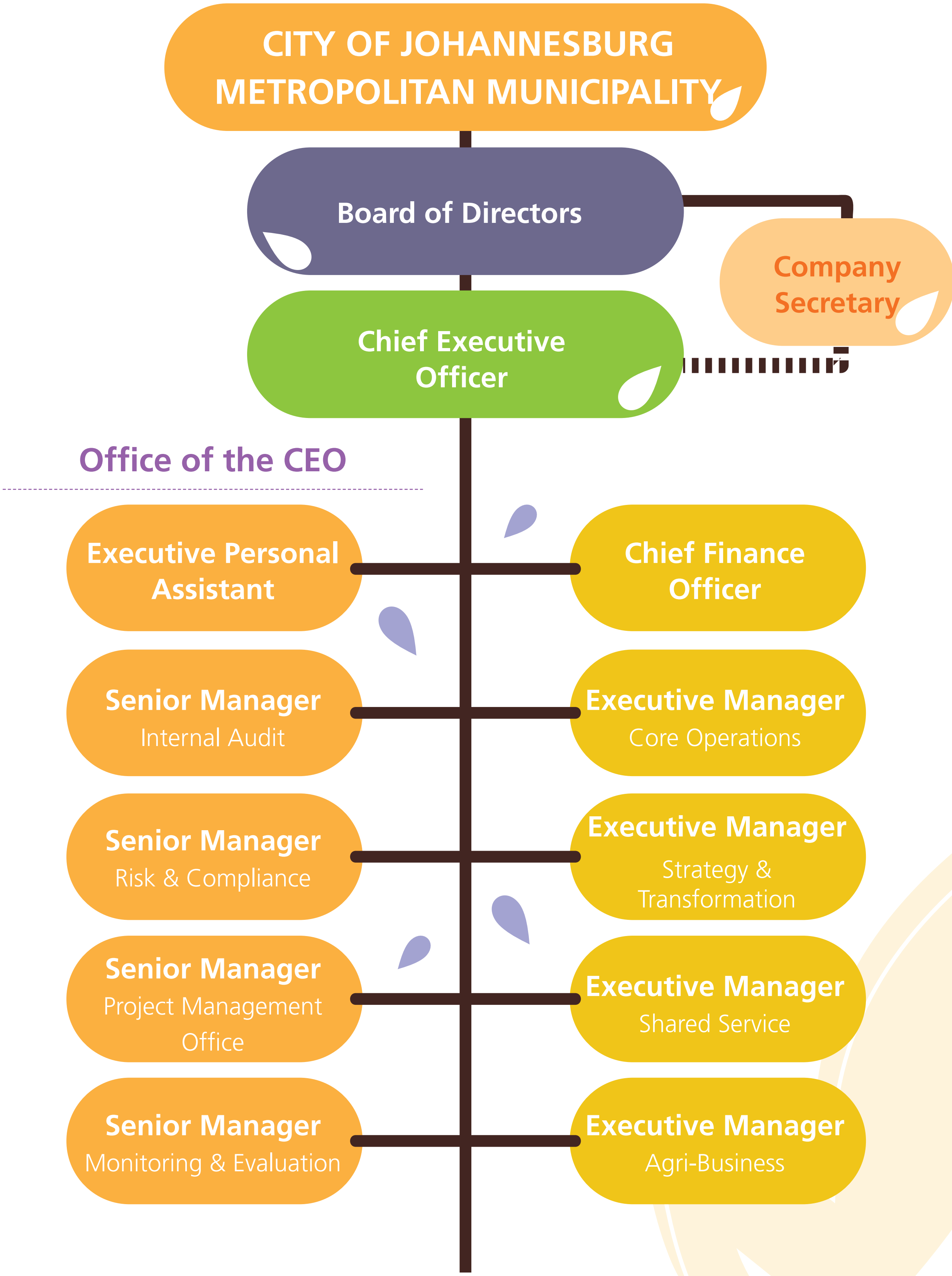
Integrity, Transparency, Courtesy, Accountability, Service Excellence, Stakeholder Centric

Mission

To build a premier fresh produce trading hub that is sustainable and socio-economically transformed.

Section 4: High-level Organisational Structure

The high level organisational structure is depicted below:



Stakeholder management

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

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

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

The key stakeholders of JM are tabled below:

No	Group	Functional relation	Principal involvement
		Governance	
1	CoJ	Governance Shareholder	Sole owners of the JM
2	Board of Directors	Governance of JM	Governs JM in terms of SDA
3	DED	Lead Department	Administrative link to CoJ
		Company	
1	Staff	Employees of JM	Managers and employees
2	Unions	Trade Unions	SAMWU / IMATU
3	EPWP	Job creation	Extended Public Works Programme
		Core Business	
1	Farmers	Production of produce	Supply JM from across RSA
2	Transporters	Logistics – Farm to Market	Private contractors
3	Market agents	Conducts actual selling of produce at JM	Private institutions
4	Commercial Buyers	Buying of produce at JM	Distribute and process fresh produce
5	Informal sector buyer	Informal traders	Intensive distribution in various areas

No	Group	Functional relation	Principal involvement
		International associates	
1	World Union of Wholesale Markets (Head Office: Netherlands)	Communication and market concept development	International platform aimed at the development and sustainability of fresh produce markets
2	Produce Marketing Association (USA)	Promotion of Produce trading entities	Promotion of fresh produce consumption and related research to enhance marketing of fresh produce
		Markets at JM	
1	Mandela Market	Traders at JM site established through empowerment programmes	Stall markets on JM site
2	Unity Market		
		Site Logistical services at JM site	
		• Pallet runners • Porters • "Bakkie" operators • Cooking "mamma's" • Recyclers	Rendering of support services to traders on market for own account
		Tenants	
		• Food distributors • Processors • Meat/fish traders • Soft drinks • General hospitality producers	Rendering services enabling clientele to utilise JM site as "one stop" shopping centre
		Financial services	
		Commercial Banks	Servicing buyers on JM to conduct transactions
		Service Providers	
		Multiple services rendered at the JM site	• Cleansing • Security • Waste disposal • Amenity gardens and land maintenace

Stakeholder engagement

EUROPE & ASIA
2000 member markets

United States of America
2800 members

WUWM
World Union of Wholesale Markets
Promoting wholesale and retail markets world-wide

Joburg Market International links

pma

The Wageningen University of Amsterdam and its Research division was running a Local Economic Development training programme in Africa. They requested to bring 41 delegates consisting of young farmers and aspirant farmers to come and visit the Joburg Market in order to observe the operations of the Market

President Miguel Filipe Machado Albuquerque from Madeira (Portuguese island) visited the Joburg Market through the Amaros wholesalers in the Joburg Market during November 2017.
His interest was to see the operations of the market and to visit the Portuguese community within the market. Journalists from the Portuguese television, our local CoJ were here to capture the moment as it unfolds.

Member of the Mayoral Committee Review

Councillor Leah Ruth Knott
MMC Economic Development

The new City Administration is in its second year of governance through inter alia the active pursuance of nine priorities to ensure quality, sustainable and pro poor professional services to the citizens of Joburg. The Joburg Market (JM), in terms of its mandate, fulfils a number of obligations in this regard. The company serves as an important instrument in our economic development objectives which are aimed at increasing the City's economic growth rate by 5%. The company is well aligned in its strategic orientation to the National and Provincial Growth and Development Strategy as well as the IDP of the CoJ. JM has excelled in terms of its financial returns and achieved positive ratios which underline the sustainability of this unique service. The continued growth in the clientele base of JM as far as it relates to SADC illustrates the capacity to grow job creation at the entity. Additionally seasonal imports from the northern hemisphere confirms the growing importance of JM as a trading partner with countries such as Spain.

In ensuring public participation JM has included key stakeholders in its strategic consultation sessions and participated in Regional IDP Consultation Sessions of the CoJ.

In serving the community JM conducted its role of serving as a safe food provider. In terms of the latter it is noted with appreciation that proactive steps were taken to communicate and prevent risks contained in the listeriosis outbreak.

The rendering of market services to the public are to be improved in particular in the area of maintenance and extension of trading amenities over the next three financial years. In considering the planned 2021 end state for JM the potential for exponential growth of the entity is not underestimated and therefore the City will carefully but diligently invest in this facility.

JM experienced a number of challenges over the past year which were substantially addressed through the interventions of the CEO. I am confident that the entity is ready to enter a period of stability, growth and development. I would therefore like to use this opportunity to thank the Board of Directors, Management and Staff for the continued efforts to improve and sustain the JM which is regarded as a vital building block in developing the economy of Johannesburg. Finally I would also like to register a word of thanks towards the Executive Mayor for his guidance and my fellow MMC's for their continued support.

Councillor Leah Ruth Knott
MMC Economic Development

Section 5: Chairperson's Foreword

Doris Dondur
Chairperson

The Board and Management have noted with great appreciation that a 40% stake acquired by a Black Economic Empowerment (BEE) participant in the biggest market agency, operating at JM. Following a number of engagements with agents and other role-players across the fresh produce industry, it is clear that a positive transformation agenda is being driven by numerous industry partners. This was especially visible in the most successful Transformation Symposium hosted by Potatoes South Africa (PSA) on 7 June 2018 at which JM was a key participant.

The Board has also observed the continued growth of JM's Market share in comparison with its national counterparts. The total Market share of JM is set at 44.02% in relation to its peer markets. Thanks to the consistent endeavours and the expertise of members serving on the Board of Directors and Executives, JM was able to implement strategies to sustain the Company. I would like to thank Mr. Dumi Mokopo an outgoing Board Member for his contributions towards the Board of Directors and wish him well in his new responsibilities.

Bearing in mind the realities of the day, the Board is aware of its task ahead to ensure that Joburg Market is an efficient and growing business that will continue to serve the public with the best possible assortment of produce and associated services. Regarding the latter, the Board is confident that the recently held strategic planning sessions provides a strong launching pad to take JM towards its SMART MARKET objectives.

> The company is ready to embark on the new road map towards being a SMART Market by 2021

The entity underwrites the food security, food safety and compliance drives as embedded in the strategies of the City and the fresh produce industry in general.

The Board has also apprised itself of the various matters affecting the effective operation of the entity. The various Board Committees duly executed their supervision and guidance of JM functions and enabled the Board to conduct effective oversight on the affairs of the company. Whilst the company is still being engaged in a number of matters of litigation, the Board will continue to support Joburg Market management in dealing with the matters at hand. Finalising the organisational structure and the filling of key executive positions represents a key priority for the next six months ahead.

The Board is well aware of the vast number of stakeholders involved in the fresh produce industry and their needs in respect of the services rendered by JM. Whether on the production side or the trading side of the fresh produce distribution system, it is the intention of the Board to continue to ensure well integrated service delivery approaches to the clients of Joburg Market.

Preventative maintenance programmes will be a focus area of the Board and its Committees to ensure the trading and handling of fresh produce in compliant facilities. The development of the suitable increased trading space and the development of the Mandela Market Precinct, represent flagship projects aimed at ensuring a sustainable fresh produce market where the previously disadvantaged across the agricultural value chain will be included and promoted in a creative fashion.

The Joburg Market finds itself on a new trajectory with the services and facilities it intends to deliver over the forthcoming three to five years. In order to achieve the planned targets, the Board and its Committees are fully committed and ready to assist in achieving the set objectives.

Ms Doris Dondur
Chairperson of the Board of Directors
Joburg Market

Section 6: CEO's Report

Ayanda Kanana
Chief Executive Officer

At the conclusion of the 2017/18 financial year Joburg Market achieved a number of important strategic milestones. The development of SMART MARKET concepts for JM has also reached a stage where JM can consult on this vital strategy which will be translated into pilot projects and programmes. Whilst JM intends to implement several value adding mechanisms in this regard, it will also work towards integrating the capacities embedded in these technologies to empower and develop both black buyers and black farmers. The company will also implement enhancements of its trading system strategic renewal programme.

Relevant to trading, the company sold 1.3 million tons of fresh produce, producing a monetary sales value of R7.3 billion. In terms of tonnage throughput, the year-on-year growth against the set target was 15.0% which underlines amongst others, the need for additional trading floor space.

As observed in chapter 5 in this report, the financial results underlines the healthy situation JM finds itself in as a going concern, Revenue growth in particular was improved by 8.5% against the comparative period of the previous financial year and R434.1 million of income was produced. Commission income accounts for 84% of the entity's revenue. The Company has adopted the principles of rendering value for money market services and conveys this phenomenon to stakeholders. Against this backdrop JM, also established the "Love your Market" campaign. The new approach to communicating service delivery matters to stakeholders has received positive comment from Industry leaders. The company mainly fund its capital programme through shareholder loans.

JM will finalise the implementation of mechanisms to measure service standard levels efficiently at all the services divisions of the Company. The changes in management was signified by the arrival of a new CFO as well as the introduction of a monitoring and evaluation function. The latter will greatly assist in the service delivery trajectory developed for the entity. During the year under review the executive manager responsible for strategy and transformation resigned from the company.

> The company is ready to develop a next generation fresh produce market facility able to meet the needs of the modern day producer and buyer

The proper provisioning of corporate clothing and PPE to members of staff is paramount to a user friendly service environment. Special interventions to secure adequate corporate clothing and PPE were thus launched and came to fruition during the year under review.

The entity strongly focuses on its maintenance challenges relevant to facilities as a crucial service element and consequently, a number of new interventions will follow during the first two quarters of 2018/19 to overcome those challenges relevant to, especially the fabric of the JM trading facilities. The reduced Capital Expenditure (CAPEX) allocation for the 2018/19 financial year has brought about fresh challenges. In the latter regard, the Company will, in consultation with the Shareholder develop alternative approaches towards funding the shortfalls.

During the 2016/17 financial year the entity received an unqualified audit opinion. The entity will during 2018/19 continue to work towards the attainment of a clean audit opinion.

In consideration of the entity's top five risks the importance of overcoming the challenges embedded in ageing infrastructure remains paramount in seeking solutions which are sought in terms of funding the legacy arrears in repairs and maintenance on the one hand but on the other hand also sufficient CAPEX funding to extend trading space. In the latter regard the possibility of exploring the commercial market for financing of infrastructure investments will be explored in close cooperation with the Shareholder. In the repairs and maintenance field the company will continue with the drive to find a suitable building maintenance and civil works plan and the appointment of specialists to conduct the required interventions.

Risks of eroding the trading processes from which the main income of the company derives will be addressed through the development of smart systems and techniques to curb the risk of fraud.

Ayanda Kanana
Chief Executive Officer

Section 7: CFO's Report

It is pleasing that the overall performance of Joburg Market for the period ending 30 June 2018 was above expectation. This is against the backdrop of a struggling economy that grew at an average of 2.6% coupled with an inflation rate of 5.27% during 2017 and 4.78% during 2018 year. Total revenue grew overall by 8.74% when compare to the prior period while total expenditure decreased by 1%. This translated to an operating surplus growth of 33.73% when compared to prior year which was pleasing considering the strain on the economy as referred to above. The commission revenue which makes up 84% of our total income grew by 7.36% when compared to the prior year which is 2.33% above average inflation (5.0%) this was mainly due to price increase of produce during the year. There was significant increase in interest received and cash handling fee of 24% and 12% respectively compared to prior year and this was due to the increase in cash on hand from R124 million to R201 million in the current year. The banana ripening income increased by 107%, albeit from a low base compared to prior year. This was mainly due to focused maintenance to these facilities which meant that more were available for utilisation by customers as compared to prior year.

Mr Sifiso I. Dlamini
Chief Financial Officer

The organisation was also able to reign in expenditure during the year under review in the following areas:

- Employee cost only grew by 1% due to the unfilled vacancies as a result of disciplinary cases as well as the moratorium on filling some no-critical vacancies place by the shareholder.
- Finance cost decrease by 33% as a result the company taking advantage of the cash on a hand to repay of shareholder loans during the period
- General expenses decreased by 2.3 % due to delay in finalising the much needed repairs contract. This remains high priority for the coming year.

The table below depicts a graphic of all the major movements discussed above:

Revenue	Movement	Expenditure	Movement
Commission	7.4%	Employee related costs	1%
Rental Income	13.0%	Finance cost	-34%
Interest Income	24.0%	General expenses	-2.30%
Cash handling fees	11.6%		

The company had a pleasing year financially with all the key ratios indicating a healthy liquid position. The current ratio improved to 2.30 (2.03 2017) this is above the norm of 2, further a high cash coverage ratio of 249 days (152 days 2017) which are both above the 50 days norm. There is a caveat though in that the capital expenditure remains low and there remains room for improvement in the execution of the capital projects. The minimal spending in that area remains a concern that will be addressed going forward.

During the year under review the company was not spared the impact of the cash in transit scourge that was sweeping the country. One of our cash trucks was blown out and an undisclosed amount of cash was stolen, luckily there was no loss of life and the company didn't suffer any financial loss. This indicates the vulnerability that we are all exposed to and the risk that is a constant presence in our environment.

Having joined midway during the year I would like to extend my sincere appreciation to the staff that has made my adjustment to the environment seamless and worked tirelessly to produce this sterling set of results.

Mr Sifiso I. Dlamini
Chief Financial Officer

CHAPTER TWO:

GOVERNANCE

- Board of Directors
- Board & Committee meetings
- Remuneration – Board & Executive
- Risk Management and Risk Register status

CHAPTER TWO: GOVERNANCE

Section 1: Board of Directors

The JM Board of Directors consists of Executive and Non-Executive Directors. The Board provides quarterly and bi-annual reports on its performance and service delivery to the CoJ as prescribed in the Service Delivery Agreement (SDA), the Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA). The Board remains accountable to the CoJ Metropolitan Municipality as the entity's sole Shareholder. A SDA concluded in accordance with provisions of the Municipal Systems Act governs the shareholder relationship between the parties. The Chairperson of the Board is an independent functionary. The Chief Executive Officer serves as accounting officer for the company and report to the Board of Directors. Board members have unfettered access to the Company Secretary who is responsible for providing advisory services to the Board and its Committees on statutory, compliance, regulatory and other related matters.

The Board or any of its members may, in appropriate circumstances and at the expense of the Company, obtain the advice of independent professionals. The term of office of the Non-Executive Directors is subject to review at the Annual General Meeting (AGM).

The Board has satisfied itself that the company is a going concern. The financial ratios and related information are discussed under chapter 5. The main income of the company was derived from commission income at 84% of total income.

During the year under review no new regulatory requirements impacted on the design of the JM governance structure. The operations of the company did not impede on any neighboring or other businesses and no environmental damages were reported. The company is however going to explore green economy approaches toward it's disposal of organic and non-organic materials.

Directors

The table below depicts the details of the current Non-Executive Directors and Independent Audit Committee members who were re-elected during the AGM held on 20 April 2018.

Member	Appointment Date
Ms. Doris Dondur (Chairperson)	April 2018
Ms. Abigail Ramakoaba	April 2018
Mr. Jan Mocke	April 2018
Mr. Livhu Nengovhela	April 2018
Dr. Pat Naidoo	April 2018
Mr. Sihle Ndlovu	April 2018
Mr. Dumi Makopo	April 2018
Mr. Robin Theunissen (IAC)	April 2018
Mr. Cassim Tilly (IAC)	April 2018
Mr. Robert Hill (IAC)	April 2018

Section 2: Corporate Governance

2.1 Governance Report

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 (as amended), I certify that, to the best of my knowledge and belief, the company has lodged and/or filed, for the financial year ended 30 June 2018, all such returns and notices as required and that all such returns and notices are true, correct and up to date.

Mr Keeran Singh
Company Secretary (Acting)

The Joburg Market (SOC) Ltd
29 November 2018

Mr Keeran Singh
Company Secretary (Acting)

Board of **Directors**

Ms Doris Dondur (52)
Chairperson of Board

Ms Abigail Ramakoaba (36)
Non-Executive Director

Mr Jan Mocke (60)
Non-Executive Director

Mr Sihle Ndlovu (38)
Non-Executive Director

Mr Livhu Nengovhela (53)
Non-Executive Director

Dr Pat Naidoo (58)
Non-Executive Director

Mr Madumetsa Makopo (36)
Non-Executive Director

Mr Robert Hill (52)
Independent Member

Mr Robin Theunissen (64)
Independent Member

Mr Cassim Tilly (47)
Independent Member

Mr Ayanda Kanana (36)
Chief Executive Officer

Mr Sifiso I. Dlamini (48)
Chief Financial Officer

Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with Company rules and procedures, statutory regulations and best corporate practices. The Board or any of its members may, however, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals.

DIRECTORS

JM's AGM took place on the 20 April 2018 during which a new Board was appointed with the following Board Members as at 30 June 2018.

NAME	DESIGNATION	QUALIFICATIONS	SERVING ON OTHER BOARDS
Ms Doris Dondur (Independent Non-Executive Director)	Chairperson of Board	• CA (SA) • Masters in Business Administration • Chartered Director (SA) • CTA / B Compt Honours • Hons Business Administration • B Acc • Post Grad Dip. Labour Relations • International Executive Development Programme • Gaming Executive Development Programme • Integrating Strategy, Budgeting and Reporting.	• National Lotteries Commission • PPS
Ms Abigail Ramakoaba (Independent Non-Executive Director)	Non-Executive Director	• MSc Biochemistry	• None
Mr Jan Mocke (Independent Non-Executive Director)	Non-Executive Director Chairperson of SDC	• Masters in Business Leadership • BSc (Eng) Electronic • Integrating Strategy, Budgeting and Reporting • Executive Development Programme	• None
Mr Sihle Ndlovu (Independent Non-Executive Director)	Non-Executive Director	• Masters in Business Administration • Advanced Dip in Man Acc (CIMA) • N Dip. Cost and Management Accounting • Professional Accountant (SA) • Professional Tax Practitioner (SA) • Cert. Business Management on Developing Countries	• Ilembe Enterprise Development Agency • Agribusiness Development Agency • Built Environment Support Group • KwaZulu-Natal Agricultural Union • Ithala Development Finance Corporation • Ezemvelo Conservative Board
Mr Livhu Nengovhela (Independent Non-Executive Director)	Non-Executive Director Chairperson of REMCO	• LLM Labour Law • BCom Honours • Post Grad Dip. Labour Relations • B Admin • Advanced Management Programme • International Executive Development Programme	• Petroleum Agency South Africa • Hercules Bricks • Boekenhout Clay Mine.

NAME	DESIGNATION	QUALIFICATIONS	SERVING ON OTHER BOARDS
Dr Pat Naidoo (Independent Non-Executive Director)	Non-Executive Director Chairperson of SEC	• PhD • Masters in Business Administration • MSc Eng • B.Eng (Electrical) • Cert. Electricity Regulation • Cert. Utility Management • Cert. Modeling and Managing Competitive Electricity Markets	• Eskom
Mr Madumetsa Makopo (Independent Non-Executive Director)	Non-Executive Director	• B Com (Economics, Insurance and Risk Management)	• None
Mr Robert Hill (Independent Audit Committee Member)	Independent Member	• BSc Honours (Computer Science) • Higher Diploma in Computer Auditing • BSc (Information Processing)	• MITS Institute (Pty) Ltd • Management Information Technology Services Consulting (Pty) Ltd • Spanish Ice Invest 3 (Pty) Ltd
Mr Robin Theunissen (Independent Audit Committee Member)	Independent Member Chairperson of ARC	• CA(SA) • B Accounting • Registered Auditor • Diploma in Criminal Justice and Forensic Auditing	• Profmed Medical Aid Scheme • SA National Blood Services NPC
Mr Cassim Tilly (Independent Audit Committee Member)	Independent Member	• CA (SA) • M. Com (SA Domestic & International Tax) • P.G.Dip Auditing • B. Compt Hons/ C.T.A • B. Com	• None

Annual Meetings

Members	Board Meeting		Audit & Risk Committee		Social & Ethics Committee		REMCO & HR Committee		Service Delivery Committee	
	A	B	A	B	A	B	A	B	A	B
Dondur D	10	10	-	-	2	3	-	-	-	-
Ramakoaba A	5	10	-	-	3	3	-	-	4	4
Mocke J	10	10	-	-	-	-	4	4	4	4
Nengovhela L	9	10	6	9	-	-	4	4	-	-
Ndlovu S	9	10	-	-	-	-	4	4	3	4
Naidoo P	8	10	-	-	3	3	-	-	3	4
Makopo M****	5	10	7	9	2	3	-	-	-	-
Theunissen R (IAC)	8	10	9	9	-	-	-	-	-	-
Hill R (IAC)	-	-	9	9	-	-	-	-	-	-
Tilly C (IAC)	-	-	9	9	-	-	-	-	-	-
Kanana A** (Executive Director)	6	10	7	9	2	3	2	4	2	4
Dlamini S*** (Executive Director)	5	10	4	9	-	3	-	4	1	4

Meetings attended by the Board and its Committees	
A = Meetings attended	**CEO appointed 1 September 2017
B = Number of meetings scheduled	***CFO appointed 1 January 2018
IAC = Independent Audit Committee member	****Resigned 10 May 2018

2.2 Board Committees

During the AGM on 20 April 2018, the Shareholder announced the reduction of the number of Board Committees. The current Board Committee structure consists of the Audit and Risk Committee and the Remuneration, Social and Ethics Committee.

- Audit and Risk Committee
- Social and Ethics Committee
- Remuneration Committee
- Service Delivery Committee

Audit and Risk Committee

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

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

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

Social and Ethics Committee

The committee is constituted in terms of the provisions of the Companies Act 71 of 2008 and Regulations of 2011. Its responsibilities include the monitoring of the company's activities in respect of the following:

- Social and economic development, including the company's standing in terms of the goals and purposes:
- Employment Equity Act;
- Broad-Based Black Economic Empowerment Act;
- Promotion of good corporate citizenship, including the company's:
- Promotion of equality, prevention of unfair discrimination, and reduction of corruption;
- Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
- Record of sponsorship, donations and charitable giving;

Promotion of environment, health and public safety, including the impact of the company's activities and of its products or services.

Remuneration Committee

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

Service Delivery Committee

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

The committee is furthermore responsible for reviewing the organisational objectives in line with the company's mission and goals in the areas of marketing and communications, strategy, operations, consignment, information services/technology support to the company as well as strategic planning and alignment with shareholder objectives. The Service Delivery Committee is responsible for oversight relevant to the various service delivery imperatives of the company.

2.3 Board and Committee Appraisals

During the year under review the Board of Directors was appraised by the shareholder and shareholder found the functioning of the Board and it's Committees to be conforming to expectations.

2.4 Policies adopted by the Board

During the course of 2017/18 the following policies were adopted by the Board as recommended by the various committees:

- Human Resources - 5 policies
- Finance - 4 policies
- IT - 8 policies

2.5 Banchmarks on incentives and payments

The following actions are listed towards payments:

- incentive scheme payments - no payments in this regard was done towards retention of any staff.
- salaries above median - Appointment above the median was conducted in respect of the acccounts receivable clerk

The above appointments where conducted at the higher rate as as a result of the lower then competing ability of JM in relation at the labour market.

- *ex-gratia* - payments - payment of senior manager bonuses was conducted on this basis for the 2015/16 financial year
- executive employment policies - no new policies were adopted during 2017/18
- relevent to the remuneration policy of the company, no voting was required in any approval processes
- In terms of any remuneration and design principles, policy guidelines were duly followed and consulted with REMCO

- Incentive offered by the company were planned in accordence with policy guidelines
- All taxes were paid over to SARS in accordence with legislative provisions

2.6 Remuneration Policy

Directors and officers are remunerated in accordance with the Company's Remuneration Policy which is informed by directives issued by the Shareholder. The policy is executed in full compliance with legislative imperatives regulating remuneration in the local government environment.

Remuneration of Non-Executive Directors and the Independent Audit Committee members is determined in terms of the CoJ Group Remuneration Policy.

2.8 Remuneration of Non-Executive Directors

The remuneration on Non-Executive Directors is reported as follows:

NON-EXECUTIVE DIRECTORS' REMUNERATION					
No.	**Name**	**Designation**	**Meeting Fee (R)**	**Reimbursed Travel (R)**	**Total (R)**
1	Doris Dondur	Chairperson	536 168	0	536 168
2	Abigail Ramakoaba	Member	132 504	0	132 504
3	Jan Mocke	Member	424 211	34 924	459 135
4	Livhu Nengovhela	Member	362 130	0	362 130
5	Sihle Ndlovu	Member	186 588	220	186 808
6	Pat Naidoo	Member	210 752	0	210 752
7	Madumetsa Makopo	Member	137 403	0	137 403
TOTAL			**2 016 965**	**35 144**	**2 052 109**

Non-Executive Directors' remuneration is inclusive of all engagements and meeting attendances (ordinary, special, ad-hoc). According to Shareholder guidelines. During the year under review Non-Executive Directors that live outside the municipal boundaries of COJ, were reimbursed for travelling costs.

2.9 Independent members' payments

INDEPENDENT AUDIT COMMITTEE MEMBERS					
No.	Name	Designation	Meeting Fee (R)	Reimbursed Travel (R)	Total (R)
1	Robert Hill	IAC	91 260	0	91 260
2	Robin Theunissen	IAC	501 000	0	501 000
3	Cassim Tilly	IAC	68 445	0	68 445
TOTAL			**660 705**	**0**	**660 705**

The cost of Director remuneration as at 30 June 2018 is R2 712 814 against a budget of R1 4000 000 for the 2017/18 financial year.

The increased Director remuneration for the year is attributable to significant interactions with the shareholder representatives and various forensic investigations all of which necessitated Board and Committee interventions and additional meetings.

Section 3: Executive Management Remuneration

Name	Designation	Salary	Pension	Medical Aid	Cell Phone	Travel	Subsistence	Housing	Acting	Leave Pay	Insurance	SDL	BCL	Bonus	Total
Ayanda Kanana	CEO (01.09.17-30.06.18)	1 415 141	118 448	79 924	39 000	152 789	-	-	-	-	1 487	15 706	83	-	1 822 578
Sifiso Dlamini	CFO (01.01.18-30.06.18)	749 658	99 450	-	19 500	-	100	-	-	-	892	7 287	33	-	876 920
Charles Hamilton	Acting CEO (01.08.17-31.08.17)	117 792	24 124	-	3 600	-	-	-	16 083	-	149	1 412	8	-	163 168
Charles Hamilton	Acting Strategy and Transformation Executive (01.03.18-31.03.18)	471 169	96 497	-	11 800	-	100	-	64 331	-	595	6 800	33	117 770	769 096
Benvinda Rocha	Acting CFO (01.08.17-31.12.17)	473 251	100 104	26 525	14 750	-	-	-	66 736	-	744	5 967	41	-	688 118
Benvinda Rocha	Acting CEO (01.07.17-31.07.17)	94 650	20 021	5 305	3 600	-	-	-	13 347	-	149	1 200	-	-	138 272
Morrongoe Tladinyane	Strategy and Transformation Executive (01.07.17-28.02.18)	954 992	49 351	43 326	26 000	-	680	6 373	-	327 622	1 338	14 271	50	116 795	1 540 797
Josiah Mazibuko	Core Operations Executive	1 649 673	85 950	67 560	39 000	2 222	100	-	-		1 785	18 213	83	148 734	2 013 318
Tshifiwa Madima	Agri-Business Executive	1 316 866	73 172	48 822	39 000	96 000	100	9 559		110 638	1 785	16 446	83	114 075	1 826 546
Sugar Ngcobo	Shared Services Executive (01.07.17-31.08.17)	217 387	12 919	9 734	6 500	40 000	-	-	-	110 727	595	4 367	-	72 917	475 146
Thelma Melk	Company Secretary (Special leave 26.06.17- 28.03.18)	678 644	53 250	51 876	28 800	-	-	-	-	120 756	1 636	9 229	74	79 986	1 024 251
Mandla Mdluli	Acting CFO (01.07.17-31.07.17)	81 274	11 157	4 639	2 950	-	-	797	11 443	-	149	966	-	-	113 375
Keeran Singh	Acting Company Secretary (01.07.17-31. To date)	434 677	92 056	23 820	40 900	-	-	9 559	62 564	24 548	1 785	6 531	91	42 619	739 151
		8 655 175	836 499	361 531	275 400	291 011	1 080	26 288	234 505	694 292	13 087	108 395	578	692 895	12 190 735

3.1 Executive Management

The EMT comprises the Divisional Executives, the CFO and the CEO as set out below. Executive Management takes responsibility for the overall management of the Company.

Executive Management

Mr. Ayanda Kanana

(Chief Executive Officer)
(Date: 01.09.2017

Qualifications:
- Chartered Accountant (SA)
- Bachelor of Commerce Honours
- Bachelor of Commerce in Financial Accounting

Mr. Sifiso Dlamini

(Chief Financial Officer) (Date 01.01.2018)

Qualifications:
- Chartered Accountant (SA)
- Bachelor of Accounting Science Honours
- Bachelor of Commerce (Economics)

Ms. Benvinda Teixeira

(Chief Financial Officer – *Acting*)
(Date 01.08.17- 31.12.17)

Qualifications:
- Bachelor of Commerce
- Associate General Accountant (SAICA)
- Municipal Executives Financial Management

Mr. Mandla Mdluli

(Chief Financial Officer – *Acting*)
(Date 01.07.17- 31.07.17)

Qualifications:
- Bachelor of Business Administration
- Master of Business Administration
- Masters in Business Leadership
- Municipal Executives Financial Management

Ms. Moronngoe Tladinyane

(Executive Manager – Strategy and Transformation)
(Resigned 28 February 2018)

Qualifications:
- Masters in Business Administration
- Post Graduate Diploma in Business Administration
- Baccalaureus Degree: Chemistry
- International Leadership Development Programme
- Municipal Executives Financial Management

Mr. Charles Hamilton

(Executive Manager – Strategy and Transformation – *Acting*)

Qualifications:
- Senior Management Programme in Municipal Management/Business Administration
- Strategic Forecasting and Risk Management
- Baccalaureus Degree: Marketing
- National Diploma: Marketing and Sales Management
- Advanced Diploma: Marketing and Sales Management
- Municipal Executives Financial Management
- Local Government Monitoring and Evaluation

Mr. Josiah Mazibuko

(Executive Manager – Core Operations)

Qualifications:
- Master of Science in Engineering Business Management
- Senior Managers Programme
- Management Development Programme
- National Diploma: Electrical Engineering
- Artisanship Certificate as an Electrician
- International Leadership Development Programme

Mr. Tshifhiwa Madima

(Executive Manager – Agri-Business)

Qualifications:
- Masters in Agricultural Economics
- Honours degree in Agricultural Economics
- Bachelor of Agricultural Management
- Municipal Executives Financial Management
- International Leadership Development Programme
- Post Graduate Diploma in Business Management Practice

Public accountability and Administration

Regional Location and consultation

The company is situated in Region F, Ward 57 of CoJ. On 17 November 2017 JM attended the IDP meeting which covered five wards from Region F, namely wards 57, 61, 65, 118 and 123 which were held with the purpose of IDP feedback and consultation meeting held for Region F.

Participation of the public was also conducted through the offering of free training of new entrants into the trading of fresh produce. The second phase of this approach entails the establishment of clubs for such participants to assist in the sustainability of new enterprises in fresh produce trading.

Supply Chain Management

JM is focussing on providing access to opportunities for the public in participating in opportunities to trade with JM. In addition to advertisement through its website and the media JM is also committed towards enabling SMME's in this regard. During the 2018/19 JM will establish an Enterprise and Supplier Development Strategy.

Bylaws

During the year under review JM has refined a new draft Bylaw. The bylaw was developed in consultation with role-players to ensure a suitable set of bylaws for a proper functioning trading environment at JM.

Websites

In order to keep the public abreast of fresh produce price trends the JM publish its price report on its website. Communication with the public is further enhanced with a new electronic newsletter which was also developed and introduced during the year under review.

Public satisfaction on the services of JM

To provide improved measurability JM developed a new set of service standards during the year under review. A dedicated email address was maintained to provide easy access for the public towards the resolution of service difficulties. The email address is info@joburgmarket.co.za.

Against the backdrop of the nature of its services and the trading of perishable products JM maintain customer service desks across its various trading halls.

Oversight through committees of Council

JM serves under the oversight exercised by the Economic Development Committee (Section 79) of the CoJ. The committee duly executed quarterly oversight of its entities and departments and conducted oversight visits to the entity. On 12 October 2017 the above committee conducted a focused oversight visit to the JM with the view to obtain details and the functioning of the programme to train informal traders.

JM also attended oversite meetings of and reported to the Group Performance Audit Committee (GPAC), Group Risk Committee (GRC) and Group Audit committees (GAC) of the parent municipality.

Section 4: Company Secretarial Function

The Company Secretary is responsible for developing systems and processes to enable the Board to perform its functions efficiently and effectively. The Company Secretary is also responsible for all statutory returns with the Companies and Intellectual Property Commission (CIPC). The Company Secretary advises the Board on corporate governance issues, the requirements of the Companies Act and other relevant regulation and legislation.

In addition, providing guidance to the Executive on all governance matters and provides guidance with respect to the efficacy of Board resolutions. This function acts as a link between Board and Management as well as the Board and the Shareholders.

Section 5: Internal Audit Function

JM's Internal Audit Department has a specific mandate from the Audit Risk Committee to independently appraise the adequacy and effectiveness of the Company's systems, financial internal controls and accounting records. The findings are reported to management, the ARC and the Auditor-General. The Senior Manager Internal Audit has direct access to the Chairperson of the ARC and reports functionally to the ARC and administratively to Chief Executive Officer.
The Internal Audit Plan is based on the high risk areas of the organisation as identified in the strategic risk register and operational risk register. The Internal Audit Plan is updated annually, based on the risk assessment and results of the audit work performed. Detailed activities of the Internal Audit unit during the period under review, are provided in Chapter 6.

Section 6: Corporate Ethics and Organisational Integrity

The Board is cognisant of the need to ensure the development of a suitable Code of Ethics. Amongst others, the Company produced a framework and an ethics risk register. The entity currently has a code of ethics, which is briefly outlined as follows:

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

Section 7: Sustainability Report

The Company is currently exploring various eco and environmentally friendly initiatives including conversion of waste to energy, policy development relevant to electricity/battery operated forklifts, installation of day/night light sensors, etc. Some of these initiatives are at conceptual stage or under investigation.

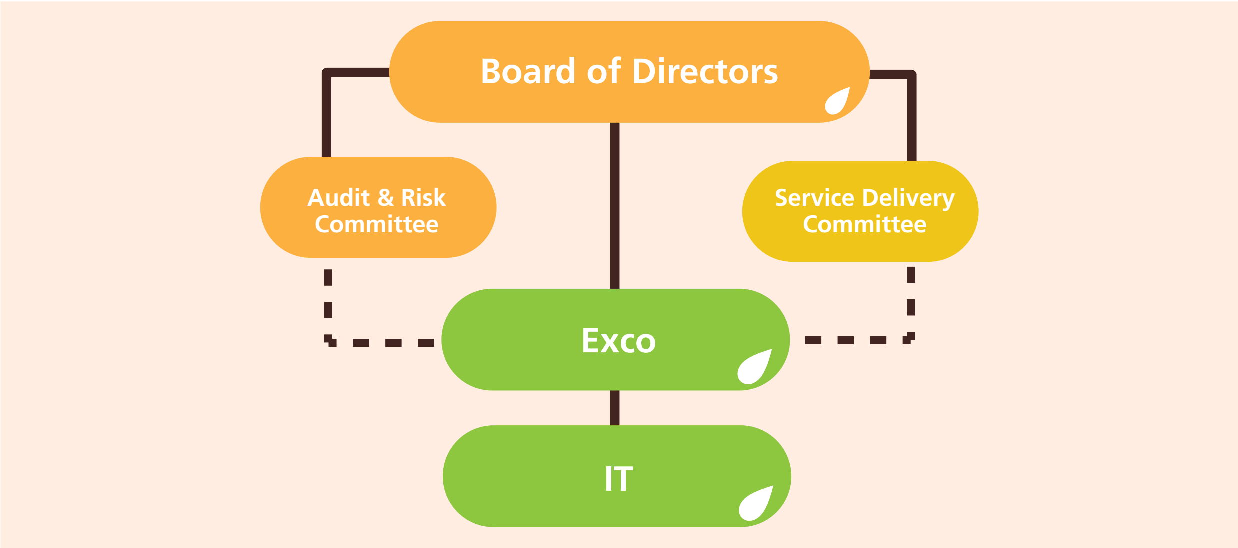
Section 8: Anti-Fraud and corruption

The Anti-Fraud and Corruption Policy was approved and communicated to the entire staff in the organisation. The policy includes procedures on reporting fraud and how to access the tip-off hotline. The hotline is a 24-hour service centrally managed by CoJ with monthly incident reports sent to the Senior Manager: Internal Audit for follow-up.

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

Section 9: IT Governance

Joburg Market's Information Services Department is managed by the Senior Manager: Information Services, who reports to the CEO. The (information Technology (IT) Department reports to the Service Delivery Committee on a quarterly basis.



In terms of governance, the department is audited internally at least annually. The department's governance is included in the AGSA audit of the entity annually. The department reports quarterly on IT Risk Mitigation actions to the Risk department of the entity.

Oversight by the JM Board is executed via the Service Delivery Committee on a quarterly basis. Internally, governance oversight is provided by the Executive Committee (EXCO) with the operational accountability of governance matters residing with the Senior Manager: Information Services.

The IT Department governance framework is the Information Systems Information Library (ITIL) framework, which is a subset of the Control Objectives for Information and Related Technologies (COBIT) framework and is widely used in governments internationally. IT policies were reviewed and approved by the JM Board in April 2018.

Section 10: Compliance with Laws and Regulations

The Board is responsible for ensuring the entity's compliance with applicable laws, rules, codes and standards and this remains an important consideration in all its decision-making processes. Reported incidents of non-compliance with laws and regulations are addressed through relevant governance prescripts.

The entity has completed a Legal and Legislative Compliance checklist which was duly evaluated by the Internal Audit function of the Company. A number of instances of non-compliance were discovered in terms of statutory and SCM regulations pertinent to construction related contracts and are currently being investigated by the forensic services of CoJ. Incidence of non-compliance mainly related to failures in obtaining building plan approvals as well as Occupational Health and Safety prerequisites.

Legal and legislative compliance

As provided in Section 93A of the Local Government: Municipal Systems Act, 2000 the parent municipality (the CoJ) of a municipal entity must exercise any shareholder, statutory, contractual or other rights and powers it may have in respect of the municipal entity to ensure that both the municipality and the municipal entity comply with the Municipal Systems Act, the Local Government: Municipal Finance Management Act, 2003 and any other applicable legislation; and that the municipal entity is managed responsibly and transparently, and meets its statutory, contractual and other obligations. During the period under review an assessment was conducted to aid JM in monitoring compliance of the municipal entity with the legal and governance obligations set out in the Municipal Systems Act, the Municipal Finance Management Act as well as the Companies Act and the King Report on Corporate Governance.

The evaluation further assisted JM with compliance and the reporting requirements required from the CoJ's protocols and reporting frameworks through the CoJ Group Governance function. During the review period JM identified a number of deficiencies in compliance. In particular a shortfall in resources hampered the application of enforcement relevant to OH&S, building regulations – contractor compliance. In addition to consequence management the entity provided for the strengthening of the SHE department and conducted refresher training in safety. During the year ahead JM will focus on assisting tenants and market agents to properly apply measures of safety on their trading floors. JM will also introduce a new bylaw and will addition it with a service level agreement with tenants and market agents to ensure an environment where all legal and legislative provisions will be monitored through an integrated approach.

10.1 Municipal Regulations on Minimum Competency Levels for accounting officers, senior managers, finance officials,

In terms of Sections 83, 107 and 119 of the MFMA it is an imperative for officials to meet prescribed competency levels in financial and supply chain management and should be read with the Municipal Regulations on Minimum Competency Levels This competency framework replaces regulation 26(8) of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, (Government Notice No. 805) as published in Government Gazette No. 29089 of 1 August 2006. The competency framework consists of six leading competencies which comprise of twenty (20) driving competencies that communicate what is expected for effective performance in local government.

The CoJ has centrally arranged the training and during 2017/18 8 staff members were trained.

10.2 Corporate Governance Statement

To ensure accountability and governance, arrangements are in place. Section 121(2) (c) of the Municipal Finance Management Act (MFMA) supports the requirements of section 18(1) (d) of the Municipal Systems Act (MSA): information on matters of governance should be communicated to communities. This should, according to sections 65(1) (a) of the MFMA and 46 of the MSA, be undertaken through the compilation and publication of the Integrated Report.

10.3 Application of King Code

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

Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. The Board of Directors has incorporated CoJ's Corporate Governance Protocol in its Board Charter which regulates its relationship with CoJ in the interest of good corporate governance and good ethics. The Protocol is premised on the principles enunciated in the King Code for Corporate Governance for South Africa. JM consolidated its position in respect of adherence to the King Code Report on Corporate Governance. Continuous steps were taken to align practices with the King Report's recommendations and the Board continually reviews its processes to ensure that it enhances corporate governance. During the financial year under review, JM's risk management reviews, reporting and compliance assessments were conducted in terms of the Companies Act, the MSA and the MFMA. The annual Board assessments and evaluations were conducted and a report for the previous year effectively completed in accordance with the provisions of section 121 of the MFMA.

Section 11: Group Governance Framework

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

11.1 Ethical Leadership

The JM Board provides ethical and effective leadership in terms of codes, ethics and values. During the year under review the compay drafted an ethics risk register and redesigned it's set of values. All activities are executed against the backdrop of a low risk appetite and a risk approach.

As part of it's engagment with stakeholders the company continued to promote itself as a clean safe and effecient business partner with transparency throughout it's activities. JM as a consequence will employ it's resources such as captial funding to develop facilities and servies in accordance with stakeholder requirements. The letter was illustrated in it's intensive engagement with role players on the development of a new bylaw as well as the planning of the Mandela Market Precinct and extention of trading space.

Relevant to remuneration and incentives JM participated in the city wide re-evaluation of the various staff remuniration levels. In addition the longer term approach was started off with the introduction of a structural review which will include a proper costing evaluation of a new structure which will enable effective delivery of the 2022 strategic deliverables of the company.

11.2 Corporate Citizenship

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

Section 12: Risk Management

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

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

Relevant to monitoring and influencing the strategic direction of the organisation the board of directors facilitated proper strategic sessions as well as separate risk workshops and directed interventions. The board has in particular focused on giving direction to risk mitigation activities which include oversight by the Audit and Risk Comittee and assurance of business continuity activities in particular relating to the stablitity of systems.

The Board has ensured expert assistance during it's risk assessments and in conjunction with the audit and risk committee confirmed the reliablity of the risk system as well as the processes followed to identify and mitigate against risks.

12.1 Access to information

The company did not receive any applications during 2017/18 in respect of the Promotion of Access to Information Act, 2000.

12.2 Risk Assessment Approach and Activities

The following risk management activities are listed for the period under review:

Planned Activity	Status
Review of the 2017/18 JM's risk profile	Completed
Development of the draft 2018/19 strategic risk register	Ready for EXCO consideration

12.3 Risk Management Status Update

The Risk function of JM has engaged the functional divisions of the Company to develop the 2018/19 operational risk register and this process will be concluded during the first quarter of 2018/19.

The review and follow-up on the developed risk register will be done quarterly by EXCO with the assistance of GRAS throughout the financial year; as a move to continuously monitor and improve control measures as well as identify new risks as they become relevant to JM. The time frames for the implementation will also be audited and if possible, included to standard performance indicators for the responsible manager(s).

It is the combination of these elements that make up an effective risk management culture and this level of detail will enable the Company to better understand and continuously manage the identified risks.

12.4 Resource allocation

As part it's smart strategy JM has planned to invest 1.2 billion rands worth of investment in infrustructure to enable the delivery of it's growth objectives in addition the budget for maintainance of existing facilities will also be aligned to the needs analysis conducted for such repairs. In overcoming challanges related to capital expenses the company has indicated intended corrective actions under chapter 3 of this report.

12.5 Analysis of Risk (Inherent and Residual)

The chart below indicates the inherent risks as compared to the residual risks assessed pertaining to JM. The complete strategic risk register is attached as Annexure A to this report.

KEY - Residual risk exposure – Rating Table		
Residual risk	Priority reference	Rating
Priority 1	P1	19 >
Priority 2	P2	12 to 18.9
Priority 3	P3	6 to 11.9
Priority 4	P4	< 6

Status of top risks rating

The illustration below indicates how the nine top risks are classified:

Risk Rating	Very High	High	Moderate	Low
Number of risks	2 risks	3 risks	4 risks	0 risks

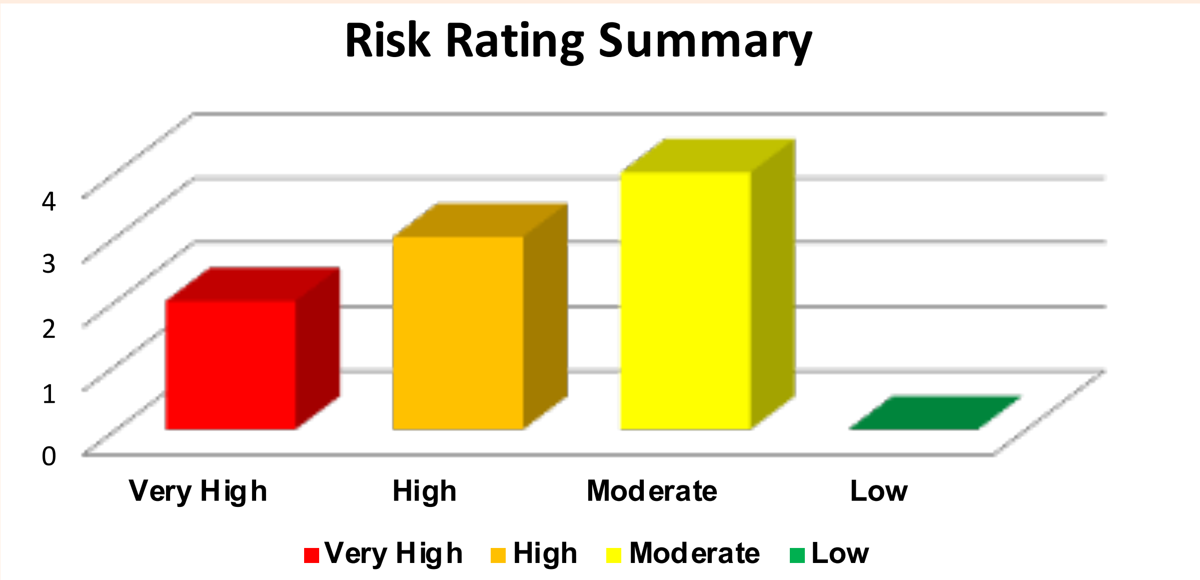
JM heat map

The matrix below provides a synopsis of the nine top strategic risks of JM and the status of each risk. The likelywood of occurence as well as the potential impact of each risk are illustrated in the risk matrix below. The nine top risks of JM, are as follows:

- Service Delivery - Infrastructure risk
- Human Capital - Poor performance
- Fraud and Corruption - Financial misconduct
- Stakeholder Management - Inadequate stakeholder engagement/management
- Information and Knowledge Management - Information security risk
- Transformation - Failure to achieve transformation targets
- Process - Business interruptions
- Financial - Non-compliance risk
- Financial - Inability to maintain/increase position in the market

Risk	Risk Name	Inherent risk rating	Residual risk Rating	Status of risk rating	
R1	Infrastructure risk	25	22.5	-2.5	
R2	Poor performance	25	22.6	-2.4	
R3	Fraud & corruption – Financial misconduct	20	18.0	-2.0	
R4	Stakeholder Management	16	14.4	-1.6	
R5	Information & Knowledge Management	25	12.5	-12.5	
R6	Transformation	12	10.8	-9.2	
R7	Business interruptions	20	10.8	-9.2	
R8	Non-compliance risks	16	8.0	-8.0	
R9	Inability to maintain/ increase market position	12	6.0	-6.0	

Top risks rating



Risk Rating	Very High	High	Moderate	Low
Number of risks	2 risks	3 risks	4 risks	0 risks

Relevent to the table and graph above the following comments are listed:

- JM was able to limit very high risks to only two elements namely infrastructure risk and poor performance and did not regress in any ratings;
- The best improvement was achieved with Risk R4 – Stakeholder engagements, mainly as result of focused stakeholder forum programmes and participation by the CEO.
- Risk R2 – was addressed through the sign off of performance contracts with executives, senior managers and managers.
- Risk R6 – Transformation improved as a result of progress in the urban farming project planned on CoJ land.

12.6 Fraud Risk Management and Prevention

JM has an Anti-fraud and Corruption Policy which seeks to create a climate that does not tolerate fraud and corruption. The role of internal auditors in the fight against fraud and corruption at JM includes: Monitoring internal controls and reporting thereon. As part of its Fraud Risk Prevention Programme, the JM risk management section circulated the Global Risk Report issued by KROLL amongst Executives and Managers.

12.7 Risk Transfer through Insurance - (Exposures)

JM prudently managed it's insurance claims and no significant increase of insurance premiums were registered during the year under review.

BATHO PELE PRINCIPLES

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

The Batho Pele principles which are aligned to the constitution form the basis for our stakeholder engagement principles. The JM Board, executives and staff subscribe to the Batho Pele principles, which require all employees of the CoJ to be polite, open, transparent and deliver good service to the public.

These principles are the following:

- Consultation – citizens should be consulted about the level and quality of the public services they receive and, where possible, should be given a choice about the services that are offered.

JM participated during the IDP rollout processes to ensure that consultations with the communities are adhered to.

- Service standards – citizens should be told what level and quality of service they will receive so that they are aware of what to expect. Service standards are discussed under chapter 3 of this report.

During the year under review JM included services standards as part of it's day-to-day management and quarterly reporting.

- Access – all citizens should have equal access to the services to which they are entitled.

JM has ensured that new entrants are identified for agricultural opportunities in fresh produce production at marketing.

- Courtesy – citizens should be treated with courtesy and consideration.

JM has maintained it's customer care services on the trading floors.

- Information – citizens should be given full accurate information about the public services they are entitled to receive.

JM continues to publish daily market prices on its website.

- Openness and transparency – citizens should be told how JM operates, the costs involved and who is in charge.

JM as a service provider and tranformation driver participates in fresh produce forums and highlights its costs structures and operating details.

- Redress – if the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made, citizens should receive a sympathetic, positive response.

JM continued to operate its customer care email details on the website of the company and a dedicated person engaged with public members raising conserns.

- Value for money – public service should be provided economically and efficiently in order to give citizens the best possible value for money

JM is promoting all its services as value for money servcies and often highlights the cost advantages of using its services.

JOBURG MARKET, THE HOME OF QUALITY VEGETABLES

CHAPTER THREE:

SERVICE DELIVERY PERFORMANCE

- Core Operations
- Company Scorecard and Service Standards
- Agri-Business
- Key focus areas for the next reporting period

CHAPTER THREE:
SERVICE DELIVERY PERFORMANCE

Introduction

Joburg Market is persuing the quest of being a smart market enviroment. The illustration below highlights some of the features the company envisage going forward.

Section 1: Service Delivery Mandate

The mandate of the Company is to manage and operate a market facility through the provision of premier market facilities and complementary services to the fresh produce industry. This includes amongst others, the Commercial Services, Properties Management, Infrastructure Services, Consignment Control and Food Quality. The section below provides an overview of the performance of all these departments.

1. Introduction

The fresh produce industry and the business of the JM are directly impacted on by many factors that are not necessarily exclusive to the industry and JM as one of the fresh produce marketing channels. The "litmus test" of internal and external factors with direct and indirect impact on the fresh produce industry, in the JM's context, is on revenue generated. The industry has witnessed the unfolding development of critical industry issues such as; (a) debate and written submission to parliament on expropriation of land without expropriation, (b) contestation and implementation of sectorial determination on minimum wages, (c) signing of African Continental Free Trade Agreement by 44 out of 55 African countries, including South Africa and (d) poor economic performance of the region and ailing agricultural sector. Though some of these matters appear to be "removed" from the agricultural sector, their impact and influence to the fresh produce industry and the JM cannot be ignored, hence such developments must be monitored and reported on regularly. The JM as a microcosm of the agricultural sector in South Africa, cannot be treated in isolation. Keeping key stakeholders such as the JM staff, Board and Shareholder informed of the developments in the sector is considered important. This also assists the JM in taking well informed strategic decisions which will impact on the business operations.

In the period under review, Statistics South Africa (Stats SA) released quarter 1 (viz. January to March 2018) of 2018 Gross Domestic Product (GDP) figures, which indicated that the SA Economy GDP for the first quarter declined by 2.2% compared to 3.1% increase in the previous quarter (4) of 2017. At the same time, real expenditure on real GDP decreased by 2.5% following an increase of 3.1% in the fourth quarter of 2017. The largest negative contributors to growth in GDP were in agriculture, mining and manufacturing industries. The agricultural industry's contribution to GDP decreased by 24.2%, mining and quarrying industry decreased by 9.9% and manufacturing decreased by 6.4% quarter-on-quarter. The decrease in GDP implies poor economic performance. This has implications for the markets and the economy at large. Though the JM quarterly performance target of R7.2 billion was achieved and exceeded, the business's future performance could be threatened if the economic situation does not improve.

The Joburg Market (SOC) Ltd finds itself in the operating space of the central marketing concept of fresh produce trading where buyer and seller literally meet at the market place where both parties can negotiate prices on the basis of the physically observable produce characteristics such as quality, quantities available, fitness for human consumption and many more.

Actual negotiations occur between the buyer and the selling agent who conducts such sales on behalf of the farmer. To ensure a transparent, accountable trading environment JM performs a number of crucial functions, which are briefly listed below:

- Role of the CEO as independent referee on in respect of disputes to ensure a fair market place;
- Cleansing and sanitisation of the facility towards food safety and suitable hygiene;
- Produce inspection services backed up by an on-site SANAS accredited laboratory;
- Security and safety services to ensure a safe market environment for all;
- Financial and payment accounting services to ensure accurate accounting of proceeds from sales to farmers and efficient revenue collection;

- Consignment control services to ensure that all produce are captured and sold according to market rules;
- Trading Hall regulation through the Sales Hall Management component to ensure smooth trading operations;
- Maintenance and extension of market facilities through a property management team and the infrastructure maintenance division;
- Marketing and transformation to enable the access to the previously disadvantaged and the promotion of JM as preferred business place;
- Agribusiness to enable urban farming and the analysis of trends in fresh produce production;
- A dedicated IT department operating a real time computerised trading system;
- Human Resources to ensure the availability of a suitable and motivated staff component.

Section 2: Key Highlights and Achievements

In executing its mandated services JM recorded a number of highlights and achievements

New CEO Appointed

Improved trading results	The tonnage traded increased by 8.33% to 1.3m tons, due largely to the high commodity volumes received in especially in potatoes, onions, and citrus.
Acceleration of Repairs and Maintenance	Greater focus was placed on repairs and maintenance to the Cold Rooms; Banana Ripening Plant, storm water drainage and hall roofs.
CEO initiatives 150 day programme.	A 150 Day Maintenance programme formulated by the CEO of JM commenced on 1 November 2017.
Eyethu cleaning campaign	Executed a Eyethu cleaning campaign at JM with involvement from stakeholders.
Business plan for Laboratory	A service provider was appointed to conduct a feasibility study on the demand for JM Laboratory services at this end of the value chain and the laboratory business plan was completed during July 2018.
Listeriosis testing	For the period July 2017 to June 2018, a total of 71 samples were taken for microbiological testing – no listeria bacterium was detected on any of the samples.
Women and Youth in Agriculture	Approximately 100 hectares of arable land identified for development of the targeted groups.

Section 3: Key Challenges Encountered

2. Challenges

In pursuing its deliverables over the reporting period the entity had to content with a number of challenges which are summarised in the table below:

No	Challenge description	Classification	Cause	Progress
1	Repairs & Maintenance is below budget by R9.9 million (34%). due to some preventative maintenance contracts (Civil and building) not being implemented in the current year	Repairs and maintenance	The preventative maintenance contracts (Civil and building) could not be implemented in the current year due to tender and specification failures.	The Bid Committees of JM were strengthened
2	CAPEX spending is below set target (Target: R15.4M vs Actual: R13.4M)	Capital programme 2017/18	CAPEX projects could not being implemented in the current year due to tender specification and contractor failures.	JM is pursuing improvements in the SCM and project management processes
3	Company creditors' days have remained at 44 days due to CoJ cash flow management policy which has impacted on our ability to pay within the legislated time frames	Finance - Creditors	Payment forecasting and payment authorization at CoJ Treasury function	Engagements with CoJ Treasury Functionaries
4	Performance of Generator Farm: Despite concerted efforts to improve the general performance of the Generator Farm the auto start and overload management system continues to fail	Operational: standby plant	Automation system failure	A Service provider is in the process of being appointment to determine the actual energy needs of JM
5	Lower number of donations processed through the Food Support Centre	Corporate Social Investment	Discontinuation of programme due to forensic evaluations	Pursuing fresh partnerships to enhance numbers of donations
6	Service Delivery Standards – Only 2 out of 9 achieved	Service Standards	Accurate measurement of standards not achievable	Redesigned Standards for improved measurability
7	Prolonged disciplinary process	Legal	Delays in completion of investigations are due to a substantial workload at the Group Forensic function of CoJ as well as budgetary shortfalls in funding investigations	Engagement with Group Legal and City Manager to assist in resolving bottle necks

No	Challenge description	Classification	Cause	Progress
8	Bylaw process still delayed Group Legal missed 30 June 2018 target date	Legal	Group Legal missed 30 June 2018 target date mainly due to a shortage of resources at group level	Following the appointment of the service provider the by-laws was submitted to CoJ for approval of the public consultation process

Section 4: Commercial Services

The Commercial Services Department performs the regulation of trading conducted in the JM Sales Halls. The following trading results are reported:

Trading Halls: Performance Overview

During the quarter under review, all Trading Halls performed better than they did when compared to a similar period in the previous financial year. The table below depicts year-on-year comparative analyses. June 2018 figures are projections at this stage.

	Turnover (R,000)			Mass (,000 Tons)			R/kg		
	2017/18	2016/17	Growth\ (Decline)	2017/18	2016/17	Growth\ (Decline)	2017/18	2016/17	Growth\ (Decline)
Pots	620 868	473 960	31.00	170 655	163 662	4.27	3.64	2.90	25.63
Fruit	573 896	501 311	14.48	81 181	74 337	9.21	7.07	6.74	4.83
Veg	697 924	635 777	9.78	115 680	107 312	7.80	6.03	5.92	1.83
Total	1 892 689	1 611 048	17.48	367 517	345 312	6.43	5.15	4.67	10.38
YTD	7 327 071	6 787 406	7.95	1 420 590	1 311 532	8.32	5.16	5.18	(0.34)

From the above information, the following can be deduced:

Financial Performance: The Joburg Market achieved a turnover of R1.9 billion in the fourth quarter, when compared against last year's turnover of R1.6 billion. This reflects a positive growth of 17.5% mainly due to the performance of the Potato Hall where both onions and potatoes achieved relatively higher prices.

Tonnage Sold: In the period under review, the tonnage increased by 6.4% largely due to the high commodity volumes received in especially bananas, citrus and some vegetable lines. The favourable weather conditions in some production areas, and farmers recovering from the impact of drought, contributed to the high volumes received.

The Quarterly Average Price of Fresh Produce Sold: As a result of improved supply from some production areas, a high demand for fresh produce and the high prices achieved on some commodities, resulted in the average price increase from R4.67/kg to R5.15/kg, which represents a 10.4% increase.

Cold Rooms and Banana Ripening Rooms: Performance Overview

The Banana Ripening Rooms reflects a positive growth in revenue and utilisation compared to the same time in the previous year as farmers in the production areas are recovering from the negative impact of the drought.

	REVENUE			UTILISATION		
	2017/18	2016/17	Growth (%)	2017/18(%)	2016/17(%)	Growth (%)
Banana Rooms	2 080 785	1 584 032	31	66	55	20
Cold Rooms	3 602 760	3 913 560	(8)	76	71	7
Total	5 685 545	5 497 592	3	71	63	12
YTD	21 257 571	19 493 218	9	74	65	14

In terms of the financial year performance, turnover increased by 9% and utilisation increased by 14% due to the increase of volumes received.

Section 5: Infrastructure Services Department

The key responsibilities and activities of the Infrastructure Services Department include the responsibility for effecting repairs and maintenance of the infrastructure, facilities and equipment of the Market. The department provides support to critical installations such as the cold stores and ripening chambers that are sensitive to even mild deviations, and the supply continuous availability of trained support staff and competent service providers to ensure availability of infrastructure, facilities and critical installations and equipment.

The Repairs and Maintenance Programme is undertaken through the procured services of professional service providers, contracted on an "as and when required" basis for a 36-month period. To date, plumbing, electrical and mechanical works contractors have been appointed. The building and civil service providers should be appointed in the next financial year to address related infrastructure backlogs.

The electrical, mechanical and plumbing contractors are performing satisfactorily. The Building and Civil Preventative tender closed on 16 March 2018 for evaluations. The Bid Evaluation Committee will convene for evaluation process. It is anticipated this critical tender will be awarded towards the beginning of the new financial year.

The bulk of the repairs and maintenance work undertaken for period under review, focused on critical repairs and maintenance requirements such as the roof and down-water pipe repairs, drainage system clean-up, ammonia plant, lighting, electrical wiring, plumbing work, air-conditioners as well as the Cold and Banana Ripening Rooms.

Most of the R&M progress feedback on electrical and electro-mechanical repairs is reflected below as part of the implementation of the 150 Days Accelerated Maintenance Programme.

Section 6: Food Quality Assurance

This function conducts its inspection services in terms of the provisions of the Foodstuffs, Cosmetics and Disinfectants Act, 54 of 1972. The Food Quality Assurance Department undertakes food quality inspections, laboratory testing for pesticide residues and hygiene inspections of the Joburg Market facilities. Performance of this department in terms of product quality control and laboratory testing during the fourth quarter, is depicted below.

Product Quality Control

For the period April to June 2018, a total of 367.5 tons of produce were received, of which 158.0 tons were rejected and/or condemned for sale by QA Inspectors. Products rejected on arrival were repacked, or destroyed or returned to supplier. Products that were condemned on the sales floor followed the hall destruction process. A total of 2 558.0 tons of produce were destroyed due to it being unfit for human consumption. This represents 0.7% of produce received in the fourth quarter.

Listeriosis Intervention Programme

For the period April to June 2018, a total of 16 samples were taken for microbiological testing –mainly Listeria, E.coli and Salmonella bacteria. None of the samples showed the presence of Listeria species. A few samples showed the presence of E.coli bacteria, resulting in meetings being held with the implicated farmers to discuss remedial measures to eliminate or reduce bacterial contamination. Follow-up samples from the implicated producers showed that products were free from E.coli bacteria which implies that the JM intervention yielded positive results for food safety assurance at JM.

For the period July 2017 to June 2018, a total of 71 samples were taken for microbiological testing – no Listeria bacteria was detected on any of the samples

Section 7: Properties Management

Lease Agreements

In order to ensure that the amount billed is in-line with current market values, an independent property valuer has been appointed to conduct a market related valuation for all properties at the Joburg Market. The appointed services provider will submit its valuation report to JM in July 2018.

Section 8: Consignment Control

The Consignment Control Department recorded the following results during the reporting period:

Delivery trucks recorded

The table below depicts the number of trucks as well as the number of Delivery Notes reconciled to Goods Receivable Notes.

MONTH	DELIVERY TRUCKS	AGENTS DELIVERY NOTE RECONS
April 2018	8 515	15 737
May 2018	8 983	16 684
June 2018	8 749	16 210
TOTALS	26 247	48 631
FIN YEAR	102 867	193 493

The table above reflects the total reconciled deliveries to agents for the period covered, including the total delivery vehicles to the Joburg Market.

To further improve management controls in the Consignment Control Environment, the following two initiatives have been implemented:

Booms have been installed on all access gates to ensure that all trucks destined for delivery of fresh produce are stopped and their consignment is validated before being allowed entry.

This has been supplemented by the deployment of EPWP workers that physically check truck consignments against the delivery note.

The interventions have yielded positive results as undeclared deliveries have been found and addressed.

Section 9: Capital Expenditure

As part of the Budget Review Process, the Joburg Market CAPEX was reduced from R52.9 million to a revised capital budget of R15.4 million. In the fourth quarter, JM commenced with the platform resurfacing project, the project is currently in progress.

As at 30 June 2018, out of the total revised allocated capital budget of R15.4 million for the year, R13.4 million has been spent. This represents a year-to-date expenditure of 87.5% against the budget.

Section 10: Extended Public Works Programme

In compliance with a City-wide strategic imperative to create job opportunities for unemployed youth and women, JM resolved to create 100 job opportunities and fund the EPWP Programme. The 100 EPWP workers have been employed, 97% youth and 55% women are currently employed at JM. As per the City`s guidelines, the Internship Programme should form part of the EPW Programme reporting. Currently, there are 25 internships employed at JM, totalling 125 job opportunities created at JM. The table below depicts the 100 EPWP deployments.

Programme	Number of beneficiaries appointed
Waste management	12
Cleaners	46
CCTV	4
Switchboard	1
Gardening	10
Maintenance	9
Security	6
Marketing	2
HR	1
Consignment	9
Total	100

Section 11: Performance against Company Scorecard

The table below presents a summary of JM's performance against the 2017/18 Annual Targets for the period under review.

Item	Financial Year KPI's
Total no. of Key Performance Indicators (KPIs) on the scorecard	15
No. of KPIs due	15
Number achieved	8
Number not achieved	7
Percentage achievement	53.3%
No. of KPIs exceeded	8

Section 12: Recovery plan for non-achieved KPIs

The following KPIs were not achieved for the period under review:

KPI not Achieved	Reason for non-achievement	Recovery Plan
Value of CAPEX spent	Poor project management planning A total of R13.0 million worth of projects is under investigation	JM is pursuing improvements in the SCM and project management processes
Percentage remuneration to operational expenditure	Low OPEX spend from operations affected the remuneration operational expenditure and JM is a continuous operation	JM will consider the nature of its operations which is essentially a 24-hour operating environment. A new proposal will be developed in the forthcoming 6 months to address the challenges posed in this regard
Percentage of performance agreements and performance assessment reports signed	The performance agreements were not signed by all people on the performance management system	JM has instituted a new process and timeliness for the signature and implementation of performance agreements for the 2018/19 financial year
Survey of customer satisfaction	No verifiable information available	The measurement of the 2017/18 indicator is not achievable due to a technical error. JM has designed a portfolio of new service quality measures which will be scientifically measured during 2019. JM has set asset of new service quality measures which will be scientifically measure during 2018/19
Number of donations	Part of the budget was spent on a suspected fraudulent activity in one of the food donations programmes resulting in lack of funds to support the programme and meet targets set.	Financial management controls such as Development of Standard Operating Procedures were developed and will be implemented to mitigate possible fraudulent activities.
% achievement of BEE portion targets in total procurement	OPEX was spent at a lower rate than planned. Repairs & Maintenance was affected as a result of service providers not being appointed for building and civil works	The strengthening of SCM committees will be focused on the OPEX aspect of spending. Monitoring of results will be conducted through a monthly assessment and early corrective steps
Achieve a clean audit	The external audit outcome was affected by matters of irregular expenditure.	JM will introduce measures to ensure legal and legislative compliance in the procurement of the various services it procures

Section 13: Organisational Scorecard

The tables below provides details on organisational performance against targets.

	KPI	Means of verification	Unit of measure	Baseline	Financial Year		Comments/ Mitigation	Leader
					TARGET	PER-FORMANCE		
Strategic Objective: Operate a sustainable resilient world class marketing & trading facility (25%)								
Smart Institution Programme	(1.1) Percentage targeted market share held by JM in relation to other Fresh Produce Markets (FPMs) FPMs: National Fresh Produce Markets	National market share report indicating JM in relation to other FPMs as measured by the South African Union of Food Markets (SAUFM)	Percentage (cum)	41.2% targeted market share held by JM in relation to other FPMs	42.50% targeted market share held by JM in relation to other FPMs	44.02% targeted market share held by JM in relation to other FPMs	Target achieved and exceeded	Agri- Business
			R (CUM)	R6.787 Bn	R7.48Bn	R7.3Bn		

COJ IDP Programme	KPI	Means of verification	Unit of measure	Baseline	TARGET	PERFORMANCE	Comments/Mitigation	Leader
	National Outcome 12: An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship			Company	Weight 25%			
	Joburg 2040 Outcome 1: Improved quality of life and development-driven resilience for all				Financial Year			
Strategic Objective: Become an agent for socio-economic transformation								
Enterprise Development	(2.1) Percentage achievement of BEE portion targets in total procurement*	BEE portion of total procurement report	Percentage (cum)	*116% achievement of BEE portion targets in total procurement	100% achievement of the legislative provision of 30% total procurement from BEE For contracts awarded for the quarter	93% achievement of the legislative provision of 30% total procurement from BEE. For contracts awarded for the quarter	Target not achieved (Refer to note under Section 6 above)	Finance
			R	R95.0M	R9.,0M	R91.2M		

*The percentage achieved on BEE as a percentage of total procurement as regulated under the statutory provision for preferential procurement.

*** The 2017/18 target has been aligned to the new BBBEE legislative provision.

COJ IDP Programme	National Outcome 12: An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship Joburg 2040 Outcome 1: : Improved quality of life and development-driven resilience for all			Company	Weight 25%		Comments/Mitigation	Leader
	KPI	Means of verification	Unit of measure	Baseline	Financial Year			
					TARGET	PER- FORMANCE		
Urban farmers Support	(2.2) Percentage targeted market share achieved by emerging farmers at JM	Percentage targeted market share achieved by emerging farmers as identified on the SPS system	Percentage(cum)	8% targeted market share achieved by emerging farmers at JM	8.5% targeted market share achieved by emerging farmers at JM	8.8% targeted market share achieved by emerging farmers at JM (Estimated)	Target achieved and exceeded	Agri-Business
	(2.3 No. of jobs created by SMME's utilised by JM	Appointment documents and project reports	Number (cum)	80 jobs created	110 Jobs created	218 Jobs created	Target achieved and exceeded see notes below	Core operations

- Security 20 jobs peak season supplementary (15 Nov – 31 Dec 2017)
- Security Scanner servicing 2 jobs (01 Jan – 31 Jan 2018)
- Security 60 jobs (1 July 2017 – 30 June 2018)
- Security CCTV operations 15 Jobs (1 July 2017 – 30 June 2018)
- Internal audit external resources 1 job (01 Apr – 30 Apr 2018
- Internal audit external resources 4 jobs (01 Apr – 30 Apr 2018)
- Information Technology fibre installations 5 Jobs (01 Nov – 28 Feb 2018)
- Construction of ablution facilities 19 Jobs (01 Sept 2017 – 30 June 2018)
- Cleansing of JM site 92 jobs (1 July 2017 – 30 June 2018)

COJ IDP Programme	National Outcome 12: An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship Joburg 2040 Outcome 1: Improved quality of life and development-driven resilience for all			Company	Weight 25%		Comments/Mitigation	Leader
					Financial Year			
	KPI	Means of verification	Unit of measure	Baseline	TARGET	PER- FORMANCE		
Citizen participation, empowerment and customer care	(2.4) No. of hawkers/vendors trained	Course attendance register of hawkers/vendors Accreditation/Certification	Number (cum)	New	200 Hawkers/vendors trained	202 Hawkers/vendors trained	Target achieved and exceeded	Strategy and transformation
Enhance the quality of life by improving service and take care of the environment	(2.5) Percentage resolution of stakeholder concerns (customer satisfaction survey)	Quarterly reports	Percentage(cum)	New	80% of key concerns from the 2015/16 FY survey resolved	0% of key concerns from the 2015/16 FY survey resolved	Target not achieved (Refer to note under Section 6 above)	

COJ IDP Programme	National Outcome 12: An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship Joburg 2040 Outcome 1: Improved quality of life and development-driven resilience for all			Company	Weight 25%		Comments/Mitigation	Leader
					Financial Year			
	KPI	Means of verification	Unit of measure	Baseline	TARGET	PER- FORMANCE		
Enhance the quality of life by improving service and take care of the environment	(2.6) Percentage targeted collection level for total billing	Cumulative billing report	Percentage (cum)	97% targeted collection level for total billing	97.5% targeted collection level for total billing	98.1% Targeted collection level for total billing	Target achieved and exceeded	Finance
			R/M	R55.4M	R56.12M	R61 49M		
Institute an honest, responsive and productive government	(2.7) Achieve a clean audit	Final AG report Interventions	AG opinion	Unqualified audit	*70% of 2016/17 FY Auditor-General's findings resolved	*76% of 2016/17 FY Auditor-General's findings resolved		
		Target			Achieve a clean audit	Unqualified Audit	Target not achieved (Refer to note under Section 6 above)	

<table>
<tr><th rowspan="3">COJ IDP Programme</th><th colspan="4">National Outcome 9: A responsive, accountable, effective and efficient local government system
Joburg 2040 Outcome 9: A high performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region
Related output: Financial and administration, sustainable and resilient city</th><th>Company</th><th colspan="2">Weight 20%</th><th rowspan="3">Comments/Mitigation</th><th rowspan="3">Leader</th></tr>
<tr><th rowspan="2">KPI</th><th rowspan="2">Means of verification</th><th rowspan="2">Unit of measure</th><th colspan="2" rowspan="2">Baseline</th><th colspan="2">Financial Year</th></tr>
<tr><th>TARGET</th><th>PER- FORMANCE</th></tr>
<tr><td colspan="10">Strategic Objective: Ensure financial sustainability and growth of the entity</td></tr>
<tr><td>Optimal revenue collection</td><td>(3.1) Number of dona-tions to targeted benefi-ciaries from NGOs, NPOs and indigent families</td><td>Quarterly report, Annual reports and Audited reports</td><td>Number (cum)</td><td colspan="2">218 752</td><td>4 160</td><td>2 787</td><td>Target not achieved (Refer to note under Section 12 above &15 below)</td><td>Agri-Busi-ness</td></tr>
<tr><td rowspan="2">Enhance quality of life by improving services and taking care of the envi-ronment</td><td>(4.1) R/M value of CAPEX spent</td><td>R/M value of spending level of CAPEX against demand plan</td><td>R/M (cum)</td><td colspan="2">R59.3M</td><td>R15.369M</td><td>R13.4M</td><td>Target not achieved (Refer to note under Section 12 above)</td><td rowspan="2">Finance</td></tr>
<tr><td>(4.2) R/M of Surplus Recorded</td><td>Financial Statements</td><td>R/M (cum)</td><td colspan="2">R78.42m</td><td>R64.55M</td><td>R95.65M</td><td>Target achieved and exceeded</td></tr>
</table>

COJ IDP Programme	National outcome 4: A skilled and capable workforce to support an inclusive growth path				Company	Weight 15%		Comments/Mitigation	Leader
	Joburg 2040 outcome 3: An inclusive, job resilient and competitive economy that harnesses the potential of citizens								
	KPI	Means of verification	Unit of measure	Baseline		Financial Year			
						TARGET	PER- FORMANCE		
Strategic Objective: Ensure that our staff are engaged, skilled, motivated and satisfied									
Institute an honest, responsive and productive government	(5.1) Percentage of targeted staff members trained*	Training Plan as identified in the Individual Personal Development Plans	Percentage (cum)	100% of targeted staff members trained 225 people		100%	125%	Target achieved and exceeded	Shared Services
						200	250		
	(5.2) Percentage Remuneration to operational expenditure	Level of staff remuneration to OPEX	Percentage (cum)	39.5% remuneration to operational expenditure		39.5%	50%	Target not achieved (Refer to note under Section 6 above)	
						R132,52	R136.2M		
	(5.3) Percentage of performance agreements and performance assessment reports signed	Signed agreement with signed reports	Percentage	New		100%	72%	Target not achieved (Refer to note under Section 6 above)	
Building caring, safe and secured communities	(5.4) Reduce the number of occupational injuries	COID reports Quarterly reports	Number	8 x injuries		≤ 12 injuries recorded	4 injuries recorded	Target achieved and exceeded	

Section 14: Performance against Institutional SDBIP

IDP Programme	KPI	2017/18Target	Baseline	Financial Year Target	Performance
Urban farmers support	Percentage targeted market share achieved by emerging farmers	8.5% market share acquired by emerging producers	8% market share acquired	8.2% targeted market share achieved by emerging farmers at JM	8.8% targeted market share achieved by emerging farmers at JM (Estimate)

Section 15: Performance against Shareholder Compact and Compliance with Service Standards

Service aspect		Minimum acceptable service standard	Minimum acceptable turnaround time	Deviation/ Mitigation
Information Technology function	Electronic sales processing system (real time trading system)	Downtime per annum 1.5 hours	30 minutes to the mirror/back-up system to go live	Complied to standards
Finance Department	Cashiering system (wholesale transaction environment)	Payment queues: 20 minutes per customer	15 minutes to resolve queries during depositing	Not achieved**
Marketing and Communications	Customer enquiries at Trading Hall services points	Query resolution: 20 minutes	Activation of next level resolution mechanism: 15 minutes	Not achieved**
	Customer accounts	Statement enquiries: 15 minutes	Activation of next level query: 10 minute resolution	Not achieved**
Consignment Control	Consignment control: Received produce for clearance at entrance gate	20 minutes per truck to clear	15 minutes per truck if queried on content	Complied to standards
Operations	Cold storage continuity during technical breakdowns	24 hours	8 hours to 2nd tier continuity arrangements	Not achieved **
	Ripening rooms continuity during a technical breakdown	48 hours	4 hours to 2nd tier continuity arrangements	Not achieved**

Service aspect		Minimum acceptable service standard	Minimum acceptable turnaround time	Deviation/ Mitigation
Stakeholder Relations	Dealing with external producer/supplier complaints	3 days to resolve	12 hours to first response	Not achieved**
	Dealing with Market located queries from, agents, buyers and tenants	3 days	5 hours to first response	Not achieved**

Mitigating interventions: JM is currently revisiting its service standards and methodologies to accurately ensure levels of achievement are being devised. JM has also studied available technologies to measure the various service elements with appropriate systems. The latter will be implemented during the first two quarters of 2018/19 as a result of financial implications relevant to implementation of such technologies.

Section 16: Key Focus Areas for the next reporting period

During the next quarter, the JM will focus amongst others, on the following:

- Delivery of strategic projects and programmes identified during the strategic planning sessions of JM
- Implementation of the Capital and Operating Expenditure Demand Plans for Core Operations
- Finalisation of specifications for all tenders to align with the organisational Demand Plan
- Addressing issues identified from the CEO's Walk-About as priority matters
- Updating of Core Operations Policies and Standard Operating Procedures
- Appointment and utilisation of the Building and Civil Preventative Maintenance Payment Service Provider (PSP) to fast-track maintenance backlogs in these areas
- Implementation of a lease agreement with JPC on the use of available agricultural land
- Implementation of the 2018/19 Business Plan

CHAPTER FOUR:

RESOURCES MANAGEMENT

» 663 Wellness Centre: Consultations

» 314 Employees and 124 temp workers

» 250 Staff members trained

» 3 Pension Funds and 3 Medical Aid providers

CHAPTER FOUR:
RESOURCES MANAGEMENT

Chapter 4 Organisational Development

In order to ensure effective performance management JM appointed a senior manager responsible for monitoring and evaluation during the year under review. Performance training was also undertaken to ensure that staff members are acquainted to modern performance management principles. Under the auspice of the CEO JM all senior managers signed a performance agreement as well as having personal scorecards linked to that of the CEO and the company performance objectives. The latter arrangements will ensure suitable performance management during 2018/19.

Organisational structure

Following the completion of a number of strategic planning sessions JM appointed a service provider to assist in the formulation of a new structure for the JM. The structure will in particular support the refinement of JM towards being a clean, safe and smart market. It is anticipated that new structure will serve for final Board approval during the third quarter 2018/19.

Increased accountability

Increased accountability was achieved through the integration of the CEO scorecard and that of Executive and Senior Managers. The new CEO of JM introduced the practice of trading floor visits as well as rejuvenation of the role of the MANCO. Improved reporting and linking same with EXCO as approval forum enhanced reporting and the maintenance of follow up procedures.

- Increased participation in problem solving
- The CEO nurtured participation of all staff through a number of interventions. The latter include:
- CAPEX committee to ensure timeous resolution of factors causing delays in the execution of CAPEX programmes.
- Forums with on-site stakeholders included the establishment of a joint transformation committee
- Invitation of stakeholders to present their challenges to the JM strategic planning sessions

Relevant to skills development the company considered afresh the need to develop capacity of staff to operate the unique environment in which JM finds itself. Consequently skills transfer from matured staff was identified as a crucial deliverable. JM further intends to introduce SMART market concepts which entails the introduction of superior methodologies and devises to support such development. Amongst others the latter implies the development of unique IT applications enabling remote access to market trading data.

During the year under review JM trained 264 employees in various skills categories. A number of training areas were supported with funding from relevant WR SETAS. This assisted greatly in the reduction of skills shortfalls. JM also utilized the services of 25 interns. The training of staff was conducted in alignment to the JM skills plan and skilling objectives.

JM Staff

At the conclusion of the financial year the entity had a staff component of 314 employees. Critical filling vacancies included the appointment of a CEO and CFO position. Following the resignation and suspension of 4 members of staff in the senior and executive categories the entity experienced a number challenges in effective service delivery. Through the acting arrangements and coaching of acting staff JM endeavoured to overcome the skills shortfall.

Section 1: Human Resource Management

The Company has seen substancial activity in the labour relations space with the number of disciplinary cases increasing comparatively. This could be an indication of poor enforcement of policy or plain negligence on the part of employees, in particular in the cashiering division.

The wellness campaigns continued with the commemoration of the STI/ Condom Week campaign which is spearheaded by the City as part of HIV education programmes, plus the Candlelight commemoration campaign aimed at remembering all victims and current employees living with HIV or affected by HIV. As part of its wellness drive, JM ran a Flu Vaccination drive in April 2018 and a total of 43 employees were vaccinated. This campaign is in partnership with Bonitas Medical Aid Scheme who administers the flu vaccine for their members while JM procures the vaccine for other staff.

JM was again allocated funds for youth development by the W&RSETA ensuring that JM is able to provide workplace experiential training to 25 unemployed graduates. The success of the project is evident from the last intake which recorded six out of the 20 unemployed graduates who were hosted by JM, getting into full-time jobs outside of JM.

Injuries and sickness

The clinic provides much needed first aid treatment for all injuries reported within the facility. The safety awareness training currently running, aims to create awareness around safe working procedures to reduce workplace injuries. It is important to note that the new intake of EPWP participants is mostly young people, the majority of whom have never worked before and are oblivious to workplace injuries.

The other three injuries are two employees of market agents and one customer. The injured are stabilised at the clinic and where the injury is serious, the patient gets referred to a hospital.

Table 1: Cost of sick leave captured (excluding injuries on duty):

Salary band	Total sick leave	Proportion of sick leave without medical certificate	Employees using sick leave	Total employees in post	Average sick leave per employee	Estimated cost
	Days	%	No.	No.	Days	R 000
Top management(C)	17	0	1	1	17	144
Executive management (D)	39	7.69	4	3	9.75	246
Middle management (F)	335	8.66	31	35	9.22	1 047
Skilled technical/junior management (G)	796	10.43	63	69	11.53	1 004
Semi-skilled (H)	2289	3.98	153	168	13.63	1 578
Unskilled (I)	375	2.67	32	38	9.86	166

Salary band	Total sick leave	Proportion of sick leave without medical certificate	Employees using sick leave	Total employees in post	Average sick leave per employee	Estimated cost
	Days	%	No.	No.	Days	R 000
TOTAL	3851	5.61	284	314	12.26	4 185

JM complies fully with the Leave Policy and Basic Conditions of Employment Act, with all applications for sick leave not complying with the policy converted to annual leave. The JM annually offers flu vaccines to employees to mitigate the effect of the winter flu, however this initiative is voluntary and only 87 employees took the vaccine.

Section 2: Employee Remuneration (Total Costs including Executives)

The salary cost remains above the set threshold and efforts to improve the OPEX spend may improve the percentages. The salary cost is a fixed cost which can unfortunately not be reduced. With the imminent recruitment drive, the cost will further increase from what it currently is.

The salary cost of JM will not be able to reach the required benchmark due to the fact that the spending on OPEX budget and the relationship with personnel costs are not directly correlated. The JM personnel costs are made up of salary costs inclusive of the temporary workers and the fact that JM is a 24-hour business, the allowances are permanent and their impact on the salary cost is perpetual, which means that the salary bill will not be reduced.

Section 3: Vacancies and recruitment

The process of recruiting critical vacancies commenced in the third quarter, however due to policy prescriptions, adverts have to be posted for two weeks thus impacting the turnaround period. The internal City Group process followed, did not yield results in some positions and these were then advertised externally, again extending the timelines.

A total of ten positions were advertised internally while three positions were targeted for external advertising, however with other internal posts added, the external advert was for five positions.

A total of four positions have already been concluded with appointments scheduled for 1 July 2018, while another five positions will be concluded by end June. Other non-critical vacancies have not been prioritised due to funding shortfalls and the institutional review process.

Staff establishment

The staff establishment is currently at 89% populated with an additional 2% of finalised appointments, effective July 2018. All vacancies identified are held back to integrate the vacancies into the process of the organisational structure realignment to fuse them into the new Smart Market Strategy.

Table3: Staff establishment

Description	2017/18			
	Approved no. of posts	No. of employees	No. of vacancies	% of vacancies
Top management	1	1	0	0
Executive management	5	3	2	40
Middle management	47	35	12	25.53
Skilled technical/junior management	83	69	14	16.86
Semi-skilled	176	168	8	4.55
Unskilled housekeepers/cleaners	41	38	3	7.32
Total	**353**	**314**	**39**	**11.05**

- during the year under review the total staff movement was set at 28 employees which are summerised in the table below

Period	OPEX	PC	%
Financial Year 2017/18	297 312 270	136 011 858	45.75

Section 4: Employment Equity

The JM Employment Equity Plan is in line with the requirements of the Department of Labour (DoL) and in line with the Board resolution taken to benchmark our plan against the Gauteng Demographic targets.

The City has indicated that JM is not complying which is based on their internally set targets which are not aligned to the DoL guidelines.

The JM efforts to attract other racial groups is proving to be a challenge, despite stating the preferences in the job adverts, we have not managed to attract any targeted groups. The focus will remain on recruiting the other groups. A small consolation was recorded with interns where we attracted two female interns, one Indian and one Coloured.

The set target (364) for the period up to June 2018 has not been achieved due to the institutional review process. The areas where positions have not been filled have been capacitated with temporary workers, EPWPs and interns.

The total complement of 314 is for permanent staff only, however an additional 124 temporary workers are in the service and these do not form part of the statutory reporting as prescribed.

EE Targets for June 2018

The table reflects annual targets for the financial year 2017/18 against achievement for the same period.

OCCUPATIONAL LEVELS	Target as @ June 2018									Status as @ June 2018								
	MALE				FEMALE				TOTAL	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W		A	C	I	W	A	C	I	W	
Top management	1	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	1
Senior manager	3	0	0	0	1	0	0	1	5	2	0	0	0	1	0	0	0	3
Mid manager/ Professional	18	2	3	7	11	0	2	3	46	13	2	3	7	8	0	0	2	35
Skilled tech/Junior manager	49	2	2	9	41	3	4	11	121	29	1	1	2	26	2	1	7	69
Semi- Skilled	62	2	1	4	68	5	0	7	149	74	3	0	4	74	5	0	8	168
Unskilled	19	0	0	2	21	0	0	0	42	18	0	0	0	20	0	0	0	38
Total	**152**	**6**	**6**	**22**	**142**	**8**	**6**	**22**	**364**	**138**	**6**	**4**	**13**	**128**	**7**	**1**	**17**	**314**

Employment Equity Demographics status for period under review

Occupational levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1										1
Executive management	3										3
Professionally qualified and experienced specialists and mid-management	13	2	3	7	8			2			35
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	28	1	1	2	25	2	1	7	1	1	69
Semi-skilled and discretionary decision-making	74	3		4	74	5		8			168
Unskilled and defined decision-making	18				20						38
Total Permanent	137	6	4	13	127	7	1	17	1	1	314
Temporary employees											
Grand Total	**137**	**6**	**4**	**13**	**127**	**7**	**1**	**17**	**1**	**1**	**314**

Table 1: STAFF Movements

Staff movements	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Appointments	7	1	0	0	0	0	1	0	9
Dismissals	2	1	0	0	0	0	0	0	3
Retirements	0	0	0	0	0	0	0	0	0
Absenteeism	0	0	0	0	0	0	0	0	0
Termination/ Deceased	11	5	0	0	0	0	0	0	16
Total	**20**	**7**	**0**	**0**	**0**	**0**	**1**	**0**	**28**

Table 2: Leave Analysis – Financial Year 2017/18

Type of Leave	7*	8*	9*	10*	11*	12*	1*	2*	3*	4*	5*	6*	Total Days Taken
Annual Leave	541	553	402	418	506	1267	650	335	360	441	360	534	6366
Sick Leave	250	449	272	296	231	344	422	308	261	284	362	372	3851
Family Responsibility Leave	35	40	37	23	34	36	25	40	29	38	41	63	441
Study Leave	0	4	23	76	49	8	32	21	3	26	72	35	349
Total	**826**	**1046**	**734**	**813**	**820**	**1655**	**1129**	**704**	**653**	**789**	**835**	**1004**	**11007**

*7=July; 8=August etc.

Section 5: Skills Development and Training

The JM conducted the rollout of the Safety Awareness Training for all employees in operational levels to address the issue of back problems noted at the clinic. The training targeted 250 employees. A total of 100 employees are planned for training on Safety Awareness by the end of the financial year and 60 employees on PMS Awareness.

Other projects in the pipeline are Skills Audit for levels 4 and below. The top three levels have been done as part of the City's Skills Audit Project.

The Youth Development Project was completed with 25 unemployed graduates recruited. The funding for the project is jointly between JM and the W&RSETA at 50% per partner. The interns are distributed across departments. One intern resigned after finding permanent employment.

The Safety Awareness and Performance Awareness Projects are current running.

The compliance training beneficiaries:

Skills Development	Males				Females				Total	Amount (R)
	A	I	C	W	A	I	C	W		
Future Leader Development	8	0	0	0	4	1	0	0	13	125 775
Sana ISO 17025 Workshop	3	0	0	0	1	0	0	0	4	16 552
Forklift Counterbalance training	9	0	0	0	0	0	0	0	9	14 950
Reach Truck training	8	0	0	0	0	0	0	0	8	5 750
Total Beneficiaries	**28**	**0**	**0**	**0**	**5**	**1**	**0**	**0**	**34**	**163 027**

Professional Conferences and Seminar Programme beneficiaries

Skills programme

The accumulative report for skill development is recorded as follows:

Skills Development	Males				Females				Total	Amount (R)
	A	I	C	W	A	I	C	W		
Wood Cabinet Making Trade test	1	0	0	0	1	0	0	0	2	5 000
Defensive driving	4	0	0	0	0	0	0	0	4	23 360
MFMA Minimum competency	4	0	0	0	1	0	0	0	5	66 120
Computer MS Suite training	10	0	1	1	22	0	4	0	38	237 116
JDE Infrastructure training	7	0	0	0	5	0	0	0	12	81 624
Occupational SHEQ training	2	0	0	0	0	0	0	0	2	2 940
WR Operation Supervisory learnership	4	0	0	0	5	0	0	0	9	sponsored
Manager leadership development	1	0	0	0	4	0	0	0	5	226 000
Senior Leadership Development	1	1	0	0	0	0	0	0	2	76 000
Fraud & risk management	0	0	0	0	1	0	0	0	1	4 694
Business Writing	0	0	0	0	0	0	1	0	1	8 999
Basic Fire Fighting	7	0	0	0	3	0	1	0	11	27 982
SHE	9	0	0	0	3	0	0	0	12	16 982
First Aid Level 1	9	0	0	0	15	0	0	1	25	21 711
Ammonia Training	26	1	0	0	2	0	0	0	29	127 338
Defensive Driving	4	0	0	0	0	0	0	0	4	23 360
VAT Training	2	0	0	1	9	0	0	1	13	26 851
GRAP training	6	0	1	0	0	0	1	1	9	18 310
EE and SD training	6	0	0	0	6	0	1	0	13	37 000
Corporate governance	0	0	0	0	1	0	0	0	1	23 370
Future Leader Development	8	0	0	0	4	1	0	0	13	125 775
Sanas ISO 17025 Workshop	3	0	0	0	1	0	0	0	4	16 552
Forklift Counterbalance training	9	0	0	0	0	0	0	0	9	14 950
Reach Truck training	8	0	0	0	0	0	0	0	8	5 750
Total Beneficiaries	143	4	2	2	100	1	9	3	264	1 217 784

A total of R2 277 612 was spent in skills development initiatives to improve individual capacity and workplace skills in employees. The expenditure exceeds the allocated budget with additional funds being sourced from the W & R Seta.

Managers are also encouraged to belong to professional bodies of their respective professions. Attendance at conferences of the professional bodies ensure managers subscribe to the ethical codes of conduct of their professional institutions.

All senior managers (20) have been trained on the Municipal Executives Financial Management Course which is a compliance requirement for all senior managers in local government as prescribed in the MFMA.

Conferences & Seminars	Males				Females				Total	Amount (R)
	A	I	C	W	A	I	C	W		
Leading Auditors	0	0	0	0	1	0	0	0	1	2 347
20th Auditors conference	1	0	0	0	3	0	0	0	4	46 626
AEASA conference	2	0	0	0	0	0	0	0	2	16 000
SAOUG conference	0	0	0	0	1	0	0	0	1	7 410
IMESA Conference	1	0	0	0	0	0	0	0	1	5 200
Annual Shop stewards	3	0	0	0	1	0	0	0	4	39 996
Industrial relations	0	0	0	0	1	0	0	0	1	9 999
TOTAL BENEFICIARIES	7	0	0	0	7	0	0	0	14	127 578

Study Assistance beneficiaries for Career Management Programmes

Institution	Males				Females				Total	Amount (R)
	A	I	C	W	A	I	C	W		
Commerce Edge	0	0	0	0	1	0	0	0	1	18 183
Wits Business School	1	0	0	0	0	0	0	0	1	28 000
Regenesys Business School	0	0	0	0	1	0	0	0	1	22 700
UNISA	2	0	0	0	2	0	0	2	6	26 890
Boston City Campus	0	0	0	0	2	0	0	0	2	21 267
Tshwane University	0	0	0	0	1	0	0	0	1	5 080
Milpark Business School	0	0	0	0	1	0	0	0	1	14 420
Stellenbosch University	0	0	0	0	1	0	0	0	1	18 276
Henley Business School	0	0	1	0	0	0	0	0	1	78 500
Wits Business School	1	0	0	0	1	0	0	0	2	60 790
MANCOSA	1	0	0	0	0	0	0	0	1	20 350
UNISA	1	0	0	0	2	0	0	1	4	23 168
Boston City Campus	0	0	0	0	1	0	0	0	1	10 385
University of Pretoria	2	0	0	0	0	0	0	0	2	27 680
Wits University	0	1	0	0	1	0	0	0	2	45 738

Institution	Males				Females				Total	Amount (R)
	A	I	C	W	A	I	C	W		
University of Johannesburg	1	0	0	0	2	0	0	0	3	42 773
Wits Business School	**2**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**3**	**122 790**
MANCOSA	1	0	0	0	0	0	0	0	1	20 350
UNISA	1	0	0	0	2	0	0	1	4	23 168
Boston City Campus	1	0	0	0	1	0	0	0	2	36 985
University of Pretoria	3	0	0	0	0	0	0	0	3	71 312
Monash University	1	0	0	0	0	0	0	0	1	42 800
Damelin	0	0	0	0	1	0	0	0	1	32 708
Wits University	1	1	0	0	1	0	0	0	3	75 164
University of Johannesburg	1	0	0	0	2	0	0	0	3	42 773
TOTAL BENEFICIARIES	20	2	2	0	24	0	0	4	52	932 250

A total of R2 277 612 was spent in skills development initiatives to improve individual capacity and workplace skills in employees. The expenditure exceeds the allocated budget with additional funds being sourced from the W & R Seta.

Managers are also encouraged to belong to professional bodies of their respective professions. Attendance at conferences of the professional bodies ensure managers subscribe to the ethical codes of conduct of their professional institutions.

All senior managers (20) have been trained on the Municipal Executives Financial Management Course which is a compliance requirement for all senior managers in local government as prescribed in the MFMA.

The focus for quarter one of 2018/19 are listed as follows:

- Continuous placement of 24 interns (W&RSETA sponsor) for workplace exposure for a period of the remaining nine months across the business
- Finalisation of the SCM process to appoint a panel of training provider for three year.
- Appointing a service provider for the company-wide skills audit to guide future training initiatives
- Implementation of the Workplace Skills Plan (WSP) for 2018/19
- Implementation of the Ethics Awareness Training
- Implementation of training on performance management for the entire staff of JM
- Implementation of training on safety awareness for the entire staff of JM

Performance Management and Succession Planning

The performance management remains a key focus area with the review of the old process which will be replaced by a new Performance Management Strategy, linking to the Smart Market Strategy. There is no performance bonus for the 2017/18 while the business realigns the system to the new business imperatives.

Section 4: Statement of financial position as at 30 June 2018

- Non-current assets decreased by R10.2 million in comparison to the prior year. The decrease is the net effect of additions to property, plant and equipment of R13.4 million, a R23.2 million depreciation charge for the year.
- Current assets increased by R146.3 million compared to prior year largely due to;
  - An increase of loans to shareholders of R71.9 million due to increase in sweeping arrangement for revenue and low capex payments;
  - A decrease of VAT and Tax receivable of R8 million both are payable in the year under review;
  - An increase in cash and cash equivalents of R77.1 million due to improved rental collections coupled with low spending on Capex.
  - Total liabilities for the year increased by R40.0 million largely due to increases in trade payables.

The current assets exceeded current liabilities by R223.6 million compared to prior year amount of R126.9 million.

Section 6: Cash Flow Statement for 12 months period 2017/18

Net cash generated from operations amounted to R177.9 million for the 12 months ended 30 June 2018. During the 2017/18 fourth quarter of the year capital assets totaling R13.4 million were acquired.Net cash flows from financing activities increased by R42.3 million mainly due to the repayment of the shareholder's loans. Cash and cash equivalents increased by R77.1 million during the year leaving the entity with a closing cash position of R201.2 million.

Section 7: Analysis of Capital Expenditure for 12 months period 2017/18

The total revised capital budget for the year is R15.4 million and is self-funded. The 12 months adjusted budget was R15.4 million and actual capital expenditure against the target was R13.4 million on 30 June 2018 represents 88% against approved revised budget. The projected target for 100% capex expenditure has not been met.

The performance culture is slowly being revived with improved performance in some sections of the business.

The training for the rest of the employees has started in earnest and the plan is to complete the training by end July.

Section 8: Disciplinary Matters and Outcomes

The business has noted an increase in labour cases. The attendance at the Commission for Conciliation, Mediation and Arbitration (CCMA) has increased due to employees preferring CCMA as a conciliation structure. The parties met and reviewed six policies which are now to serve at the Human Resources and Remuneration Committee (REMCO) and Board in the first quarter for 2018/19. The session for the next round of policy review planned for June has been postponed to allow organised labour to focus on the salary negotiation process.

Legacy labour court cases to be concluded relates to the following positions: on the radar with no movement from the court. JM awaits dates for the sittings.

- Security Officer
- EPWP beneficiaries
- Former Operations Manager
- Former employee retrenched in 2007

All labour cases are handled within the City group and this has assisted with cost reduction. One new Labour Court case has been recorded by a former employee retrenched in 2007.

During the year under review the following cases were recorded:

- Two suspensions; one an Executive Manager and another, a Senior Manager
- Two cashier cases
- One Senior Manager

New Disputes

- Constructive Dismissal
- Unfair Labour Practice

Employee Wellness

Employee Wellness remains a critical element of the Human Resource Strategy to ensure that employees are educated on the importance of living healthy lifestyles and that they remain motivated while at work.
In an effort to reduce the impact of personal and workplace problems, JM is appointing an external company to provide an Employee Assistance Programme (EAP) for employees. The service will be provided on a 24-hour, seven-day a week basis and employees will have access to professional counselling and support services.

Health campaigns continued quarterly with the partnership the JM has with the City Health Department and registered NGOs providing health screening and primary health care services.

Employee Benefits

The HR Department strives for continuous improvement in its processes and the process of reviewing policies remain top most on the agenda for the department to ensure the JM remains an employer of choice for current employees and prospective employees.

The JM provides market related benefits for staff which are in line with the South African Local Government Bargaining Council (SALGBC). Salary disparities remain a challenge. This is due to legacy policies as well as amendments to the Employment Equity Act promulgated in July 2015 which employees use to file claim against the JM. Insufficient budgets to deal with the extent of the disparities identified remains a challenge. The slow pace of the Benchmarking project also exacerbates the levels of frustration among affected employees.

The current benefits provided by JM are:

Three Pension Funds are currently approved for the JM employees:

- City of Johannesburg Pension Fund – 14 Members
- Momentum Provident Fund – 199 Members
- E-Joburg Retirement Fund – 105 Members

JM employees have the option to select any one of the following three medical aid schemes:

- Discovery Health – 31 Members
- Bonitas – 234 Members
- LA Health – 6 Members

Housing Assistance provided for employees is as follows:

- Housing Subsidy – 73 employees
- Gap Allowance – 29 employees

Succession Planning for the Chief Executive Officer

During the 2018/19 planning period succession planning will be continued with.

Section 9: Operating expenditure analysis

The total operating expenditure excluding interest and tax for the year was R292.3 million compared to prior year of R291.9 million. This represents an increase of 0.14% increase which is immaterial. Operating expenditure includes 8 sub-components.

The diagram below illustrates the composition of the 8 components of operating expenses,The composition remained relatively similar compared to prior year:

JOBURG MARKET, THE HOME OF NOURISHMENT

CHAPTER FIVE:

FINANCE

- Revenue achieved above budget
- Healthy Financial Ratios
- Substantial surplus growth
- BEE procurement achieved and SCM deviations

CHAPTER FIVE:
FINANCE

Section 1: Financial Overview

The company's overall financial performance for the year under review was above expectation, the surplus was ahead of budget, and key ratios are above the norm as demonstrated in the ratio analysis section of this report.

Ratio Analysis: Key Financial Ratios for the period

The table below is a summary of key ratios for the period under review. They indicate the strength of the financial position of the JM in terms of its ability to meet its obligations when they fall due particularly in the short term:

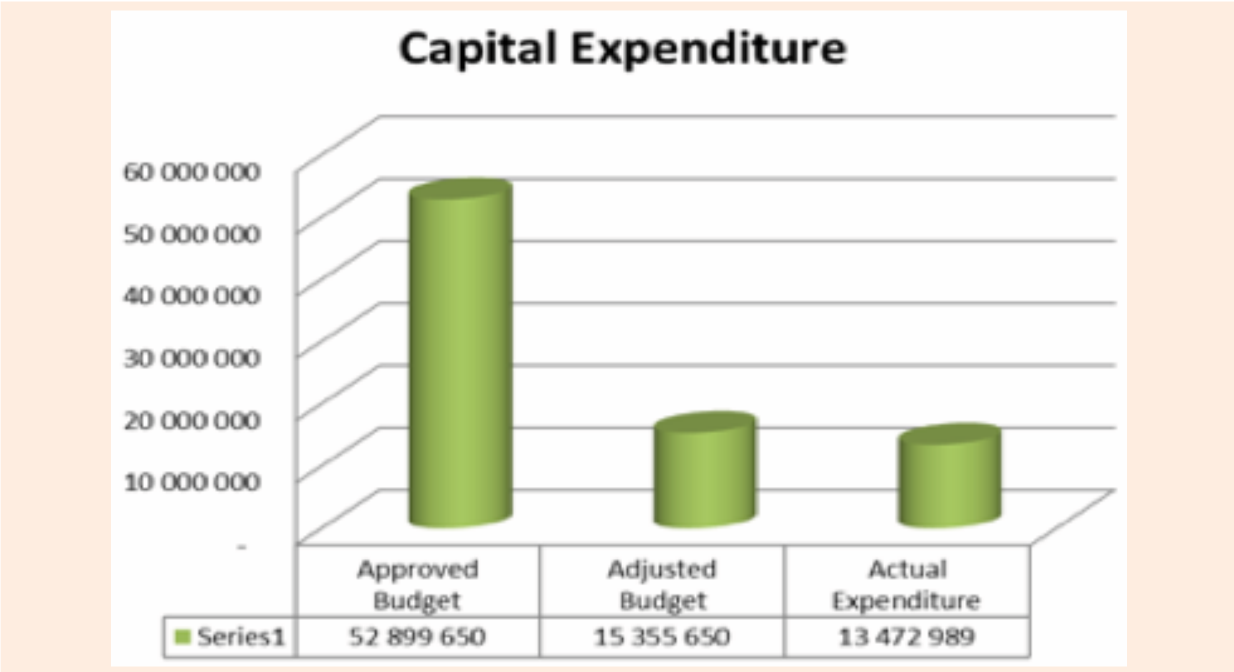
Financial ratios	NORM	2016/17 FY	2017/18 (12 months)
Liquidity (CA/CL)	2:1	2.03	2.30
Gearing (Total Liabilities/Total Assets)	<40%	25%	28%
Net Asset Value (Total Assets – Total Liabilities)	N/A	R462 million	R540 million
Cost to Income (Operating Costs/Operating Revenue)	0.70:1	0.72:1	0.68:1
Cash Coverage (Cash/Opex X 365.7)	>50 days	152 days	249 days
Accounts payable days	<30 days	40 days	44 days
Debtors days	30 days	29 days	29 days

The accounts payable days have been stretched in part due to CoJ Treasury cash management policy which centrally controls all entities bank accounts. Therefore, JM cannot pay its creditors on time because all daily forecasted cashflow submitted per entity are prioritised as per CoJ's discretion. As a consequence, this has impacted on creditor's days.

Section 2: Revenue Analysis for the period

- Total revenue for the period (excluding interest) increased by 8.74% compared to prior year, with the actual recorded at R457.5 million compared to prior year amount of R415.2 million.
- Commission income increased by 7.36% in comparison to the prior year, this was largely due to more produce being delivered and traded by the market.
- Property Rental Income increased by 12.97% in comparison to the prior year, due to higher rental collections from tenants.
- Cold Stores income decreased slightly by 2.27% which was immaterial.
- Banana ripening income increased by 107.1% in comparison to prior year, this was largely due to an increase in the demand for the market's ripening facilities.

The diagram below illustrates the revenue composition percentage by source. The composition remained relatively similar compared to prior year:



Analysis of Capital Expenditure

- Approximately R38 million of the budget was deferred to outer years in line with the progress of expenditure and demand plan.
- The two focus project for the year related to IT BI Intelligence for R5.2 million and Infrastructure resurfacing of platform for R5.5 million.
- Approximately R13 million of the R38 million adjusted as stated above are projects that are on hold due to ongoing forensic investigations.

Section 3: Joburg Market Food Support Programmes for 12 months period 2017/18

Joburg Market plays a direct and indirect role in supporting the Mayoral pro-poor priority. Through this intervention we have put the following programmes in place:

- The funeral support programme provides food parcels to bereaved indigent families
- The non-profit organisation programme provides support to community organisations within the City
- JM/CoJ indigent programme supports CoJ indigent households (Orphans, Elderly, and Disabled).

Pro Poor Self-Funded Programmes: 12 months 2017/18

Card No	Programme	Q1	Q2	Q3	Q4	Total
*517329	Funerals	175	297	220	166	858
**517269	Non-Profit Organisations	361	620	20	0	1 001
**516423	JM Indigent Funding to CoJ	261	558	103	6	928
	Total	797	1 475	343	172	2 787

The figures above are denominated in rand thousands.

*The new controls put in place for funerals require that all funeral requests are directed through the Speaker's Office and MMC.

**There are current on-going investigations on some of these programmes due to suspicions of impropriety in executing the programmes mandate.

Section 4: Analysis of Debtors Collection during 2017/18

The collection rate achieved for the year was 100% against a target of 98%. The collections performance is attributed to a concerted effort to achieve collection targets using all methods prescribed in the debtors' policy. The billing is done in arrear meaning and collections can only be done in the next period.

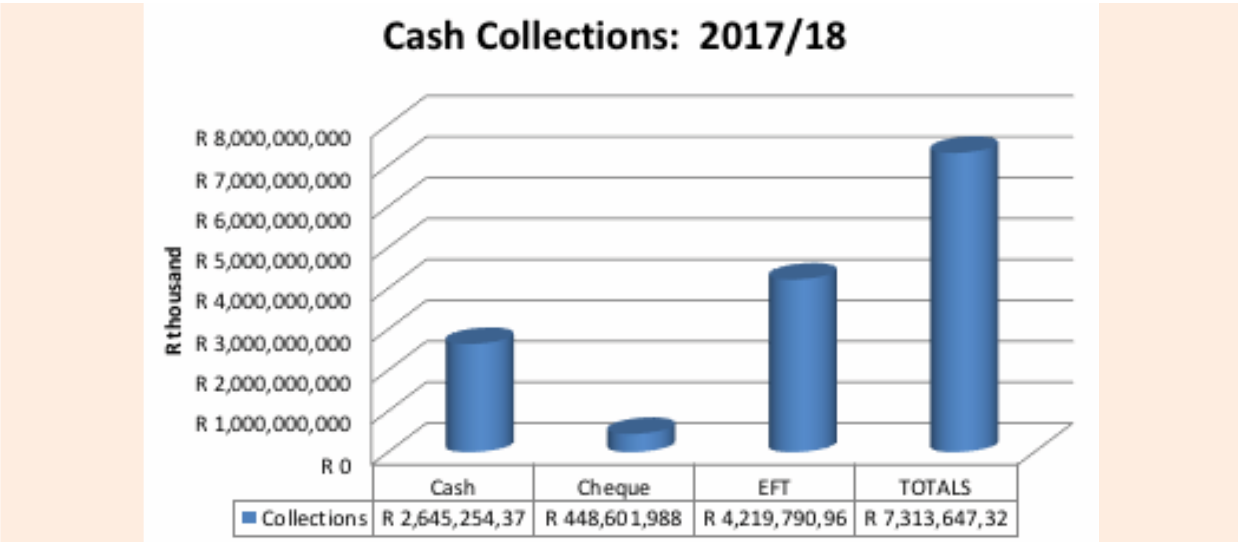
A long outstanding debtor's book of R8 million was handed over to attorneys for collection. This comprises 80% of the bad debts provided in the AFS. 40% of the provision for Doubtful Debts relates to Fruit & Vegetables City Distributors (FVC). The (FVC) debt was covered by a draft settlement agreement which sought to cover the debt through increased purchases targets that would earn an additional commission contribution from operations. The attorneys recommended that R2.6 million (25%) should be written off. The rest of the accounts are still being pursued in line with the approved policy.

Section 5: Analysis of Cashiering Collections during 2017/18

Queuing System

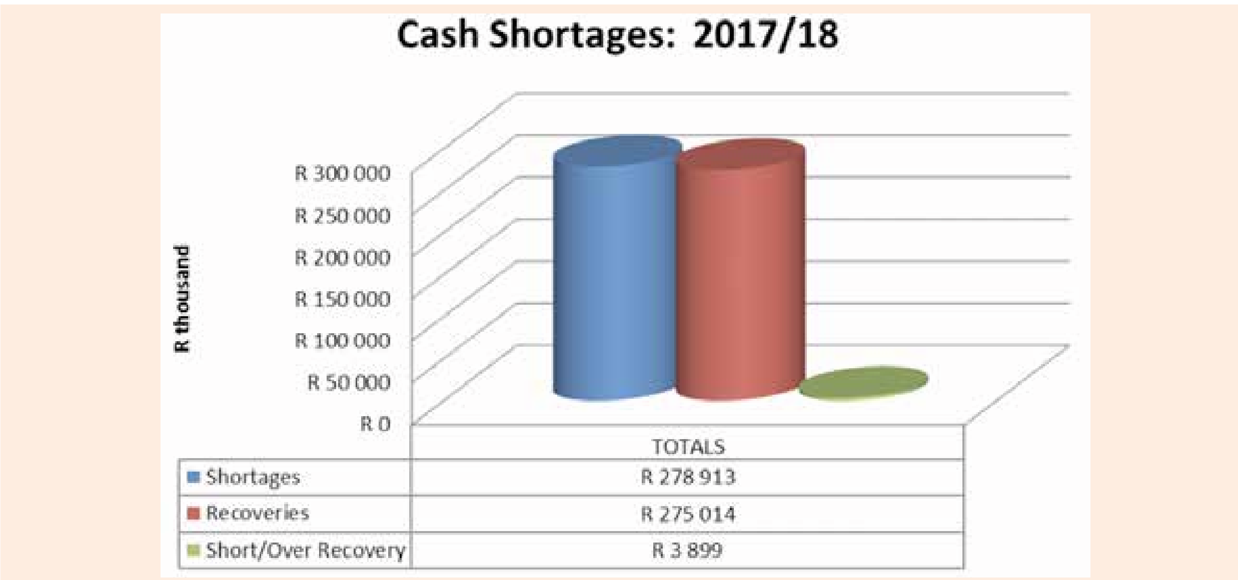
Cashiering department is embarking on a process to find a solution that will address its compliance to service delivery standards (SDS). One of the SDS applicable to the cashiering department is to measure the amount of time the customers spent queuing to be served. Currently there is no system in place to measure that and the JM is going to be issuing a request for Information (RFI) and IT department is assisting the department and the specification for development has been signed off.

Cashiering Collections as June 30:2017/18



A total cash collection of R2.6 billion was achieved during this year compared to last year's R2.1 billion. The total collections were R7.3 billion compared to R4.3 billion during 2017. This represents a notable increase of 70% in total collections by the market.

Cashiering Shortages & Recoveries as 30 June 2018



The total shortages for the year are R278 913 against recoveries of R275 014. The department under recovered by R3 899 due to the timing difference of payroll deductions.

Section 6: Analysis of Supply Chain Management for 12 months period 2017/18.

The table below represents tenders from R200 000 upwards for the advertisement period of 14 days to 30 days

	CAPEX bids received (BSC)	CAPEX bids advertised	CAPEX bids awarded	OPEX bids received (BSC)	OPEX bids Advertised	OPEX bids awarded
Q1	2	0	0	8	1	1
Q2	6	5	2	6	11	0
Q3	6	11	0	4	11	0
Q4	5	2	3	4	1	0

Notice Board Process – Between R30 000 and R200 000

The notice board tender process advertises projects ranging from R30 000 to R200 000. Projects are advertised for 7 days on the JM website and tender notice board. As at 30 June 2018 projects were in the process of being approved for the order release, which is the final stage of the process.

	No. of requisition received	Projects in progress	Projects awarded	Projects on hold
Q1	5	1	4	0
Q2	18	1	14	3
Q3	10	4	6	0
Q4	14	8	6	0

Three Quotations Process – From R 0 to R 29 999

Quotations are requested from the suppliers who are listed in the Joburg Market (JM) SCM data base.

Period.	No. of requisition received	Requisitions in progress	Requisitions awarded	Projects on hold
Q1	65	21	44	0
Q2	36	0	36	0
Q3	31	13	18	0
Q4	72	25	48	0

Deviations for 12 months period 2017/18 FY

The following deviations were recorded up to the 4th quarter (01 April 2018 to 30 June 2018):

Deviation Type	Quarter 1 (R)	Quarter 2 (R)	Quarter 3 (R)	Quarter 4 (R)-Apr	Total (R)
Exceptional Case	0	232 888 (Strauss Daly Attorneys)	0	0	232 888
Extension of Contracts and impractical to follow SCM process	6 012 488 (Imvula)	4 518 230 (Morubisi)	0	809 800 (Motswako) 4 439 223 1 027 450 (Imvula) 2 939 480 (Morubisi)	19 746 671
Emergency	0	537 478 (V2V)	0	0	537 478
Total Amount	6 012 488	5 288 596	0	9 215 953.00	20 517 037

Assessment by CEO of monies payable to organs of state

During the period under review the CEO conducted an assessment of monies payable to organs of state and departments of the CoJ. It was determined that no monies were owed and accounts payable at the end of the financial year was duly accrued.

The deviations for the period under review to date are listed in the table below:

No.	Company Appointed	Services rendered	Reasons for deviation	Amount committed
QUARTER 1- No deviations				
QUARTER 2				
1.	Strauss Daly Attorneys	Legal services	The deviation was caused by the variation on the appointment which went above the threshold of R 200 000.00. 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.	R232 888
2.	V2V Trading	Installation of Transformers at the Gen farm	This relates to a replacement of a damaged transformer at Gen Farm. This was to avoid loss of revenue.	R537 478
QUARTER 3 (No deviation in quarter 3)				
QUARTER 4 (No deviation in quarter 4)				

Contract Management Statistics

Contract Management statistics for the 12 months period 2017/18 is listed hereunder

No.	Active contracts	No. of contracts expired	No. contracts to be terminated within six months	No. Poor performance reported	No. of SLA completed
Q1	47	12	4	0	1
Q2	46	5	19	1	1
Q3	47	7	21	0	0
Q4	30	20	07	0	6

Extension of Contracts for the 12 months period 2017/18

Description	Quarter 1 R	Quarter 2 R	Quarter 3 R	Quarter 4 R -	Total R
Extension of Contracts	6 012 488	4 518 230	0	2 939 480 (Morubisi technologies) 809 800 (Motswako Printing Solutions) 5 466 673 (Imvula Security Services)	19 746 671
Total Amount	6 012 488	4 518 230	0	9 215 953	19 746 671

Three contracts were extended during the financial year under review. The amount reflected is as per the approved deviations.

Contracts secured through other organ of state (Reg. 32) for the 12 months period 2017/18

Description	Quarter 1 R	Quarter 2 R	Quarter 3 R	Quarter 4 R	Total R
Personal Protective Clothing	0	0	611 591	203 087	814 678
Corporate Clothing	0	0	0	899 557	899 557
Total Amount	0	0	611 591	1 102 644	1 714 236

Irregular Expenditure

The table below indicates actual amount spent as irregular expenditure incurred for the 12 months period 2017/18

No	Company Appointed	Services rendered	Reasons for deviation/Irregular expenditure	Expenditure incurred to date (R) EXC VAT
1.	Morubisi Technologies (Pty)Ltd	CCTV rental	There is a process to insource security services by CoJ thus this contract is going to be on a month to month basis. It is impractical to go on a tender while the process at CoJ is not yet completed.	7 049 640
2.	Motswako Office Solutions (Pty) Ltd	Rental and maintenance of photocopying machines	This is an extension of the contract. The CoJ has embarked on a tender process which brings one solution for the entire CoJ and its entities. Therefore, it is impractical for to source another service provider while the CoJ process is in place.	897 206
3.	Imvula Security Services	Security	There is a process to insource security services by CoJ and until that is finished thus contract is going to be on a month to month basis. It is impractical to go on a tender while the process at CoJ is not yet completed.	10 832 271

No	Company Appointed	Services rendered	Reasons for deviation/Irregular expenditure	Expenditure incurred to date (R) EXC VAT
4.	City of Choice travel and Tours	Travelling	The proper SCM process was followed to appoint The City of Choice travel and tours. The appointment was for R200 000. However, the expenditure exceeded the budgeted amount and consequence management is to follow through executive management.	361 568
5.	Avis Fleet	Leasing of Vehicles	The CoJ had extended the contract for all entities for the rental of the vehicles. They are currently finalizing the tendering process to appoint a new service provider	349 045
6.	Eqstra Fleet	Fork Lift rental	The CoJ had extended the contract for all entities for the rental of the vehicles. They are currently finalizing the tendering process to appoint a new service provider	170 010
7.	Strauss Daly Attorneys	Legal services	The deviation was caused by the variation on the appointment which went above the threshold of R 200 000.00. 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
TOTAL IRREGULAR EXPENDITURE				19 972 316

Certain contracts are not included in this report because they are currently under forensic investigation. Due to the nature and sensitivity of the outcome of the investigations; further steps are being taken by the Accounting.

BEE Scorecard achievement for the year ended 30 June 2018.

A comprehensive BEE exercise has been undertaken whereby all expenditure through the company was considered, we excluded all statutory and intercompany payments. Thereafter, we evaluated all suppliers that were paid by Joburg Market and are BEE compliant. A further analysis of the non-expired BEE certificates was done to ensure that only suppliers who are currently BEE compliant are considered.

The below figure shows that as at 30 June 2018 the amount is R 91 153 031 million compared to a target of R98 million. Therefore Joburg Market achieved a BEE spend percentage of 93% against target.

2017/18 FY	BEE Compliant Spend (Net) (R)	BEE Compliance Verified	Targeted (R) Procurement as per Business Plan	% Achieved Against Target
Quarter 1	R 24 426 289	YES	R 18 000 000	136%
Quarter 2	R 51 868 020	YES	R 29 100 000	178%
Quarter 3	R 62 551 371	YES	R 51 000 000	123%
Quarter 4	R 91 153 031	YES	R 98 000 000	93%

Fruitless and Wasteful Expenditure for the year ended 30 June 2018.

There was an amount of R205 025 relating to the reinstatement of an employee which was deemed to be fruitless and wasteful expenditure for year.

CHAPTER SIX:

INTERNAL AUDIT

- 52% Achievement of Audit Plan
- 76% of AGSA findings Resolved
- 39 Open Internal Audit Findings at 30/6/18
- Effectiveness of Internal Controls as at 30/6/18

CHAPTER SIX:
INTERNAL AUDIT

Section 1: Internal Audit scope of work

The Internal Audit carries out its functions in accordance with section165 of the MFMA, the recommendations of the King Report and other relevant legislation and best practice.

Section 2: Performance against 2017/18 Internal Audit Plan

The Internal Audit Plan for 2017/18 was approved by the ARC in July 2017. Progress against the current Internal Audit Plan as at the end of June 2018 is summarised in the table below:

Description	Status: Year to date progress against the plan					
	Project Allocation	Not Started	Planning Phase	Execution Phase	Reporting Phase	Completed
Planned Q1 Audits	6	-	-	-	-	6
Planned Q2 Audits	6	-	-	1	2	3
Planned Q3 Audits	8	-	-	1	2	5
Planned Q4 Audits	7	-	0	7	0	0
Total	**27**	**0**	**0**	**9**	**4**	**14**
Progress-%	100%	0%	0%	33%	15%	52%

There were 27 audits planned and other requests for completion at the end of Q4, 33% of the audits are in progress, 15% at reporting stage and 52% have been completed. Five of the planned audits were outsourced to ensure 100% completion of the Audit Plan by 30 June 2018. However, due to unforeseen delays, such as Supply Chain processes, reduced capacity (the Head of Internal Audit resigned on 30 April 2018 and one staff member was transferred on secondment out of Internal Audit). The current staff complement is 43% (3/7), i.e. there is a vacancy rate of 57%.

Increase audit –Stretch target

The number of audits was significantly increased in the past without significant improvement in the capacity of the department. The following gives the picture of the number of audit assignments in recent years.

2017/2018 = 27 audit assignments

2016/2017 = 20 audit assignments

2015/2016 = 14 audit assignments

2014/2015 = 15 audit assignments

In drafting the 2018/19, the team will consider the suitability of the number of audits, given the 57% vacancy rate, however, the increased number of audit assignments and decreased capacity can be seen as a “stretch target”, taking cognisance that the numbers may not necessarily be feasible to complete at 100% by year-end. The guidance of the Audit and Risk Committee will be sought in this regard.

Revised completion date

The team is energised and working hard to finalise the approved plan by 31 July 2018. The successful completion of the Audit Plan will positively contribute towards an improved control environment, given the increased areas audited as a result of the increased number of audits.

Details of planned audits

The following table provides the detail of the planned audits and the status to date:

No.	Planned Area of Coverage	Planned Hours	Planned Date	Status	Report Rating1
			Planned Q1 Audits		
1	Legislative Compliance Checklist	300	Q1	Completed	Requires Improvement
2	Adherence to Demand Plan	150	Q1, Q3	Completed	Significant
3	Training and Development	300	Q1	Completed	Requires Improvement
4	Food Security	200	Q1	Completed	Significant
5	Cashiering	200	Q2	Completed	Significant
6	Ammonia Plant – Follow-up	200	Q1	Completed	Satisfactory
			Planned Q2 Audits		
1	Auditing of Predetermined Objectives (AOPO) (Q1)	400	Q2, Q3, Q4	Completed	Significant
2	Rental Income (including management of debtors)	300	Q2	Reporting-Draft report issued	Critical
3	Payroll Administration	300	Q4	Execution	N/A
4	Governance Processes (King IV Implementations)	200	Q4	Execution Phase	N/A
5	Payment of Suppliers -30 days	100	Q2,Q4	Completed	Significant
6	Staff Verification	200	Q2	Completed	Satisfactory
			Planned Q3 Audits		
1	Auditing of Predetermined Objectives (AOPO) (Q2)	400	Q2, Q3, Q4	Completed	Significant
2	Consignment Control	300	Q3	Reporting Phase	N/A
3	Internal Financial Controls	400	Q3	Outsourced (Execution Phase)	N/A
4	RFQ and Tendering Process	200	Q3	Execution Phase	N/A

No.	Planned Area of Coverage	Planned Hours	Planned Date	Status	Report Rating1
			Planned Q1 Audits		
5	Contract Management	150	Q3	Reporting Phase	Significant
6.	Business Continuity Testing	200	Q3	Execution Phase	N/A
7	Occupational Health and Safety	400	Q1	Outsourced (Execution Phase)	N/A
8	Adherence to Demand Plan	150	Q1, Q3	Reporting	Significant
			Planning Q4 Audits		
1	Auditing of Predetermined Objectives (AOPO) (Q3)	400	Q2, Q3, Q4	Planning Phase (Q4)	N/A
2.	Implementation of IT Governance	200	Q4	Execution Phase	N/A
3	Asset Management	200	Q4	Outsourced (Reporting Phase)	N/A
4	Overtime Management	200	Q4	Outsourced (Execution Phase)	N/A
5	Payroll Administration (from Q4)	300	Q4	Execution phase (finalising)	N/A
6	Payment of Suppliers -30 days	100	Q2, Q4	Reporting Phase	Requires Improvement

Section 3: Follow-up on Internal Audit and Auditor-General (AGSA) Findings

As required by the MFMA, Municipal Systems Act, the IIA Standard and the Internal Audit Charter, Internal Audit conducts follow–up audits to ensure that the agreed action plans are being implemented within the time frames that management committed to. The unit conducts follow-ups on findings raised in the Internal Audit Reports and those raised by the AGSA in the management letter. The rating of the finding determines the extent to which the follow-up will be conducted i.e. minor and moderate findings are updated based on comments received from management. For significant findings, evidence supporting the remediation of findings is obtained and physically verified by Internal Audit.

3.1 Status on resolution of Audit Findings

The table below shows a summary of all Internal and External Audit findings reported in the 2016/17 FY and 2017/18 FY. Internal Audit efforts are focused in ensuring that findings classified as "high risk" receive adequate management attention.

The table below provides a summary of the movement in the findings tracked during Q4:

	Open findings Q3	New Findings Q4	Findings resolved during the period under review Q4	Open findings at the end of Q4
Internal Audit Findings	26	24	11	39
AGSA Findings	11	0	3	8 (24%)
Total	**37**	**24**	**14**	**47**

Overall, 38% of the open findings were resolved during the fourth quarter, 3 (27%) of which were AG findings and 11(42%) were Internal Audit findings. adequate progress has been observed in the resolution of Internal Audit findings raised in the Security Management and SHE reports.

3.2 Details of unresolved AGSA Findings

The table below provides the details of the open AGSA findings with the actions outstanding, the responsible manager and the target date for implementation of corrective action. Most of the outstanding findings are overdue and were not satisfactorily resolved by 30 June 2018. Additional management actions are in progress to resolve the outstanding finding.

	Finding	Management Comments as per AG report	Progress and updated comments June 2018	Responsible Manager	Action date
	MATTERS AFFECTING THE AUDITOR'S REPORT- Predetermined objectives				
1	A.1 Reported number of donations to NGOs and indigent beneficiaries not accurate	The number of donations will be calculated as per technical indicator description. The number of beneficiaries will no longer be considered for reporting under this KPI. This corrective action can only be applied to subsequent financial years, effective 2017/18.	Mid-year adjustment to KPI submitted in January 2018. Q3 and Q4 reporting are as per revised KPI.	Tshifhiwa Madima Executive : Agri-Business	March 2018
	Internal Audit comments: There is inadequate self-review by the department. Additional verification by the Agri-Business Department is in progress.				
	Compliance with MFMA legislation				

	Finding	Management Comments as per AG report	Progress and updated comments June 2018	Responsible Manager	Action date
2	A.6 Consequence management	The entity is in the process of receiving legal guidance on the report and following disciplinary steps. Allegations of impropriety against officials are being considered by the legal advisers and the City of Joburg.	Allegations of impropriety against officials are being considered by the legal advisers and the City of Joburg.	CEO	Awaiting investigation outcomes
	Internal Audit comments: Some of the previously discovered fraud is still under investigation. New fraud was also discovered during the financial year and is still being investigated. The condition that caused the finding to be raised (fraud) does not appear to have been resolved, hence the finding cannot be said to have been resolved.				
	OTHER IMPORTANT MATTERS - Financial statements				
3	B.3 Deferred tax calculation not accurate	For assets acquired from 1 July 2017, a tax base asset register will be compiled based on the wear and tear allowances as per the Income Tax Act.	Tax consultant to assess at next return. Internal Audit comments: The evidence will be compiled at year-end.	Benvinda Teixeira Senior Financial Controller	A consultancy brief and appointment will be conducted by June 2018
4	B.6 Commitments understated	Misstatement was not material and not adjusted.	To be assessed at next financial year-end.	Benvinda Teixeira Senior Financial Controller	AFS June 2018
	Internal Audit comments: No audit relating to commitments was performed during the year. During the year, there is inadequate action taken to track all accruals and such accruals are mainly determined at year-end.				
5	B.7 Invoices recorded in the incorrect accounting period	Internal controls lead to a shortfall of information from the user department to the finance team. The misstatement was not material and no adjustment was made.	Internal Audit comments: The evidence will be compiled at year-end. Cut-off procedures are done in earnest at year-end, hence the procedures cannot be accurately determined during the financial year.	Warren Michael Financial Accountant	June 2018
	Procurement and contract management				
6	B.16 Completeness of the Supply Chain Management Policy	The SCM Policy is in the process of being reviewed and updated.	Internal Audit comments: Supply chain started with the RFQ process to update the SCM Policy, however, the process may be late and is more likely to be completed after 30 June 2018.	Thivhulai Mbedzi Senior Manager: SCM	31 March 2018
	Revenue management				

	Finding	Management Comments as per AG report	Progress and updated comments June 2018	Responsible Manager	Action date
7	B.21 Rental agreements not signed	JM acknowledges that there are a number of lease agreements that have not been signed, but is in the process of normalising the situation and has completed a full rental register to identify those tenants with no lease agreements.	Rental agreements have been vetted by the Legal Department and have been submitted to the CEO's office for signature.	Marius Pieters Senior Manager: Property	March 2018
	Internal Audit comments Rental agreements remain not signed due to queries that still need to be resolved. Internal Audit comments Rental agreements remain not signed due to queries that still need to be resolved.				
			Human resource management		
8	B.23 Performance agreements (PAs) not signed within prescribed time	Ensure PAs are signed within the first quarter of the new financial year.	HR monitors that performance agreements (PAs) have been signed and submitted and reports to EXCO on submitted Pas. This is to ensure that EXCO holds Executives accountable where PAs have not been signed. The following are still outstanding: Senior Financial Accountant Senior Manager: SCM Senior Manager: Business Planning and Strategy Company Secretary Senior Manager: Marketing and Communication New PAs have been completed and are being reviewed for alignment to the CEO's PA which was signed at the end of February. Internal Audit comments: The majority of the performance agreements were signed in time, however a few were not signed by year end.	Thulisiwe Nkosi Senior Manager: HR	March 2018

Section 4: Effectiveness of Internal Controls

The evaluation of internal controls remains critical in ensuring that the entity has adequate and effective systems, processes, policies and procedures that will support the achievement of organisational objectives. Internal controls are implemented by management through systems, policies and procedures executed in day-to-day operations. Internal Audit makes an assessment on the effectiveness of these controls based on the results of audits conducted in the various business areas.

Internal Audit has evaluated the internal controls on the basis of audits completed and engagements with various key aspects of the organisation. The internal controls are thus evaluated as partially adequate and partly effective as significant control weaknesses and instances of non-compliance were identified across a number of business processes. The audits issued at year end contributed to the above assessment are contract management and rental income.

Corrective measures to be implemented i.r.o the AGSA findings for 2016/17

Relevant to the 2017/18 external audit the AGSA the entity was able to resolve 26 findings which produced a resolution rate of 76% .

The total outstanding findings as at 30 June 2018 amounted to a total of 8 findings representing 24% of the total findings.

No	Finding	Internal audit comments	Remedial action/preventative measures
1	A.1 Reported number of donations to NGOs and indigent beneficiaries not accurate	Finding was not resolved by 30 June 2018; there may have been positive changes after year end and will be accounted for during the 2018/2019 financial year.	Refinement of the donation administration process Increased number of vetting exercises on status of beneficiaries
2	A.6 Consequence management	Some of the previously discovered fraud is still under investigation also new fraud was discovered during the financial year and is still being investigated. The condition that caused the finding to be raised (fraud) does not appear to have been resolved hence the finding Cannot be said to have been resolved.	Formalisation of performance contracts ethics training and reinforcement of ethics principles Fast tracking of processes to finalise investigations and legal proceedings
3	B.3 Deferred tax calculation not accurate	This finding may have been resolved; however, due to the complexity in calculating the deferred tax and all the adjustments needed it is better to see it as possible to resolve with all year- end adjustments taken into account.	Training on tax calculations as it pertains to the business of JM Tracking of legislative changes in tax laws and related directives
4	B.6 Commitments understated (Management comments: Misstatement was not material and not adjusted)	No audit relating to commitments was performed during the year. During the year there is inadequate action taken to track all accruals and such accruals are mainly determined at year end.	Database of commitments/accruals to prevent the risk of misstatements

No	Finding	Internal audit comments	Remedial action/preventative measures
5	B.7 Invoices recorded in the incorrect accounting period (Management comments: Misstatement was not material and not adjusted)	The evidence will be compiled at year-end. Cut-off procedures are done in earnest at year-end; hence the procedures cannot be accurately determined during the financial year.	Introduce a year end schedule and early assessment of the status of invoices
6	B.16 Completeness of the Supply Chain Management policy	Supply chain started with the RFQ process to update the SCM policy, however, the process will be completed after 30 June 2018.	Fast tracking of the policy development process Alignment of the SCM policy with identified risks
7	B.21 Rental agreements not signed	Rental agreements remain not signed due to queries that still need to be resolved.	Fast tracking of negations with tenants following completion of valuation process
8	B.23 Performance agreements not signed within prescribed time	The majority (76% =13/17) of the PAs were signed on time 31 July 2017 for the 2017/2018 FY, however, 4 Pas were not signed, i.e. the KPI was not fully achieved.	Signature of new performance agreements to be signed by 31 July 2018

CHAPTER SEVEN:

FINANCAL STATEMENTS

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 D Dondur (Chairperson) Mr J Mocke Dr P Naidoo Mr S Ndlovu Mr L Nengovhela Ms A Ramakoaba Mr A Kanana (Chief Executive Officer) Mr S Dlamini (Chief Financial Officer)
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

Index

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

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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 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 2019 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Approval of annual financial statements:

The financial statements set out on pages 7 to 64, which have been prepared on the going concern basis, were approved by the directors on 29 November 2018 and were signed on its behalf by:

Dr P Naidoo **Chairperson of the Board (Acting)**	**Mr A Kanana** **Chief Executive Officer**

Johannesburg

29 November 2018

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Background

The composition of the Audit and Risk Committee during the year under review was:

Name	Qualifications	Date of Appointment	Contract End Date
Mr Robin Neill Theunissen	BAcc.; CA(SA); R.A.; Diploma in Criminal Justice & Forensic Auditing (RAU)	16 March 2017	22 March 2019
Mr Livhu Nengovhela	LLM Labour Law; BCom Honours; Post Grad Dip. Labour Relations; B Admin; Advanced Management; Programme; International Executive Development Programme	16 March 2017	22 March 2019
Mr Robert Hill	BSc Information Processing; BSc (Hons); Higher Diploma Computer Auditing	16 March 2017	22 March 2019
Mr Cassim Tilly	CA (SA); M. Com (SA Domestic & International Tax); P.G.Dip Auditing; B.Compt Hons/ C.T.A; BCom	10 May 2017	22 March 2019
Mr Madumetsa Makopo	BCom (Economics, Insurance and Risk Management)	10 May 2017	22 March 2019

The meetings held and attendances at the meetings during the year under review were as follows:

Meeting Date	17 Jul 2017	25 Aug 2017	19 Oct 2017	28 Nov 2018	11 Dec 2018	25 Jan 2018	30 Jan 2018	26 Mar 2018	09 Apr 2018
Attendance:									
Mr Robin Neill Theunissen	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Livhu Nengovhela		✓		✓	✓		✓	✓	✓
Mr Robert Hill	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Cassim Tilly	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Madumetsa Makopo	✓	✓	✓		✓	✓		✓	✓

Audit and Risk Committee Responsibility

The Committee reports that it has complied with its responsibilities arising from legislation and Treasury Regulations.

The Committee also reports that it has adopted formal terms of reference as its Audit and Risk Committee Terms of

Audit and Risk Committee Report

Reference, regulated the affairs in compliance with the charter and discharged all the responsibilities contained therein.

The Effectiveness of Internal Control

Based on the assessment of the work done for the year under review the committee believes that the internal audit function has provided professional, independent and objective assurance to the operations of the Joburg Market and has added value to the operations of the Joburg Market.

Internal audit reports were concluded and discussed with management and action plans were monitored for implementation on a continuing basis.
It is of concern that the Senior Manager: Internal Audit resigned on 01 April 2018 and no replacement has been made due to the pending integration of the internal audit function within the City of Joburg which timelines have not been finalised.

Combined assurance

The company has adopted a combined assurance model to enable an effective control environment and support the integrity of information used for decision making by management, the board and its committees.

Quarterly Reports

The Audit and Risk Committee has had sight of the quarterly reports submitted to the shareholder during the year under review.

General

The Committee is responsible for, and fulfilled, the following responsibilities:

- Reviewed the accounting practices adopted by the company;
- Reviewed the accounting policies adopted by the company and recommended any changes considered appropriate;
- Reviewed and recommended disclosed financial information;
- Considered the programmes introduced to improve the overall ethics of the company and reviewed reports from management and the internal auditors relating to material issues;
- Considered ethical conduct by the company and its senior management;
- Monitored the Company's compliance with all applicable legislation and regulations;
- Reported in terms of any unauthorised, fruitless and wasteful and irregular expenditure in terms of the MFMA.
- Ensured cooperation between the External Auditor and Internal Audit by clarifying and co-ordinating their roles and functions and that the combined assurance received is appropriate to address all significant Joburg Market risks;
- Considered the King Code of Governance recommendations and their applicability to the company;
- Assisted Management in carrying out its risk management responsibilities; and
- Received and dealt appropriately with any complaints and/or allegations of wrongdoing, including fraud.

The Internal Auditors and External Auditors had and have direct access to the Chairman of the Committee and its members. The Committee's agendas provided for confidential one-on-one in-committee meetings with the members.

Audit and Risk Committee Report

Risk Management

Internal Audit adopts a risk-based approach and the Audit and Risk Committee approved the internal audit plan for the year under review as well as a three year plan.

It is of concern that the Senior Manager: Compliance and Enforcement was seconded to the City of Joburg on 01 June 2018 and is still on secondment without any replacement having been made. This is obviously impeding risk management processes within the company.

Chief Financial Officer

On 01 January 2018, Mr Sifiso Dlamini was appointed as the CFO of the company and as an executive director. The Committee is satisfied with his qualifications and experience and with the direction he has given to the finance function.

Independence of the external auditor

The Committee is satisfied with the Auditor-General SA's independence in performing the audit of the company.

Evaluation of Financial Statements

The Audit and Risk Committee has reviewed the annual financial statements prepared by the company.

Auditor's Report

The company's implementation plan for audit issues raised in the prior year has been reviewed by the Committee who is satisfied that the matters are being adequately resolved.

The Audit and Risk Committee concurs and accepts the conclusions of the Auditor-General South Africa on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General South Africa.

Robin Neill Theunissen
Chairperson of the Audit and Risk Committee
Joburg Market (SOC) Ltd
27 November 2018

Directors' Report

The directors hereby submit their report for the year ended 30 June 2018.

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 owned entity, engaged in providing 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 operating results and state of affairs of the entity are fully set out in the annual financial statements. Revenue comprising mainly commission income increased by 9%.

Net surplus of the entity was R 95 838 404 (2017: surplus R 56 394 189), after taxation of R 59 622 032 (2017: R 41 995 793).

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 R223,525,737 (2017: R 126,909,110). The net liquidity position of the entity has strengthened by R96,616,627 over the last year. Included in current liabilities is an amount of R 10,408,637 (2017: R15,146,780) 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

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

The chairperson of the board Ms Doris Dondur has resigned as of 29 October 2018.

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 Practices Board, and in accordance with the prescribed standards of GRAP issued by the Accounting Standards Board as the prescribed framework by National Treasury.

There were no changes in accounting policies during the year.

7. SHARE CAPITAL / 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.

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 Assets and Liabilities Committee.

9. NON-CURRENT ASSETS

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

Property plant and equipment (including finance lease assets from the CoJ) to the value of R 9,524,147 (2017: R 28,893,900) and intangible assets to the value of R 4,702,046 (2017: R980,613) 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 D Dondur (Chairperson)	South African	
Mr M Makopo	South African	Resigned 10 May 2018
Mr J Mocke	South African	
Dr P Naidoo	South African	
Mr S Ndlovu	South African	
Mr L Nengovhela	South African	
Mr H Raborifi	South African	Resigned 10 July 2017
Ms A Ramakoaba	South African	
Mr A Kanana (Chief Executive Officer)	South African	Appointed 01 September 2017
Mr S Dlamini (Chief Financial Officer)	South African	Appointed 01 January 2018

Directors' Report

12. SECRETARY

Ms T Melk was the secretary of the entity up until 26 June 2017. Mr K Singh has been 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 best 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:
  - 7 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.

Directors' Report

Board and committee meetings

The directors have met on 10 separate occasions during the financial year. The directors were scheduled to meet 6 times within the year. Ongoing investigations and the appointment of the Chief Executive Officer and Chief Financial Officer necessitated 4 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 committee meeting	Service Delivery committee meeting	Social & Ethics
Total number of meetings held	**10**	**9**	**4**	**4**	**3**
Ms D Dondur (Chairperson)	10				2
Mr M Makopo****	5	7			2
Mr J Mocke	10		4	4	
Dr P Naidoo	8		-	3	3
Mr S Ndlovu	9		4	3	
Mr L Nengovhela	9	6	4		
Ms A Ramakoaba	5				3
Mr A Kanana**	6	7	2	2	2
Mr S Dlamini***	5	4		1	
Independent audit committee members:					
Mr R Theunissen (Chairperson)	8	9			
Mr R Hill		9			
Mr C Tilly		9			

The members did not all serve for the full year:
* Mr H Raborifi resigned 10 July 2017
** CEO appointed 1 September 2017
*** CFO appointed 1 January 2018
**** Resigned 10 May 2018

Directors' Report

Audit and Risk Committee

The Audit and Risk Committee (ARC) comprises of 5 members, 2 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 R Theunissen, who is an independent audit committee member. The ARC had 4 ordinary and 5 special meetings during the 2017/18 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 shareholder is The City of Johannesburg Metropolitan Municipality.

15. SPECIAL RESOLUTIONS

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

16. BANKERS

Standard Bank Limited.

The management of the treasury function is managed under the auspices of The City of Johannesburg Metropolitan Municipality'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 28.

19. CURRENT INVESTIGATIONS

Procurement irregularities that necessitated investigations in the prior years, have been finalised. Disciplinary action was taken and appropriate internal processes were concluded. In the current year new investigations have commenced. These matters are being dealt with as expeditiously as possible and appropriate action will be taken once the investigations have been finalised.

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 2018, 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 (Acting)

Joburg Market (SOC) Ltd
28 August 2018

Joburg Market (SOC) Limited

(Registration number 2000/023383/07)
Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Loans to shareholder	5	153 606 150	81 618 304
Current tax receivable		-	7 141 392
Receivables from exchange transactions	8	39 485 957	34 260 623
VAT receivable	9	2 909 900	3 866 593
Cash and cash equivalents	10	201 206 750	124 022 152
		397 208 757	**250 909 064**
Non-Current Assets			
Investment property	2	400 016	422 835
Property, plant and equipment	3	337 977 651	349 631 360
Intangible assets	4	9 239 707	6 768 435
Deferred tax	6	6 076 335	7 168 992
		353 693 709	**363 991 622**
Total Assets		**750 902 466**	**614 900 686**
Liabilities			
Current Liabilities			
Loans from shareholder	5	10 408 637	15 146 780
Current tax payable		8 104 996	-
Finance lease obligation	12	136 126	242 526
Payables from exchange transactions	14	155 033 261	105 556 540
Provisions	13	-	3 054 108
		173 683 020	**123 999 954**
Non-Current Liabilities			
Loans from shareholder	5	18 499 143	28 179 746
Employee benefit obligation	7	2 782 000	3 019 245
Deferred tax	6	15 751 263	15 353 104
		37 032 406	**46 552 095**
Total Liabilities		**210 715 426**	**170 552 049**
Net Assets		**540 187 040**	**444 348 637**
Share capital / contributed capital	11	20 000 000	20 000 000
Accumulated surplus		520 187 045	424 348 640
Total Net Assets		**540 187 045**	**444 348 640**

* See Note 32

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Commission		367 793 837	342 537 521
Rental of facilities and equipment		47 991 889	42 483 014
Interest received	16	19 027 199	15 320 780
Storage		7 180 719	7 348 058
Cash handling fees		3 215 574	2 882 284
Banana ripening		3 669 889	1 771 211
Sundry revenue		1 434 850	1 544 299
Miscellaneous other revenue		1 224 960	1 190 734
Discount received		2 000	6 600
Fair value adjustments		-	146 011
Total revenue		**451 540 917**	**415 230 512**
Expenditure			
Employee related costs	17	(136 011 858)	(134 550 536)
Depreciation and amortisation	18	(23 438 759)	(21 652 739)
Finance costs	19	(4 061 997)	(6 129 899)
Lease rentals on operating lease		(590 678)	(461 764)
Debt impairment	20	(55 880)	(1 192 620)
General expenses	21	(131 928 620)	(135 006 622)
Total expenditure		**(296 087 792)**	**(298 994 180)**
Operating surplus		**155 453 125**	**116 236 332**
Gain (loss) on disposal of assets and liabilities		7 311	(17 846 350)
Surplus before taxation		**155 460 436**	**98 389 982**
Taxation	23	59 622 032	41 995 793
Surplus for the year		**95 838 404**	**56 394 189**

* See Note 32

Joburg Market (SOC) Limited

(Registration number 2000/023383/07)
Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Share premium	Total share capital	Accumulated surplus	Total net assets
Opening balance as previously reported	1	19 999 999	20 000 000	367 433 702	387 433 702
Adjustments					
Prior year adjustments	-	-	-	520 749	520 749
Balance at 01 July 2016 as restated*	**1**	**19 999 999**	**20 000 000**	**367 954 451**	**387 954 451**
Changes in net assets					
Surplus for the year	-	-	-	56 394 189	56 394 189
Total changes	-	-	-	56 394 189	56 394 189
Opening balance as previously reported	1	19 999 999	20 000 000	442 223 954	462 223 954
Adjustments					
Prior year adjustments	-	-	-	(17 875 313)	(17 875 313)
Restated* Balance at 01 July 2017 as restated*	**1**	**19 999 999**	**20 000 000**	**424 348 641**	**444 348 641**
Changes in net assets					
Surplus for the year	-	-	-	95 838 404	95 838 404
Total changes	-	-	-	95 838 404	95 838 404
Balance at 30 June 2018	**1**	**19 999 999**	**20 000 000**	**520 187 045**	**540 187 045**
Note(s)	11	11	11		

* See Note 32

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		429 735 850	404 917 176
Interest income		19 027 199	15 320 780
		448 763 049	420 237 956
Payments			
Employee costs		(138 030 415)	(135 088 503)
Suppliers		(103 806 861)	(154 525 247)
Finance costs		(4 017 559)	(6 030 109)
Taxes on surpluses	25	(24 939 992)	(32 121 636)
		(270 794 827)	(327 765 495)
Net cash flows from operating activities	24	**177 968 222**	**92 472 461**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(8 740 275)	(24 972 993)
Proceeds from sale of property, plant and equipment	3	-	94 863
Purchase of intangible assets	4	(4 702 046)	(980 613)
Net cash flows from investing activities		**(13 442 321)**	**(25 858 743)**
Cash flows from financing activities			
Repayment of shareholders' loan		(86 406 592)	(43 553 399)
Finance lease payments		(934 711)	(1 473 415)
Net cash flows from financing activities		**(87 341 303)**	**(45 026 814)**
Net increase in cash and cash equivalents		**77 184 598**	**21 586 904**
Cash and cash equivalents at the beginning of the year		124 022 152	102 435 248
Cash and cash equivalents at the end of the year	10	**201 206 750**	**124 022 152**

* See Note 32

Joburg Market (SOC) Limited

(Registration number 2000/023383/07)
Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Investment revenue	6 390 570	3 322 213	9 712 783	-		9 712 783	19 027 199		9 314 416	196 %	298 %
Other own revenue	435 522 119	(7 414 846)	428 107 273	-		428 107 273	432 521 029		4 413 756	101 %	99 %
Total revenue (excluding capital transfers and contributions)	**441 912 689**	**(4 092 633)**	**437 820 056**	**-**		**437 820 056**	**451 548 228**		**13 728 172**	**103 %**	**102 %**
Employee costs	(151 896 716)	(2 315 618)	(154 212 334)	-	-	(154 212 334)	(136 011 858)	-	18 200 476	88 %	90 %
Debt impairment	(2 246 692)	2 235 691	(11 001)			(11 001)	(55 880)	-	(44 879)	508 %	2 %
Depreciation and asset impairment	(21 746 405)	411	(21 745 994)			(21 745 994)	(23 438 759)	-	(1 692 765)	108 %	108 %
Finance charges	(25 114 697)	14 900 596	(10 214 101)	-	-	(10 214 101)	(4 061 997)	-	6 152 104	40 %	16 %
Other expenditure	(147 893 959)	10 835 076	(137 058 883)	-	-	(137 058 883)	(132 519 298)	-	4 539 585	97 %	90 %
Total expenditure	**(348 898 469)**	**25 656 156**	**(323 242 313)**	**-**	**-**	**(323 242 313)**	**(296 087 792)**	**-**	**27 154 521**	**92 %**	**85 %**
Surplus/(Deficit)	**93 014 220**	**21 563 523**	**114 577 743**	**-**		**114 577 743**	**155 460 436**		**40 882 693**	**136 %**	**167 %**
Taxation	28 466 000	4 997 303	33 463 303	-		33 463 303	59 622 032		26 158 729	178 %	209 %
Surplus/(Deficit) for the year	**64 548 220**	**16 566 220**	**81 114 440**	**-**		**81 114 440**	**95 838 404**		**14 723 964**	**118 %**	**148 %**
Capital expenditure and funds sources											
Total capital expenditure	52 899 650	(37 544 000)	15 355 650	-		15 355 650	13 442 320		(1 913 330)	88 %	25 %

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Statement of Comparison of Budget and Actual Amounts

Figures in Rand

2018

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

Revenue

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

Other own revenue - no material difference to report. Turnover increased marginally by 0.9% (excluding the amount of R7311 related to gain on disposal of assets) to adjustment budget mainly as a result of a decline in tonnage. Volume decreased by 9.81% on budget.

Expenditure
Employee costs - under budget by 12% due to unfilled vacancies.

Debt impairment - the Rand value of the debt impairment is not material. Collection levels remain high at 100,3% for the year.

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

Finance charges -below budget due to reducing finance cost and self funding of capital projects.

Other expenditure - within acceptable 10% variance. The amount includes the Lease rentals on operating lease of R590 678

Capital expenditure
The budget for the year under review for capital expenditure was R15,4 million and the actual capital expenditure incurred by 30 June 2018 amounted to R13.4 million (excluding finance lease assets from the CoJ) which represents 88% of actual spend. The entity continued to experience delays mainly in its Bid committee processes. During the latter part of the year a CAPEX monitoring and support forum was introduced to enhance CAPEX spending and create early warning systems.

Accounting Policies

1. Presentation of Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either 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.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

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

Fair value estimation

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

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

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Employee benefit obligation

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers market yields at the terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

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

Impairment of financial assets

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

Useful lives and residual value

The entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other tangible assets.This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the entity. Management will increase the depreciation charge where useful lives are less than the previously estimated useful lives and decrease the depreciation charge where the useful lives are more than the previously estimated useful lives.

The carrying amounts of the assets are disclosed under notes 3 and 4.

Accounting Policies

1.3 Investment property

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

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

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

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

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

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

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

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

Item	Average useful life
Investment property	30 years

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

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

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

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

The entity separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note).

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Plant and machinery	Straight line	10 - 17 years
Furniture and fixtures	Straight line	7 - 15 years
Motor vehicles	Straight line	8 - 10 years
Office equipment	Straight line	7 - 13 years
IT equipment	Straight line	5 - 12 years
Finance leased assets	Straight line	3 - 5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 21).

The entity discloses relevant information relating to capital work in progress in the notes to the financial statements (see note 3).

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life

Accounting Policies

1.5 Intangible assets (continued)

Computer software, other	Straight line	3 - 7 years

The amortisation charge for each period is recognised in surplus or deficit.

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

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

1.6 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.

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Loans and receivables measured at amortised cost
- Financial liabilities measured at amortised cost

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Loans to shareholder	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease	loans from shareholder
Loans from shareholder	Financial liability measured at amortised cost

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.

Initial and subsequent measurement

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

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

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

Accounting Policies

1.6 Financial instruments (continued)

Financial assets and financial liabilities

Loans to (from) economic entity

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

Loans to economic entity are classified as part of loans and receivables.

Loans from economic entity are classified as part of financial liabilities measured at amortised cost.

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 deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

Cash and cash equivalents

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

Fair value measurement considerations

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

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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

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

Accounting Policies

1.6 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.
  Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to pay. Where continuing involvement takes the form of a written and/or purchased option (including cash-settled option or similar provision) on an asset, the extent of the entity's continuing involvement is the amount of the transferred asset that entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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 surplus or deficit.

1.7 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

1.7 Tax (continued)

Tax expenses

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

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

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

1.8 Leases

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

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.

Accounting Policies

1.9 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.

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 surplus or deficit.

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.

Accounting Policies

1.9 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 surplus or deficit.

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets 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.

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

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

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

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

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

Accounting Policies

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

Useful life is either:
- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

Accounting Policies

1.11 Share capital / contributed capital

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

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

1.12 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Accounting Policies

1.12 Employee benefits (continued)

Defined benefit plans

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

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

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

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

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

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

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

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

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

Other post retirement obligations

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

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

1.13 Provisions and contingencies

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

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

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

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

1.13 Provisions and contingencies (continued)

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

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.

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

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

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

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

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

1.16 Revenue from non-exchange transactions

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

1.17 Accumulated surplus

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 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.

1.20 Comparative figures

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

1.21 Unauthorised expenditure

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

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

1.22 Fruitless and wasteful expenditure

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

Accounting Policies

1.22 Fruitless and wasteful expenditure (continued)

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

1.23 Irregular expenditure

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

1.24 Value-added tax (VAT)

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

1.25 Budget information

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

1.26 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.

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

1.27 Events after reporting date

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

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

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

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.

Accounting Policies

1.28 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:

GRAP 20 - Related Parties
GRAP 32 - Service concession arrangements: Grantor.
GRAP 34 - Separate financial statements
GRAP 35 - Consolidated financial statements
GRAP 36 - Investments in associates and joint ventures
GRAP 37 - Joint arrangements
GRAP 38 - Disclosure of interest in other entities
GRAP 108 - Statutory Receivables
GRAP 109 - Accounting by Principles and Agents
GRAP 110 - Living and non-living resources
IGRAP 18 - Interpretation of the standard of GRAP on recognition and derecognition of land

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

Notes to the Financial Statements

Figures in Rand	2018	2017

2. INVESTMENT PROPERTY

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	811 061	(411 045)	400 016	811 061	(388 226)	422 835

Reconciliation of investment property - 2018

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

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	445 654	(22 819)	422 835

Notes to the Financial Statements

Figures in Rand	2018	2017

2. INVESTMENT PROPERTY (continued)

Details of property

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

Investment property consists of the following properties:

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

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

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

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

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

The gross property rental income earned by the entity from its investment property, all of which are leased out under gross operating leases, amounted to R1,451,429 (2017: R1,351,166).

Expenditure relating to repairs and maintenance incurred during the year on investment property amounted to RNil (2017:RNil).

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.

Notes to the Financial Statements

Figures in Rand

3. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 639 000	-	17 639 000	17 639 000	-	17 639 000
Buildings	358 937 922	(120 806 201)	238 131 721	356 713 569	(108 914 884)	247 798 685
Plant and machinery	63 234 606	(20 698 076)	42 536 530	62 784 776	(15 678 327)	47 106 449
Furniture and fixtures	4 262 207	(3 090 991)	1 171 216	4 144 531	(2 787 418)	1 357 113
Motor vehicles	1 816 783	(1 363 257)	453 526	1 635 783	(1 195 733)	440 050
Office equipment	1 817 073	(935 691)	881 382	1 647 248	(887 885)	759 363
IT equipment	22 919 169	(13 771 664)	9 147 505	27 456 607	(15 458 328)	11 998 279
Capital work in progress	27 558 260	-	27 558 260	22 343 941	-	22 343 941
Finance lease assets	783 873	(325 362)	458 511	3 337 934	(3 149 454)	188 480
Total	**498 968 893**	**(160 991 242)**	**337 977 651**	**497 703 389**	**(148 072 029)**	**349 631 360**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 639 000	-	-	-	-	17 639 000
Buildings	247 798 685	633 822	-	1 590 529	(11 891 315)	238 131 721
Plant and machinery	47 106 449	449 831	-	-	(5 019 750)	42 536 530
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
	349 631 360	**9 524 147**	**7 311**	**-**	**(21 185 167)**	**337 977 651**

Notes to the Financial Statements

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	240 853 905	6 605 761	1	11 759 199	(11 420 181)	247 798 685
Plant and machinery	28 032 913	7 749 730	-	15 027 664	(3 703 858)	47 106 449
Furniture and fixtures	1 543 761	125 395	-	-	(312 043)	1 357 113
Motor vehicles	575 873	25 530	-	-	(161 353)	440 050
Office equipment	739 853	176 027	-	-	(156 517)	759 363
IT equipment	11 963 968	370 240	-	2 477 669	(2 813 598)	11 998 279
Capital work in progress	55 708 470	13 841 217	(17 941 214)	(29 264 532)	-	22 343 941
Finance lease assets	1 298 085	-	-	-	(1 109 605)	188 480
	358 355 828	**28 893 900**	**(17 941 213)**	**-**	**(19 677 155)**	**349 631 360**

Assets subject to finance lease (Net carrying amount)

Finance lease assets	458 511	188 480

Refer to Note 12 for the liability relating to the finance lease assets. Other than that no assets were pledged for security.

Notes to the Financial Statements

Figures in Rand	2018	2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Details of properties

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

Land and buildings comprise of the following properties:

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

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

	2018	2017
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Sweating of assets	1 264 450	1 264 450
(New strategic direction regarding land development.)		
Generator	4 915 165	4 915 165
(Entity unable to commission generators acquired in 2008)		
	6 179 615	**6 179 615**

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**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Other PPE	Total
Buildings	12 991 858	-	12 991 858
Plant and machinery	-	9 352 084	9 352 084
	12 991 858	**9 352 084**	**22 343 942**

Expenditure incurred to repair and maintain property, plant and equipment

	2018	2017
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Expenditure on property plant and equipment in aggregate	19 662 074	24 905 048

Notes to the Financial Statements

Figures in Rand	2018	2017

4. INTANGIBLE ASSETS

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	14 896 826	(5 657 119)	9 239 707	10 487 563	(3 719 128)	6 768 435

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

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	7 740 589	980 613	(1 952 767)	6 768 435

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) SHAREHOLDER

	2018	2017
City of Johannesburg Metropolitan Municipality - Capital expenditure loans	(28 907 780)	(43 326 526)
Sweeping account	153 606 150	81 618 304
	124 698 370	**38 291 778**

	2018	2017
Current assets	153 606 150	81 618 304
Non-current liabilities	(18 499 143)	(28 179 746)
Current liabilities	(10 408 637)	(15 146 780)
	124 698 370	**38 291 778**

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 (if available) or to historical information about counterparty default rates:

Fair value of loans to and from shareholders

	2018	2017
Loans to shareholder	153 606 150	81 618 304
Loans from shareholders	28 907 780	43 326 526

Loans to shareholders past due but not impaired

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

	2018	2017
1 month past due	28 907 780	43 326 526

Notes to the Financial Statements

Figures in Rand	2018	2017

5. LOANS TO/(FROM) SHAREHOLDER (continued)

Capex loans

	2018	2017
Loans at beginning of the year	(43 326 526)	(64 942 204)
Repayments	18 177 283	27 311 771
Interest	(3 758 537)	(5 696 093)
	(28 907 780)	**(43 326 526)**

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

Sweeping account

	2018	2017
Loan at beginning of the year	81 618 304	59 680 583
Receipts	79 902 835	41 012 162
Repayments	(18 177 283)	(27 311 771)
Interest	10 262 294	8 237 330
	153 606 150	**81 618 304**

The sweeping account loan is unsecured and bears interest at an average rate of 7.14% 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

	2018	2017
Property, plant and equipment	(15 588 155)	(15 168 050)
Trade and other receivables	(34 726)	(185 054)
Leases	(128 382)	39 748
Total deferred tax liability	**(15 751 263)**	**(15 313 356)**

Deferred tax asset

	2018	2017
Trade and other receivables	2 411 445	2 400 434
Health care and leases deferred tax asset	817 075	913 296
Trade and other payables and provisions	2 847 815	3 815 514
Total deferred tax asset	**6 076 335**	**7 129 244**

	2018	2017
Deferred tax liability	(15 751 263)	(15 313 356)
Deferred tax asset	6 076 335	7 129 244
Total net deferred tax liability	**(9 674 928)**	**(8 184 112)**

Reconciliation of deferred tax asset \ (liability)

	2018	2017
At beginning of year	(8 184 112)	9 733 130
Movement in temporary timing differences	(1 490 816)	(17 917 242)
	(9 674 928)	**(8 184 112)**

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.

Notes to the Financial Statements

Figures in Rand	2018	2017

7. EMPLOYEE BENEFIT OBLIGATIONS

7.1 Defined benefit plan

The actuarial valuations were done by ZAQ Consultants and Actuaries, 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	(954 000)	(903 412)
Retirement Gratuity Plan	(1 828 000)	(2 115 833)
	(2 782 000)	**(3 019 245)**

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	903 412	934 610
Net expense/(surplus) recognised in the statement of financial performance	50 588	(31 198)
	954 000	**903 412**

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

Interest cost	74 964	79 340
Actuarial (gains) losses	34 624	(52 243)
Curtailment or settlement	(59 000)	(58 295)
	50 588	**(31 198)**

Key assumptions used

Assumptions used on last valuation on 30 June 2017.

Discount rates used	9.37 %	8.56 %
Expected increase in salaries	7.36 %	6.37 %

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 R1,063,000.
- 1% decrease in discount rate will decrease the liability to R861,000.

	2018	2017	2016	2015	2014
Post retirement medical aid plan	954 000	903 412	934 610	298 761	594 000

Notes to the Financial Statements

Figures in Rand	2018	2017

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 9 qualifying staff members.

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

The plan is a post-employment gratuity benefit plan.

Movements for the year

Opening balance	2 115 833	2 420 554
Net expense/(surplus) recognised in the statement of financial performance	(287 833)	(304 721)
	1 828 000	**2 115 833**

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

Interest cost	146 241	193 695
Actuarial (gains) losses	(34 074)	(136 475)
Curtailment or settlement	(400 000)	(361 941)
	(287 833)	**(304 721)**

Key assumptions used

Assumptions used on last valuation on 30 June 2017.

Discount rates used	9.37 %	8.56 %
Expected increase in salaries	7.36 %	6.37 %

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.

	2018	2017	2016	2015	2014
Present value of post retirement gratuity plan	1 828 000	2 115 833	2 420 554	2 470 611	2 597 000

Figures in Rand	2018	2017

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 R10,121,454 (2017: R12,699,633).

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.

Notes to the Financial Statements

Figures in Rand	2018	2017

8. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables	37 053 326	35 208 492
Less : Provisions for impairment	(11 483 073)	(11 430 636)
Sundry receivable	10 317 060	8 996 093
Prepayments	380 811	430 226
Operating lease receivables	18 149	153 812
Related party debtors	3 199 684	902 636
	39 485 957	**34 260 623**

Fair value of trade and other receivables

Trade and other receivables	37 036 492	34 260 623

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 2018, 19 835 064 (2017: 18 363 401) were past due but not impaired.

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

1 month past due	16 177 527	16 055 987
2 months past due	1 371 269	1 186 370
3 months past due	2 286 268	1 121 044

Trade and other receivables impaired

As of 30 June 2018, trade and other receivables of 11 483 073 (2017: 11 430 636) were impaired and provided for.

The ageing of these loans is as follows:

3 to 6 months	204 285	660 188
Over 6 months	11 273 685	10 770 448

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(11 430 636)	(10 238 094)
Provision for impairment	(388 747)	(1 332 474)
Unused amounts reversed	336 310	139 932
	(11 483 073)	**(11 430 636)**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 20). 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	2 909 900	3 866 593

Notes to the Financial Statements

Figures in Rand	2018	2017

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	15 000	12 000
Bank balances	201 191 750	124 010 152
	201 206 750	**124 022 152**

The entity had the following bank accounts

Account number / description	Bank statement balances 30 June 2018	Bank statement balances 30 June 2017	Cash book balances 30 June 2018	Cash book balances 30 June 2017
First National Bank - Business account - 620-124-71257	-	1	-	-
First National Bank - Deposit account - 513-909-61353	-	1 119 113	-	1 119 113
Standard Bank - Deposit account - 000-197-033	181 818 508	117 365 967	198 749 423	122 129 270
Standard Bank - RD cheque account - 000-196-991	491 812	539 548	491 812	539 548
Standard Bank - Business account - 000-196-916	-	-	-	128 791
Standard Bank - Salary account - 000-196-924	1 950 515	94 180	1 950 515	93 430
Standard Bank - Charges account - 000-196-878	1	-	-	-
Standard Bank - Trust account - 000-197-025	1	-	-	-
Total	**184 260 837**	**119 118 809**	**201 191 750**	**124 010 152**

Standard Bank is the entity's official banker. First National Bank accounts have been closed, effective from 24th November 2017, the balance was transferred to the Standard Bank deposit account.

11. SHARE CAPITAL / CONTRIBUTED CAPITAL

	2018	2017
Authorised		
1 000 000 Ordinary shares of R0.01	10 000	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

	2018	2017
Minimum lease payments due		
- within one year	(137 830)	(245 562)
	(137 830)	(245 562)
less: future finance charges	1 704	3 036
Present value of minimum lease payments	**(136 126)**	**(242 526)**
Present value of minimum lease payments due		
- within one year	136 126	242 526

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 11% (2017: 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.

Notes to the Financial Statements

Figures in Rand	2018	2017

13. PROVISIONS

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)	-

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	4 656 418	1 965 404	(1 162 043)	(2 405 671)	3 054 108

The entity resolved that no performance bonuses would be paid for the year under review. The decision will be reconsidered once the performance management system is implemented during the 2018/19 financial year.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

	2018	2017
Trade payables	98 495 464	71 510 247
Related party creditor	36 670 003	11 071 622
Payroll and sundry accruals	8 462 541	11 165 339
Accrued leave pay	6 737 421	7 248 986
Accrued staff 13th cheques	3 433 348	3 323 741
Accruals	1 234 484	1 236 605
	155 033 261	**105 556 540**

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

	2018	2017
Trade payables	152 846 743	105 556 540

Notes to the Financial Statements

Figures in Rand	2018	2017

15. REVENUE

Commission	367 793 837	342 537 521
Storage	7 180 719	7 348 058
Rental of facilities and equipment	47 991 889	42 483 014
Banana ripening fees	3 669 889	1 771 211
Cash handling fees	1 224 960	1 190 734
Banana ripening fees	2 000	6 600
Sundry revenue	1 434 850	1 544 299
Cash handling fees	3 215 574	2 882 284
Interest received	19 027 199	15 320 780
Fair value adjustments	-	146 011
	451 540 917	**415 230 512**

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

Commission	367 793 837	342 537 521
Storage	7 180 719	7 348 058
Interest received	47 991 889	42 483 014
Banana ripening fees	3 669 889	1 771 211
Cash handling fees	1 224 960	1 190 734
Banana ripening fees	2 000	6 600
Sundry revenue	1 434 850	1 544 299
Cash handling fees	3 215 574	2 882 284
Interest received	19 027 199	15 320 780
	451 540 917	**415 084 501**

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

Fair value adjustments	-	146 011

16. INVESTMENT REVENUE

Interest revenue		
Bank	8 666 277	6 940 908
Interest earned - outstanding debtors	98 628	142 542
Interest earned - sweeping account	10 262 294	8 237 330
	19 027 199	**15 320 780**

17. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	102 887 108	101 956 738
Provident fund	10 121 454	8 899 393
Other payroll costs	6 885 921	6 582 973
Bonus - 13th cheque and performance	4 824 267	5 547 665
Pension costs	4 245 914	4 420 253
Leave pay provision charge	2 445 850	3 013 361
Overtime payments	1 347 216	1 204 542
SDL	1 191 233	1 119 732
WCA	1 119 082	993 823
UIF	577 600	566 775
Gratuities	366 213	245 281
	136 011 858	**134 550 536**

Notes to the Financial Statements

Figures in Rand	2018	2017

18. DEPRECIATION AND AMORTISATION

Property, plant and equipment	21 185 166	19 677 154
Investment property	22 819	22 819
Intangible assets	2 230 774	1 952 766
	23 438 759	**21 652 739**

19. FINANCE COSTS

Interest paid on shareholder loans	3 758 537	5 696 093
Finance leases	44 438	99 790
Bank	32 344	61 341
Other interest paid	226 678	272 675
	4 061 997	**6 129 899**

20. DEBT IMPAIRMENT

Debt impairment	6 096	79
Contributions to/(reversals of) debt impairment provision	49 784	1 192 541
	55 880	**1 192 620**

21. GENERAL EXPENSES

Advertising	1 770 115	3 633 470
Assets expensed	121 429	37 720
Auditors remuneration	2 600 520	2 453 433
Bank charges	5 900 490	6 089 483
Cleaning	5 935 655	5 908 804
Conferences and seminars	244 108	122 300
Consulting and professional fees	5 464 376	5 993 049
Consumables	964 494	369 977
Donations	668 964	944 340
Electricity	33 693 623	31 447 832
Entertainment	-	12 210
Gifts	56 948	24 697
Hostel charges	-	7 202
Insurance	1 063 126	1 317 124
IT expenses	5 711 138	4 326 193
Marketing	1 866 500	2 618 700
Motor vehicle expenses	1 863 744	2 128 485
Placement fees	535 751	368 779
Postage and courier	455	-
Printing and stationery	2 039 847	2 206 879
Protective clothing	1 382 383	130 820
Refuse	15 164 355	13 103 656
Repairs and maintenance	19 978 040	26 513 243
Secretarial fees	94 798	39 800
Security (Guarding of municipal property)	17 957 834	17 775 397
Sewerage and waste disposal	553 198	993 110
Staff welfare	1 077 496	1 537 642
Subscriptions and membership fees	193 744	237 494
Telephone and fax	1 055 914	826 288
Training	2 346 776	1 730 037
Travel - local	474 941	869 620
Water	1 147 858	1 238 838
	131 928 620	**135 006 622**

Notes to the Financial Statements

Figures in Rand	2018	2017

22. AUDITORS' REMUNERATION

Fees	2 600 520	2 453 433

23. TAXATION

Major components of the tax expense

Current		
Local income tax - current period	41 215 157	26 598 433
Local income tax - recognised in current tax for prior periods	(1 028 777)	(2 519 882)
	40 186 380	**24 078 551**
Deferred		
Originating and reversing temporary differences	19 435 652	17 917 242
	59 622 032	**41 995 793**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %
Disallowable charges	1.49 %	2.00 %
Current tax - prior period adjustment	(0.67)%	(2.50)%
Deferred tax - prior year adjustment	9.55 %	15.18 %
	38.37 %	**42.68 %**

24. CASH GENERATED FROM OPERATIONS

Surplus	95 838 404	56 394 189
Adjustments for:		
Depreciation and amortisation	23 438 759	21 652 739
(Gain) loss on sale of assets and liabilities	(7 311)	17 846 350
Finance costs - Finance leases	44 438	99 790
Debt impairment	55 880	1 192 620
Movements in retirement benefit assets and liabilities	(237 245)	(335 919)
Movements in provisions	(3 054 108)	(1 602 310)
Movement in tax receivable and payable	15 246 388	(8 043 085)
Other non-cash items - deferred tax prior period	19 435 652	17 917 242
Other non-cash items - payables capital expenditure accrued	-	(3 920 907)
Deferred tax error	(17 944 835)	-
Reclassification of creditors with debit balances water and sanitation	(2 449 465)	-
Changes in working capital:		
Receivables from exchange transactions	(2 831 749)	3 821 423
Payables from exchange transactions	49 476 721	(12 758 880)
VAT	956 693	209 209
	177 968 222	**92 472 461**

25. TAX PAID

Balance at beginning of the year	7 141 392	(901 693)
Current tax for the year recognised in surplus or deficit	(40 186 380)	(24 078 551)
Balance at end of the year	8 104 996	(7 141 392)
	(24 939 992)	**(32 121 636)**

Notes to the Financial Statements

Figures in Rand	2018	2017

26. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Loans to shareholders	153 606 150	153 606 150
Trade and other receivables from exchange transactions	37 036 492	37 036 492
Cash and cash equivalents	201 206 750	201 206 750
	391 849 392	**391 849 392**

Financial liabilities

	At amortised cost	Total
Loans from shareholders	28 907 780	28 907 780
Trade and other payables from exchange transactions	152 846 743	152 846 743
	181 754 523	**181 754 523**

2018

Financial assets

	At amortised cost	Total
Loans to shareholders	81 618 304	81 618 304
Trade and other receivables from exchange transactions	34 260 623	34 260 623
Cash and cash equivalents	124 022 152	124 022 152
	239 901 079	**239 901 079**

Financial liabilities

	At amortised cost	Total
Loans from shareholders	43 326 526	43 326 526
Other financial liabilities	242 526	242 526
Trade and other payables from exchange transactions	105 556 540	105 556 540
	149 125 592	**149 125 592**

Notes to the Financial Statements

Figures in Rand	2018	2017

27. COMMITMENTS

Authorised capital expenditure

Authorised and contracted for		
• Property, plant and equipment	30 447 018	30 929 685
Total capital commitments		
Contracted for and authorised by directors	30 447 018	30 929 685

This committed expenditure relates to 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	2 229 432
- in second to fifth year inclusive	-	447 171
	447 171	**2 676 603**

28. CONTINGENCIES

Other contingencies

The total estimated claims amount to R30,917,732, 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 three (3) disputes are as follows:

Dispute with service provider - R7 717 732

Dispute with service provider - R200 000

Dispute with service provider - R23 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 nine (9) litigious matters with employees and former employees. Five (5) of the matters are currently lodged with the CCMA and four (4) 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 1 870 107. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

Notes to the Financial Statements

Figures in Rand	2018	2017

29. RELATED PARTIES

Relationships	
Directors	Refer to directors' report note 30
Shareholder	The City of Johannesburg Metropolitan Municipality
Controlled entities	Pikitup Johannesburg (SOC) Ltd
	Joburg Theatre (SOC) Ltd
	Johannesburg Water (SOC) Ltd
	City Power Johannesburg (SOC) Ltd
	Johannesburg City Parks/Zoo (SOC) Ltd
	Johannesburg Metro Trading Company

Related party balances

	2018	2017
Amounts owing by related parties		
City of Johannesburg Metropolitan Municipality	154 308 978	82 174 631
Pikitup Johannesburg (SOC) Ltd	-	189 160
City of Joburg Property Company (SOC) Ltd	-	160 547
The Johannesburg City Parks and Zoo NPC	47 390	-
Amounts owing to related parties		
City of Johannesburg Metropolitan Municipality	65 674 150	59 171 218
Johannesburg Metro Trading Company	10 523	-

Related party transactions

	2018	2017
Sales to related parties		
City of Johannesburg Metropolitan Municipality	947 889	4 345 878
Pikitup Johannesburg (SOC) Ltd	27 870	189 160
Johannesburg City Parks/Zoo (SOC) Ltd	321 135	7 150
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	1 730 443	1 522 750
Johannesburg Metro Trading Company	108 275	-
Joburg Theatre (SOC) Ltd	44 265	12 847
Pikitup Johannesburg (SOC) Ltd	15 141 505	12 061 041
Johannesburg Water (SOC) Ltd	1 679 106	2 231 948
City Power Johannesburg (SOC) Ltd	33 693 623	31 447 835
Interest paid to related parties		
City of Johannesburg Metropolitan Municipality (loans)	3 758 537	5 696 093
City of Johannesburg Metropolitan Municipality	-	87 535
Interest received from related parties		
City of Johannesburg Metropolitan Municipality	10 262 294	8 237 330

Notes to the Financial Statements

Figures in Rand	2018	2017

29. RELATED PARTIES (continued)

Remuneration of management

Executive management

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
Executice : Core Operations	1 649 673	148 734	214 829	2 013 236
Executive : Shared Services	217 387	72 917	184 842	475 146
Executive : Agr-Business	1 316 866	114 075	395 522	1 826 463
Executive : Strategy & Transformation	954 992	116 795	468 961	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**

2017

Name	Basic salary	Bonuses and performance related payments	Other benefits received	Total
Chief Executive Officer (Acting)	1 474 601	91 620	469 978	2 036 199
Chief Financial Officer (Acting)	1 042 376	94 704	499 233	1 636 313
Executive: Core Operations	1 035 556	69 843	300 831	1 406 230
Executive : Shared Services	1 207 913	-	525 281	1 733 194
Executive : Agri-Business	1 238 250	69 333	400 829	1 708 412
Executive : Strategy & Transformation	1 461 563	97 607	253 511	1 812 681
Company Secretary	856 336	68 346	222 497	1 147 179
	8 316 595	**491 453**	**2 672 160**	**11 480 208**

Notes to the Financial Statements

Figures in Rand	2018	2017

30. DIRECTORS' EMOLUMENTS

Executive

2018

	Emoluments	Other benefits	Total
Mr A Kanana (Chief Executive Officer)	1 415 141	407 354	1 822 495
Mr S Dlamini (Chief Financial Officer)	749 658	127 230	876 888
	2 164 799	**534 584**	**2 699 383**

Non-executive

2018

	Directors' fees	Other 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
	2 016 965	**35 144**	**2 052 109**

2017

	Directors' fees	Total
Ms D Dondur (Chairperson)	288 000	288 000
Mr H Raborifi	87 709	87 709
Ms S Childs	140 934	140 934
Ms A Ramakoaba	72 000	72 000
Mr S Mafadza	185 768	185 768
Mr Makopo	66 084	66 084
Mr S Masango	114 094	114 094
Mr J Mocke	163 125	163 125
Mr C Molebatsi	112 365	112 365
Dr P Naidoo	60 334	60 334
Mr K Shubane(Chairperson)	97 348	97 348
Mr S Ndlovo	96 168	96 168
Mr S Ndlungwane	109 543	109 543
Mr L Nengovhela	156 834	156 834
Mr B Nkosi	100 394	100 394
Mr T Tselane	91 156	91 156
	1 941 856	**1 941 856**

Notes to the Financial Statements

Figures in Rand	2018	2017

31. CHANGE IN ESTIMATE

Property, plant and equipment

The useful lives of the following assets were revised during the year:

Furniture and fitting - 16 years (2017: 14 years)

Computer equipment - 12 years (2017: 11 years)

Plant and machinery - 17 years (2017: 15 years)

Office equipment - 13 years (2017: 12 years)

Software - 7 years (2017: 5 years)

The cumulative effect of the increase in useful lives has resulted in a decrease of the depreciation charges for the current and future periods by R75 128

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:

Statement of financial position

2018

	As previously reported	Correction of error	Correction of 2016 Error	Restated
Payables from exchange transactions	(104 447 777)	(1 108 763)	-	(105 556 540)
Tax	5 442 357	1 699 035	-	7 141 392
Deferred Tax	9 760 724	(17 944 836)	-	(8 184 112)
Accumated surplus	(441 703 201)	17 875 313	(520 749)	(424 348 637)
	(530 947 897)	**520 749**	**(520 749)**	**(530 947 897)**

Statement of financial performance

2018

	As previously reported	Correction of error	Restated
Refuse	12 435 675	667 980	13 103 655
Insurance	355 592	961 532	1 317 124
Tax	28 297 468	(1 699 035)	26 598 433
Deferred tax	(27 594)	17 944 836	17 917 242
Surplus for the year	**41 061 141**	**17 875 313**	**58 936 454**

Errors

Refuse invoice was paid in the current that related to a prior year service.

Insurance costs paid in the current year was for the period ending June 2017 and required prior period adjustment.

Overseas travel expense which was incorrectly accrued for during the 2016 financial year was discovered in the current year.

An error in the calculation of deferred tax in the prior years was identified and corrected during the current year. The error was as a result of not claiming the wear and tear allowances on non-current assets as per the income tax.

32. PRIOR-YEAR ADJUSTMENTS (continued)

A deviation related to South African International Trade Exhibition services was inadvertently not disclosed during the prior period. The deviations note has since been ammended to include the deviation under exceptional cases in the peior period. The disclosure amount does not affect the statement of financial performance or the statement of financial position.

Error 1

In the prior period the entity had awarded certain contracts to persons who are spouses of members in the service of the state. These declarations should have been disclosed in line with regulation 45 of the Municipal Supply Chain Regulations but were not:

Name: Klaas Skosana

Capacity: Deputy Director - The department of Trade and Industry

Award amount: R45 000

Name: Zirk Joubert

Capacity: Chief Director - The department of Higher Education

Award amount: R200 000

33. RISK MANAGEMENT

Financial risk management

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

The entity'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 entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the directors. Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity's operating units. The directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, 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 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	152 846 743	-	-	-
Finance Lease	136 126	-	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	15 146 780	20 283 896	7 895 849	-
Payables from exchange transactions	105 556 540	-	-	-
Finance Lease	242 526	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2018	2017
Cash and cash equivalents	201 206 750	124 022 152
Receivables from exchange transactions	37 036 491	34 260 623
Loans to shareholder	153 606 150	81 618 304

34. FRUITLESS AND WASTEFUL EXPENDITURE

	2018	2017
Opening balance	26 195 891	18 971 533
Identified in current year but incurred in the prior year	205 025	7 224 358
	26 400 916	**26 195 891**

2018 : Re-instatement costs for an employee.

Notes to the Financial Statements

Figures in Rand	2018	2017

34. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

No disciplinary steps or criminal proceedings have been undertaken, the matter is currently under investigation.

2017 : Settlement costs for re-instated employees and associated legal costs R 7,097,558. Event cancellation R126,800

Disciplinary steps or criminal proceedings have been undertaken, the matter is currently under investigation.

35. IRREGULAR EXPENDITURE

	2018	2017
Opening balance	61 283 636	26 280 763
Add: Irregular Expenditure - Outside of Joburg Market's control	19 298 172	3 326 008
Add:Irregular expenditure - Within Joburg Market's control	674 144	31 676 865
	81 255 952	**61 283 636**

Details of irregular expenditure – current 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 the 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 above R200 000 the entity should have followed a 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 equipments 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 Eqstra forklifts.	170 010
Strauss Daly Attorneys	The deviation was caused by the variation on the appointment which went above the threshold of R 200 000.00. 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

Details of irregular expenditure - prior year

Rocker bins	Investigations, disciplinary action and other steps are underway to address this matter	530 075
Washbasins project	Investigations, disciplinary action and other steps are underway to address this matter	1 340 032
Transformers (multi year)	Investigations, disciplinary action and other steps are underway to address this matter	15 010 341
Legal costs	Investigations, disciplinary action and other steps are underway to address this matter	18 122 425
		35 002 873

Notes to the Financial Statements

Figures in Rand	2018	2017

36. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Audit fees

Current year audit fee	2 600 520	2 453 433
Amount paid - previous years	(2 600 520)	(2 453 433)
	-	-

PAYE and UIF

Current year expense	23 481 793	24 739 010
Amount paid - current year	(21 608 385)	(24 739 010)
	1 873 408	-

Pension and Medical Aid Deductions

Current year expense	13 514 085	9 266 409
Amount paid - current year	(13 514 085)	(9 266 409)
	-	-

VAT

VAT receivable	2 909 900	3 866 593

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

37. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

Deviations authorised by the Accounting Officer	2018	2017
Sole supplier	-	1 050 541
Exceptional Case	-	164 355
Extension of contracts	-	4 169 165
Emergency procurement	537 478	4 881 301
	537 478	**10 265 362**

Details regarding the deviation is as follow

Emergency procurement

V2V Trading (Installation of Transformers at the Gen Farm) -This relates to an urgent replacement of a damaged transformer at Gen farm. This was to avoid loss of revenue.

Report of the auditor-general to the Gauteng Provincial Legislature and council of the City of Johannesburg Metropolitan Municipality on Joburg Market (SOC) Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Joburg Market (SOC) Limited set out on pages ... 126... 172hich comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Joburg Market (SOC) Limited as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 32 the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors in the financial statements of the municipal entity for the year ended, 30 June 2018.

Material uncertainties

8. As disclosed in note 28 to the financial statements, the municipal entity is the defendant in various lawsuits. The ultimate outcome of these matters cannot presently be determined and/or reliably measured; therefore, no provision for any liabilities that may result has been made in the financial statements.

Material impairments

9. As disclosed in note 8 to the financial statements, the receivables for exchange transactions balance has been significantly impaired. The provision for impairment was R11 483 073 (2017: R11 430 636), which represents 23% (2017: 25%) of the total receivables from exchange transactions balance.

Other matters

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting officer is responsible for assessing the Joburg Market (SOC) Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue

an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2018:

Strategic objectives	Pages in the annual performance report
Strategic objective 1 – Operate a sustainable resilient world class marketing & trading facility	65
Strategic objective 4 – Ensure financial sustainability and growth of the entity	67

19. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

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

- Strategic objective 1 – operate a sustainable resilient world-class marketing & trading facility
- Strategic objective 4 – ensure financial sustainability and growth of the entity

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

Refer to the annual performance report on pages **62** to **70** for information on the achievement of planned targets for the year

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipal entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with specific matters in key legislations are as follows:

Procurement and contract management

24. Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by Municipal Supply Chain Management (SCM) regulation 19(a).

Expenditure management

25. Reasonable steps were not taken to prevent irregular expenditure of R674 144, disclosed in note 35 to the annual financial statements, as required by section 95(d) of the MFMA. The irregular expenditure was caused by not following the competitive bidding process.

Other information

26. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected strategic objectives presented in the annual performance report that have been specifically reported in this auditor's report.

27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

30. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

31. Adequate measures were not implemented to prevent non-compliance with SCM prescripts. The non-compliance and irregular ecpenditure incurred could have been avoided had management put measures in place to prevent it.

32. The risk assessment conducted by the entity did not result in adequate controls being implemented or maintained to prevent in the findings on compliance with laws and regulations.

Other reports

33. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipal entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

34. Investigations into alleged financial irregularities, financial misconduct and fraud were completed during the year under review. Various measures were recommended, including taking action against the identified officials, and these were in the process of being implemented. The recommendations were at various stages of implementation.

Auditor - General.

Johannesburg

30 November 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected strategic objectives and on the municipal entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
   - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Joburg Market (SOC) Limited's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease continuing as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

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