City of Joburg Property Company (SOC) Limited
(Registration number 2000/017147/07)
Annual Financial Statements
for the year ended 30 June 2022
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Provide property and facilities management functions for the City of Johannesburg Metropolitan Municipality and other municipal owned entities within the group.
Directors	Ms HM Botes Mr SG Mzobe Adv B Madumise Mr R Gallocher Mr X Lingani Mr S Mda Mr B Mgoza Ms B Mthimkhulu Ms K Ng'ambi Mr T Ramawa Mr B Sneech
Business address	33 Hoofd Street Forum I Braampark Building Braamfontein 2000
Postal address	P O Box 31565 Braamfontein 2017
Controlling entity	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
Bankers	Standard Bank
Auditors	Auditor General South Africa
Secretary	Ms G Dlamini
Company registration number	2000/017147/07
Tax reference number	9292/129/14
Preparer	The annual financial statements were internally compiled by: Mr Sipho Mzobe CA(SA) Acting Chief Financial Officer

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

Abbreviations used:

COJ	City of Johannesburg Metropolitan Municipality
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
JPC	City of Joburg Property Company
mSCOA	Municipal Standard Chart of Accounts
MFMA	Municipal Finance Management Act

Board of Director's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to ensure adequate accounting records are kept 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 judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board 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 are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 and operational budget for the year to 30 June 2023 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 entity is wholly dependent on the COJ for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the board are primarily responsible for the financial affairs of the entity, they are supported by the entity's management and internal auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 6.

The annual financial statements set out on page 12, which have been prepared on the going concern basis, were approved by the board on 30 November 2022 and were signed on its behalf by:

Ms HM Botes **Chief Executive Officer**	**Adv B Madumise** **Chairperson**

Audit and Risk Committee Report

We present our report for the financial year ended 30 June 2022.

Audit and risk committee members and attendance

The audit and risk committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. The committee has met on 7 occasions during the financial year.

Name of member	Number of meetings attended
Mr S Mda (Chairperson)	7
Mr T Ramawa (Appointed - 15 February 2022)	2
Ms K Asare-Bediako (IAC) (Appointed - 15 February 2022)	2
Mr L Langalibalele (IAC) (Appointed - 15 February 2022)	2
Mr T Ndadza (IAC) (Appointed - 15 February 2022)	1
Ms D Maja-Masilo (Resigned - 15 February 2022)	5
Mr B Kekana (IAC) (Resigned - 15 February 2022)	4
Ms N Makhanya (IAC) (Resigned - 15 February 2022)	5
Mr P Makape (IAC) (Resigned - 15 February 2022)	3

IAC - Independent audit and risk committee member

Audit and risk committee responsibility

The audit and risk committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit and risk committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the company over financial and risk management are satisfactory. In line with the MFMA and the King Code on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are satisfactory. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters relating to the annual financial statement audit were reported (besides the matters highlighted by the Auditor-General) that indicate any material deficiencies in the system of internal control or any deviations there from.

Audit and Risk Committee Report

Evaluation of annual financial statements

The Audit and Risk Committee has:
- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the board;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices ;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit and risk committee concurs with and accepts the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Risk management

The audit and risk committee ensures that the company has effective policies and plans for risk management. The committee also oversees the following:
- Development and annual review of risk management policies and plans
- Monitors implementation of risk management policies and plans
- Recommends to the Board on levels of risk tolerance and appetite
- Ensures risk management is integrated into business operations
- Ensures risk management assessments are conducted on a continuous basis
- Ensures frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- Ensures that management considers and implements appropriate risk responses

Finance function

The committee has reviewed and considered the experience and resources available to the company's finance function and is satisfied with the resources.

Auditor-General of South Africa

The audit and risk committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: 01/12/2022

PRACTICE
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Report of the Auditor General

To the Provincial Legislature of City of Joburg Property Company (SOC) Limited

Auditor General South Africa

30 November 2022

Board of Director's Report

The Directors have pleasure in submiting to the Shareholders their report together with the annual financial statements for the year ended 30 June 2022.

1. Incorporation

The entity was incorporated on 27 July 2000 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

Net deficit of the entity was 34 802 200 (2021: deficit 3 452 583), after taxation of (8 372 346) (2021: 6 999 526).

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 ability of the entity to remain a going concern is dependent on funding received received from the shareholder, namely COJ. Surety has been provided through the Office of the City Manager that the entity is funded and backed by the COJ. The surety will remain in effect for so long as it takes the entity to restore its solvency.

4. Subsequent events

There were no subsequent events that occurred after te year end reporting date.

5. Directors' interest in contracts

Directors' personal financial interest in any contracts have been disclosed and no Directors, both executive and non-executive, have any interest in contracts with the company.

6. Share capital / contributed capital

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

7. Borrowing limitations

In terms of the sale of business agreement, the City of Joburg Property Company (SOC) Limited does not have the authority to borrow funds on its own behalf. All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality.

8. Non-current assets

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

Board of Director's Report

9. Board

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

Name	Nationality	Changes
Ms HM Botes	South African	
Mr IM Bhamjee	South African	Resigned 15 February 2022
Mr SG Mzobe	South African	Appointed 15 February 2022
Mr M Rabodila	South African	Resigned 24 January 2022
Adv B Madumise	South African	Appointed 15 February 2022
Mr R Gallocher	South African	Appointed 15 February 2022
Ms V Gumede	South African	Appointed 14 October 2021, resigned 15 February 2022
Mr J Letsapa	South African	Resigned 15 February 2022
Mr X Lingani	South African	
Ms S Maja-Masilo	South African	Resigned 15 February 2022
Mr S Mda	South African	
Mr B Mgoza	South African	Appointed 15 February 2022
Ms M Mngomezulu	South African	Resigned 15 February 2022
Mr S Mngomezulu	South African	Resigned 15 February 2022
Ms S Moichelo	South African	Resigned 14 October 2021
Ms T Mopai	South African	Resigned 15 February 2022
Ms B Mthimkhulu	South African	Appointed 15 February 2022
Ms K Muthwa	South African	Resigned 15 February 2022
Ms K Ng'ambi	South African	Appointed 15 February 2022
Mr T Ngcobo	South African	Appointed 14 October 2021, resigned 15 February 2022
Ms P Numa	South African	Resigned 14 October 2021
Mr T Ramawa	South African	Appointed 15 February 2022
Mr B Sneech	South African	Appointed 15 February 2022

10. Secretary

The secretary of the entity is Ms G Dlamini.

Business address

33 Hoofd Street
Forum I
Braampark Building
Braamfontein
2000

Postal address

P O Box 31565
Braamfontein
2017

11. Corporate governance

General

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

The City of Joburg Property Company SOC Ltd confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King Code on Corporate Governance for South Africa. The Board of Directors discuss the responsibilities of management in this respect, at Board meetings and monitor the company's compliance with the code on a continuous basis.

Board of Director's Report

. **Corporate governance (continued)**

Board of directors

The Board:
- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy implementation, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - 9 non-executive directors, all of whom are independent directors as defined in the Code; and
  - 2 executive directors.

Chairperson and chief executive

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

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

Remuneration

The upper limits of the remuneration of the Chief Executive Officer, and the Chief Financial Officer, who are the only two executive directors of the entity, are determined by the Parent entity, and the board will determine the remuneration within the above mentioned limits.

Board meetings

The board has met on 10 separate occasions during the financial year. The board schedules to meet at least 4 times per annum.

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

Direcotrs attendance at board and sub-committee meetings are as follows:

Name	Board Meeting	Audit and risk committee	Social, ethics remuneration and transformation committee	Transaction and service delivery committee
Adv. B Madumise (Appointed - 15 February 2022)	4	-	2	-
Ms V Gumede (Appointed - 14 October 2021)	1	-	-	1
Mr R Gallocher (Appointed - 15 February 2022)	3	-	2	1
Mr J Letsapa (Resigned - 15 February 2022)	4	-	-	4
Ms X Lingani	8	-	2	6
Ms S Maja-Masilo (Resigned - 15 February 2022)	5	5	-	4
Mr S Mda	10	7	-	-
Mr B Mgoza (Appointed - 15 February 2022)	4	-	3	2
Ms M Mngomezulu (Resigned - 15 February 2022)	4	-	2	-
Mr S Mngomezulu (Resigned - 15 February 2022)	5	-	-	3
Ms S Moichelo (Resigned - 14 October 2021)	3	-	1	-
Ms T Mopai (Resigned - 15 February 2022)	5	-	2	1
Ms B Mthimkhulu (Appointed - 15 February 2022)	2	-	3	2
Ms K Muthwa (Resigned - 15 February 2022)	6	-	2	4
Ms K Ng'ambi (Appointed - 15 February 2022)	4	-	3	-
Mr T Ngcobo (Appointed - 14 October 2021)	1	-	1	-
Ms P Numa (Resigned - 14 October 2021)	4	-	1	1
Mr M Rabodila (Resigned - 24 January 2022)	5	-	-	-
Mr T Ramawa (Appointed - 15 February 2022)	3	2	3	-
Mr B Sneech (Appointed - 15 February 2022)	3	-	1	2
	10	7	5	6

Board of Director's Report

. Corporate governance (continued)

Audit and risk committee

As at 30 June 2022 the committee comprised of 2 (two) non-executive directors, namely: Mr. S Mda (Chairperson) and Mr. T Ramawa.

In terms of Section 166 of the Municipal Finance Management Act, City of Johannesburg, as a parent municipality, must appoint members of the Audit and Risk Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit and Risk Committees, National Treasury policy requires that parent municipalities should appoint further members of the municipal entity's Audit and Risk Committees who are not directors of the municipal entity onto the Audit and Risk Committee and these independent members are Ms. K Asare-Bediako, Mr. L Langalibalele and Mr. T Ndadza. The Audit and Risk Committee has fulfilled its responsibilities as provided for in Section 166 of the Municipal Finance Management Act.

Transactions and Service Delivery committee

The Transaction and Service Delivery Committee is comprised of 5 (five) members, namely: Mr. X Lingani (Chairperson), Mr. R Gallocher, Mr. B Mgoza, Ms. B Mthimkhulu and Mr. B Sneech.

The primary objective of the committee is to assist the Board in discharging its responsibility by considering all reports relating to property transactions. The committee also ensures that revenue generation targets are achieved in relation to the property portfolio and to make the necessary recommendations to the Board to ensure that service delivery is enhanced and property related transactions are concluded efficiently within the legal framework that JPC operates in.

Social, Ethics, Transformation and Remuneration committee

As of 30 June 2022 the committee comprised of 6 (six) members: Ms. K Ng'ambi (Chairperson), Mr. R Gallocher, Mr. X Lingani, Mr B Mgoza, Ms. B Mthimkhulu and Mr. T Ramawa.

The committee advises the Board on the remuneration policies, remuneration packages and other terms of employment for senior managers. Its specific terms of reference also include recommendations to the Board on matters relating inter alia, human resources policies, executive remuneration and other human resource affairs of the company.

It is further tasked with looking into the entity's social and ethics, and transformation, including the organisation's standing in terms of the goals and purposes; good corporate citizenship; the environment; health and public safety; consumer relationships including the entity's advertising, public relations and compliance with consumer protection laws; and labour and employment.

Internal audit

The company's internal audit function is performed internally with the assistance of a panel of auditors to complete various internal audit engagements. The appointments are made in compliance with section 165 of the Municipal Finance Management Act No.56 of 2003.

12. Controlling entity

The entity's controlling entity is The City of Johannesburg Metropolitan Municipality incorporated in South Africa .

13. Auditors

Auditor General South Africa will continue in office in accordance with the the Public Audit Act 25 of 2005, section 92 of the Municipal Finance Management Act No. 56 of 2003.

The annual financial statements set out on page 12, which have been prepared on the going concern basis, were approved by the board on 30 November 2022 and were signed on its behalf by:

Ms HM Botes	**Adv B Madumise**
Chief Executive Officer	**Chairperson**

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, and the Municipal Finance Management Act No. 56 of 2003. I, Gontse Dlamini, certify that, to the best of my knowledge and belief, that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Ms G Dlamini
Company Secretary

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	2 000	2 000
Receivables from exchange transactions	4	773 062 205	607 827 688
Receivables from non-exchange transactions	7	90 925	146 328
Loans to shareholders	5	328 410 301	136 223 472
Prepayments	6	-	294 537
		1 101 565 431	**744 494 025**
Non-Current Assets			
Property, plant and equipment	9	22 189 444	19 651 976
Intangible assets	10	13 544 214	13 558 751
Deposits	8	600 587	189 559
Current tax receivable	11	4 145 687	715
Deferred tax	15	30 532 897	22 160 552
		71 012 829	**55 561 553**
Total Assets		**1 172 578 260**	**800 055 578**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	178 411 286	235 412 168
Finance lease obligation	13	-	547 121
Current tax payable	17	-	8 817 159
Loans from shareholders	5	1 024 501 919	570 718 381
Provisions	14	27 569 601	1 565 576
Operating lease liability	19	200 133	6 237 653
		1 230 682 939	**823 298 058**
Non-Current Liabilities			
Employee benefit obligation	18	714 000	774 000
Total Liabilities		**1 231 396 939**	**824 072 058**
Net Assets		**(58 818 679)**	**(24 016 480)**
Share capital / contributed capital	20	5 142 721	5 142 721
Accumulated surplus		(63 961 400)	(29 159 201)
Total Net Liability		**(58 818 679)**	**(24 016 480)**

* See Note 32

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Cellmast services	21	18 361 901	17 814 762
Commissions and ad hoc fees	21	43 644 618	29 936 133
Management fees	21	16 492 187	20 319 606
Internal recoveries	21	2 348 500	2 212 815
Cleaning service recoveries	21	146 147 821	141 300 910
Facilitation fees	21	500 000	1 500 000
Interest received	21&22	8 027 907	440 067
Total revenue from exchange transactions		**235 522 934**	**213 524 293**
Revenue from non-exchange transactions			
City of Johannesburg Metropolitan Municipality - Subsidy	21	526 278 000	646 229 000
Medical boarding refunds	21	923 240	894 910
SETA refunds	21	901 754	-
Total revenue from non-exchange transactions		**528 102 994**	**647 123 910**
Total revenue	21	**763 625 928**	**860 648 203**
Expenditure			
Employee related costs	23	(465 124 846)	(485 526 927)
Depreciation and amortisation	9	(12 682 717)	(26 004 884)
Interest and finance costs	27	(243 134)	(3 723 006)
Lease rentals on operating lease	26	(140 094 214)	(122 207 434)
Doubtful debts	4	(4 096 058)	5 626 635
Loss on disposal of assets	9	(238 862)	(1 053 213)
General Expenses	25	(184 320 643)	(226 042 479)
Total expenditure		**(806 800 474)**	**(858 931 308)**
(Deficit) surplus before taxation		**(43 174 546)**	**1 716 895**
Taxation	16	(8 372 346)	6 487 112
Deficit for the year		**(34 802 200)**	**(4 770 217)**

* See Note 32

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Share premium	Total share capital	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2020	**1 000**	**5 141 721**	**5 142 721**	**(24 388 984)**	**(19 246 263)**
Changes in net assets					
Surplus for the year	-	-	-	(4 770 217)	(4 770 217)
Total changes	-	-	-	(4 770 217)	(4 770 217)
Opening balance as previously reported	1 000	5 141 721	5 142 721	(29 470 252)	(24 327 531)
Adjustments					
Prior year adjustments	-	-	-	311 052	311 052
Restated* Balance at 01 July 2021 as restated*	**1 000**	**5 141 721**	**5 142 721**	**(29 159 200)**	**(24 016 479)**
Changes in net assets					
Surplus for the year	-	-	-	(34 802 200)	(34 802 200)
Total changes	-	-	-	(34 802 200)	(34 802 200)
Balance at 30 June 2022	**1 000**	**5 141 721**	**5 142 721**	**(63 961 400)**	**(58 818 679)**
Note(s)	20	20	20		

* See Note 32

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		64 151 935	263 209 680
Grants		526 278 000	646 229 000
Interest income		8 005 851	370 192
		598 435 786	909 808 872
Payments			
Employee costs		(463 156 280)	(486 970 302)
Suppliers		(367 131 006)	(464 441 363)
Finance costs		-	(3 723 006)
Other cash item	17&11	(13 353 580)	4 488 281
		(843 640 866)	(950 646 390)
Net cash flows from operating activities	29	**(245 205 080)**	**(40 837 518)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(15 157 475)	(26 360 768)
Purchase of other intangible assets	10	(287 035)	-
Purchase of deposits		(400 000)	-
Net cash flows from investing activities		**(15 844 510)**	**(26 360 768)**
Cash flows from financing activities			
Repayment of shareholders' loan		261 596 710	71 381 388
Finance lease payments		(547 120)	(4 183 102)
Net cash flows from financing activities		**261 049 590**	**67 198 286**
Cash and cash equivalents at the beginning of the year		2 000	2 000
Cash and cash equivalents at the end of the year	3	**2 000**	**2 000**

* See Note 32

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Cellmast services	12 093 410	-	**12 093 410**	18 361 901	**6 268 491**	Annexure E1
Comissions and ad hoc revenue	53 787 000	-	**53 787 000**	43 644 618	**(10 142 382)**	Annexure E1
Management fees	7 000 000	-	**7 000 000**	16 492 187	**9 492 187**	Annexure E1
Internal recoveries	-	-	-	2 348 500	**2 348 500**	Annexure E1
Cleaning service recoveries	214 167 000	7 452 000	**221 619 000**	146 147 821	**(75 471 179)**	Annexure E1
Facilitation fees	73 010 000	-	**73 010 000**	500 000	**(72 510 000)**	Annexure E1
Interest received	-	-	-	8 027 907	**8 027 907**	Annexure E1
Total revenue from exchange transactions	**360 057 410**	**7 452 000**	**367 509 410**	**235 522 934**	**(131 986 476)**	
Revenue from non-exchange transactions						
Non-exchange revenue						
Non-conditional subsidies	654 635 000	(128 357 000)	**526 278 000**	526 278 000	-	Annexure E1
Medical boarding refunds	-	-	-	923 240	**923 240**	Annexure E1
SETA refunds	-	-	-	901 754	**901 754**	Annexure E1
Total revenue from non-exchange transactions	**654 635 000**	**(128 357 000)**	**526 278 000**	**528 102 994**	**1 824 994**	
Total revenue	**1 014 692 410**	**(120 905 000)**	**893 787 410**	**763 625 928**	**(130 161 482)**	
Expenditure						
Personnel	(474 482 107)	22 366 000	**(452 116 107)**	(465 124 846)	**(13 008 739)**	Annexure E1
Depreciation and amortisation	(14 741 000)	-	**(14 741 000)**	(12 682 717)	**2 058 283**	Annexure E1
Finance costs	(43 421 000)	-	**(43 421 000)**	(243 134)	**43 177 866**	Annexure E1
Lease rentals on operating lease	(135 940 000)	-	**(135 940 000)**	(140 094 214)	**(4 154 214)**	Annexure E1
Doubtful debts	-	-	-	(4 096 058)	**(4 096 058)**	Annexure E1
General Expenses	(346 108 303)	98 539 000	**(247 569 303)**	(184 320 643)	**63 248 660**	Annexure E1
Total expenditure	**(1 014 692 410)**	**120 905 000**	**(893 787 410)**	**(806 561 612)**	**87 225 798**	
Operating deficit	-	-	-	**(42 935 684)**	**(42 935 684)**	
Loss on disposal of assets	-	-	-	(238 862)	**(238 862)**	Annexure E1
Deficit before taxation	-	-	-	**(43 174 546)**	**(43 174 546)**	
Taxation	-	-	-	(8 372 346)	**(8 372 346)**	Annexure E1
Actual Amount Presented in the Budget and Actual Comparative Statement	-	-	-	**(34 802 200)**	**(34 802 200)**	

Appropriation Statement

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
2022											
Financial Performance											
Investment revenue	-	-	-	-		-	8 027 907		8 027 907	DIV/0 %	DIV/0 %
Subsidy	654 635 000	(128 357 000)	526 278 000	-		526 278 000	526 278 000		-	100 %	80 %
Other revenue	360 057 410	7 452 000	367 509 410	-		367 509 410	229 320 021		(138 189 389)	62 %	64 %
Total revenue (excluding capital transfers and contributions)	**1 014 692 410**	**(120 905 000)**	**893 787 410**	**-**		**893 787 410**	**763 625 928**		**(130 161 482)**	**85 %**	**75 %**
Employee costs	(474 482 107)	22 366 000	(452 116 107)	-	-	(452 116 107)	(465 124 846)	-	(13 008 739)	103 %	98 %
Bad debt provision	-	-	-			-	(4 096 058)	-	(4 096 058)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(14 741 000)	-	(14 741 000)			(14 741 000)	(12 682 717)	-	2 058 283	86 %	86 %
Finance charges	(43 421 000)	-	(43 421 000)	-	-	(43 421 000)	(243 134)	-	43 177 866	1 %	1 %
Other expenditure	(482 048 303)	98 539 000	(383 509 303)	-	-	(383 509 303)	(324 653 719)	-	58 855 584	85 %	67 %
Total expenditure	**(1 014 692 410)**	**120 905 000**	**(893 787 410)**	**-**	**-**	**(893 787 410)**	**(806 800 474)**	**-**	**86 986 936**	**90 %**	**80 %**
Surplus/(Deficit)	**-**	**-**	**-**	**-**		**-**	**(43 174 546)**		**(43 174 546)**	**DIV/0 %**	**DIV/0 %**
Taxation	-	-	-	-		-	(8 372 346)		(8 372 346)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**-**	**-**	**-**	**-**		**-**	**(34 802 200)**		**(34 802 200)**	**DIV/0 %**	**DIV/0 %**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accouting Policies, Changes in Accounting Estimates and Errors
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Parties
GRAP 31	Intangible Assets
GRAP 104	Financial Instruments
GRAP 109	Accounting by Principals and Agents

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 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 judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at managements best estimate of the expenditure required to settle the obligation at the reporting date.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Taxation

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

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

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

The company used the City of Johannesburg Metropolitan Municipality average borrowing rate as a reference rate.

1.3 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 year.

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

Property, plant and equipment is initially measured at cost.

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

Where an 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.

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
Land		Indefinite
Buildings	Straight line	25 years
Plant and machinery	Straight line	10 years
Furniture and fixtures	Straight line	16 years
Office equipment	Straight line	8 years
IT equipment	Straight line	7 years
Computer software	Straight line	7 years
Leasehold improvements	Straight line	Term of lease

Accounting Policies

1.3 Property, plant and equipment (continued)

Cleaning equipment	Straight line	5 years
Finance lease equipment	Straight line	Term of lease

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

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.

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

1.4 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.

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

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

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

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

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

Accounting Policies

1.4 Intangible assets (continued)

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 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
Computer software, internally generated	Straight line	Indefinite
Computer software	Straight line	7 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

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.

The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

1.5 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Accounting Policies

1.5 Financial instruments (continued)

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Accounting Policies

1.5 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The company 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.

Loans to (from) Group Companies

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

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

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. Loans to group companies are classified as loans and receivables.

Loans to shareholders

These financial assets are initially measured at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

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

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to group company (City of Johannesburg Metropolitan Municipality) are classified as loans and receivables.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, 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.

Amounts that are receivable within 12 months from the reporting date are classified as current.

Payables from exchange transactions

Accounting Policies

1.5 Financial instruments (continued)

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 and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

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

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- 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 and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

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

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Accounting Policies

1.6 Taxation

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.

The tax currently payable is based on taxable income for the year. Taxable income differs from surplus as reported in the statement of financial performance, because it includes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

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).

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

Tax expenses

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

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

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

1.7 Leases

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

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.

Finance charges are charged to surplus or deficit, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy of borrowing costs.

Accounting Policies

1.7 Leases (continued)

Operating leases - lessee

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

1.8 Impairment of non-cash-generating assets

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

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

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

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.

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.

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.

1.9 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 company are classified according to the substance of the contractual arrangements entered into.

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

Accounting Policies

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions; ,
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.10 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Other post retirement obligations

The municipality 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 municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.11 Provisions and contingencies

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

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

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

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

1.12 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.

1.13 Revenue from exchange transactions

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

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

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.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

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.

1.14 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.15 Borrowing costs

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

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Recognition

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

1.17 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as predictable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is predictable, and the prior year comparatives are restated accordingly.

1.18 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.19 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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.20 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Accounting Policies

1.20 Segment information (continued)

Although the entity operates in a number of geographical areas (depots), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the depots are based on similar service standards and are incorporated in the single segment. Therefore, the entity has assessed that it will not disclose geographical segments.

1.21 Budget information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

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

1.22 Related parties

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

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2022 or later periods:

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. .

It is unlikely that the revisions will have a material impact on the entity's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

2. New standards and interpretations (continued)

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The entity expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The entity expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 000	2 000

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	**30 June 2021**	**30 June 2020**	**30 June 2022**	**30 June 2021**	**30 June 2020**
Standard Bank - Current Account - 000198900	320 716 726	128 597 724	(187 843 627)	320 716 726	128 597 724	(187 843 627)

4. Receivables from exchange transactions

External trade debtors	39 541 719	75 609 267
Doubtful debts	(32 379 306)	(28 283 248)
Related party debtors	765 899 792	560 501 669
	773 062 205	**607 827 688**

Receivables from exchange transactions ageing		
Current	(19 409 419)	131 502 726
30 Days	38 659 809	(64 978 067)
60 Days	37 122 031	75 212 128
90 Days	17 627 408	28 371 720
120+ Days	699 062 376	437 719 181
	773 062 205	**607 827 688**

The trend of JPC is to receive monies outstanding in the lead up to financial year end. This is indicated by receipts from monies outstanding being higher than invoiced services in the 30, 60 and 90 day periods. The majority of repairs and maintenance is completed by financial year end and invoiced accordingly in the June month. Trade receivables are predominantly comprised of related party debtors and as per the policies of JPC and the COJ cannot be impaired.

Doubtful debts

During the 2019/20 financial year JPC raised a provision for doubtful debts on facilitation fees raised in the 2018/19 financial year. Given the economic and financial challenges COVID-19 poses to developers the long outstanding debts for facilitation fees is being provided for in the event the projects do not proceed. A provision has also been provided for an outdoor advertising debtor per review of the debtor and the application of GRAP 104. Subsequent to financial year end the debtor related to outdoor advertising paid R18 000 000 towards their outstanding amount, the reduction in doubtful debt provision accounts for this repayment.

Trade and other receivables impaired

As of 30 June 2022, third party trade and other receivables of 39 541 719 (2021: 75 609 267) were impaired and provided for.

The amount of the provision was 32 379 306 as of 30 June 2022 (2021: 28 283 248).

The ageing of these debts are as follows:

Over 6 months	32 379 306	28 283 248

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Loans to (from) shareholders

City of Johannesburg Metropolitan Municipality - Group Finance Loan payable to Group Finance for the administration of the JPC payroll. The loan bears no interest.	(596 068 444)	(304 296 745)
City of Johannesburg Metropolitan Municipality - Portfolio The loan account through which accounting transactions transfer between JPC and Portfolio for commisions. The loan bears no interest	7 693 575	7 625 748
City of Johannesburg Metropolitan Municipality - Housing The loan originates from the pending transfers of various property acquisitions across the financial year end for the Department of Housing.	-	(17 682 554)
City of Johannesburg Metropolitan Municipality - Group Treasury The sweeping account bears interest at an average call rate of 3.96% p.a irrespective of a favourable bank balance or not.	320 716 726	128 597 724
City of Johannesburg Metropolitan Municipality - Revenue Services The loan account for the administration of payroll deductions for employees in the service of the municipality. The loan bears no interest.	(4 803 577)	(4 803 577)
City of Johannesburg Metropolitan Municipality - Group Corporate Services Loan payable to Group Corporate and Shared Services for the administration of the insourced cleaners payroll. The loan bears no interest.	(423 629 898)	(243 935 505)
	(696 091 618)	**(434 494 909)**

Current assets	328 410 301	136 223 472
Current liabilities	(1 024 501 919)	(570 718 381)
	(696 091 618)	**(434 494 909)**

6. Prepayments

Current Assets	-	294 537

For the 2022 financial year JPC has not recognised any prepayments.

7. Receivables from non-exchange transactions

Staff debtors	90 925	146 328

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

8. Deposits

Baragwanath	170 824	165 367
Lenasia	429 764	24 192
	600 588	**189 559**

Deposits held by Eskom for electricity at informal trading facilities.

During the month of September 2021 the Lenasia facility was reassessed by Eskom and an additional depsoit of R400 000 was required.

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	487 200	-	487 200	487 200	-	487 200
Buildings	6 350 957	(6 301 340)	49 617	6 350 957	(6 047 302)	303 655
Plant and machinery	2 080 047	(1 465 861)	614 186	2 028 047	(1 261 161)	766 886
Furniture and fixtures	7 242 220	(3 354 164)	3 888 056	7 230 822	(2 917 780)	4 313 042
Office equipment	5 724 878	(2 123 365)	3 601 513	2 822 198	(1 839 072)	983 126
IT equipment	22 936 764	(13 359 045)	9 577 719	15 553 679	(10 842 907)	4 710 772
Leasehold improvements	25 125 893	(25 125 893)	-	24 711 516	(17 596 582)	7 114 934
Cleaning equipment	4 018 984	(49 049)	3 969 935	-	-	-
Finance lease assets	20 469 326	(20 468 108)	1 218	28 320 238	(27 347 877)	972 361
Total	**94 436 269**	**(72 246 825)**	**22 189 444**	**87 504 657**	**(67 852 681)**	**19 651 976**

Reconciliation of property, plant and equipment - 2022

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	487 200	-	-	-	487 200
Buildings	303 655	-	-	(254 038)	49 617
Plant and machinery	766 886	52 000	-	(204 700)	614 186
Furniture and fixtures	4 313 042	11 398	-	(436 384)	3 888 056
Office equipment	983 126	2 902 680	-	(284 293)	3 601 513
IT equipment	4 710 772	7 758 036	(238 541)	(2 652 548)	9 577 719
Leasehold improvements	7 114 934	414 377	-	(7 529 311)	-
Cleaning equipment	-	4 018 984	-	(49 049)	3 969 935
Finance lease assets	972 361	-	(321)	(970 822)	1 218
	19 651 976	**15 157 475**	**(238 862)**	**(12 381 145)**	**22 189 444**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Land	487 200	-	-	-	487 200
Buildings	557 693	-	-	(254 038)	303 655
Plant and machinery	969 578	-	-	(202 692)	766 886
Furniture and fixtures	2 932 741	1 804 000	-	(423 699)	4 313 042
Office equipment	1 330 412	-	-	(347 286)	983 126
IT equipment	6 810 649	-	-	(2 099 877)	4 710 772
Leasehold improvements	1 362 293	24 556 769	(1 053 209)	(17 750 919)	7 114 934
Finance lease assets	5 567 313	-	(5)	(4 594 947)	972 361
	20 017 879	**26 360 769**	**(1 053 214)**	**(25 673 458)**	**19 651 976**

Depreciation rates

Land	Straight-line	Indefinite
Buildings	Straight-line	25 years
Plant and machinery	Straight-line	10 years
Furniture and fixtures	Straight-line	16 years
Office equipment	Straight-line	8 years
IT equipment	Straight-line	7 years
Computer software	Straight-line	7 years
Leasehold improvements	Straight-line	Term of lease
Leased equipment	Straight-line	Term of lease
Cleaning equipment	Straight-line	5 years

Assets subject to finance lease (Net carrying amount)

Leasehold improvements	-	7 114 934
Finance lease assets	1 218	972 361
	1 218	**8 087 295**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Property, plant and equipment (continued)

Details of properties

Erf 737 and Erf 1304, 18 Beford Road, Yeoville

	2022	2021
- Purchase price	487 200	487 200

Erf 737 and Erf 1304, 18 Beford Road, Yeoville

	2022	2021
- Purchase price	6 350 957	6 350 957
- Accumulated depreciation	(6 301 340)	(6 047 302)
	49 617	**303 655**

10. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, internally generated	12 761 889	-	12 761 889	12 761 889	-	12 761 889
Computer software, other	2 668 648	(1 886 323)	782 325	2 381 613	(1 584 751)	796 862
Total	**15 430 537**	**(1 886 323)**	**13 544 214**	**15 143 502**	**(1 584 751)**	**13 558 751**

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	12 761 889	-	-	12 761 889
Computer software, other	796 862	287 035	(301 572)	782 325
	13 558 751	**287 035**	**(301 572)**	**13 544 214**

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, internally generated	12 761 889	-	12 761 889
Computer software, other	1 128 289	(331 427)	796 862
	13 890 178	**(331 427)**	**13 558 751**

No impairment is required for intangible assets in the 2021/22 financial year.

11. Current tax receivable

	2022	2021
Balance at the begining of the year	715	6 858 227
Interest received	-	62 372
Refunds received	-	(4 488 708)
Utilised	-	(2 431 176)
Provisional taxes paid	3 154 504	-
Prior periods	990 468	-
	4 145 687	**715**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Payables from exchange transactions

Trade and other payables	1 382 359	25 137 988
Related parties	78 762 098	64 516 479
Accrued leave pay	30 421 806	38 663 729
Accrued 13th cheques	16 339 693	18 682 404
Accruals	51 505 330	88 411 568
	178 411 286	**235 412 168**

13. Finance lease obligation

Minimum lease payments due		
- within one year	-	554 140
	-	554 140
less: future finance charges	-	(7 019)
Present value of minimum lease payments	**-**	**547 121**
Present value of minimum lease payments due		
- within one year	-	547 121

The entity leased IT infrastructure and equipment under finance lease. These assets were leased over a period of three to five years at an interest rate linked to the prime lending rate of 5.5%. Refer to note 9.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

14. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	-	23 975 459	-	23 975 459
Exco bonuses	1 565 576	2 243 915	(215 349)	3 594 142
	1 565 576	**26 219 374**	**(215 349)**	**27 569 601**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Exco bonuses	3 096 951	(1 565 576)	1 270 508	1 826 443	1 565 576

2021/22: A provision related to the settlement for white-boxing at Proton House has been accounted for in the 2022 financial year. The settlement is anticipated to be finalised in the first quarter of 2023, however, the bill of quantity for the white-boxing has been finalised in June 2022. The provision is to account for the future outflows resulting from the ongoing arbitration on this matter,

The provision relates to bonuses due to EXCO members for the 2021/22 financial year. The bonuses are subject to review of KPI's and performance targets being met for the 2022 financial year prior to approval for disbursement. The disbursement is weighted against achieved KPI's for the 2022 financial year.

2020/21: The provision relates to bonuses due to EXCO members for the 2020/21 financial year. The bonuses are subject to review of KPI's and performance targets being met for the 2021 financial year prior to approval for disbursement. The disbursement is weighted against achieved KPI's for the 2021 financial year

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

15. Deferred tax

Deferred tax liability

Prepaid expenses	-	(82 470)
Property, plant, equipment and intangibles	(2 628 351)	(2 035 935)
Non-current asset - Finance leases	-	(272 261)
Total deferred tax liability	**(2 628 351)**	**(2 390 666)**

Deferred tax asset

Post-retirement benefit obligation	199 920	216 720
Provision for leave pay	8 518 106	10 825 844
Provision for bonuses and 13th cheques	5 581 473	5 669 435
Provision for doubtful debts	5 439 723	5 939 482
Straight-lining of operating leases	56 037	1 746 543
Finance lease obligations	-	153 194
Accumulated losses	6 652 860	-
Provision for legal proceedings	6 713 129	-
Total deferred tax asset	**33 161 248**	**24 551 218**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(2 628 351)	(2 390 666)
Deferred tax asset	33 161 248	24 551 218
Total net deferred tax asset	**30 532 897**	**22 160 552**

Management has reviewed future revenue forecasts and it is anticipated that there will be profits in the foreseeable future against which losses incurred in previous financial years can be offset. The entity will therefore recognise a deferred tax asset on assessed losses brought forward from previous financial years.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Taxation

Major components of the tax (income) expense

Current		
Local income tax - current period	-	2 986 204
Local income tax - recognised in current tax for prior periods	-	1 953 122
	-	**4 939 326**
Deferred		
Originating and reversing temporary differences	(8 372 346)	1 547 786
	(8 372 346)	**6 487 112**

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting (deficit) surplus	(43 174 546)	1 716 895
Tax at the applicable tax rate of 28% (2021: 28%)	(12 088 873)	480 731
Tax effect of adjustments on taxable income		
Expenditure - Capital in nature	511 432	135 992
Provision for doubtful debts	1 146 896	(1 419 018)
Depreciation of fixed assets - non-deductible	2 179 329	5 041 388
Accounting loss on disposal of assets - non-deductible	-	294 898
Local income tax - prior period	(121 130)	1 953 121
	(8 372 346)	**6 487 112**

17. Current tax payable

Balance brought forward	8 817 159	6 309 009
Income tax - current period	-	2 986 204
Income tax - prior period	-	1 953 122
Income taxes paid	(8 817 159)	(2 431 176)
	-	**8 817 159**

Due to the net loss for the 2022 financial year JPC has no current tax payable.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation	(774 000)	(686 000)
Net expense recognised in the statement of financial performance	60 000	(88 000)
	(714 000)	**(774 000)**

Actuarial valuations are done at an interval of not more than one year using the projected credit method

The fair value of plan assets includes:

Net expense recognised in the statement of financial performance

Actuarial (gains) losses	(65 844)	86 140
Benefits paid to members	(60 156)	(58 140)
Interest cost	66 000	60 000
	(60 000)	**88 000**

Comparative figures	2021/22	2020/21	2019/20	2018/19	2017/18
Present value	(774 000)	(686 000)	(824 000)	(775 000)	(846 863)
Net expense recognised	60 000	(88 000)	138 000	(49 000)	71 863
	(714 000)	**(774 000)**	**(686 000)**	**(824 000)**	**(775 000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rate	11.76 %	8.92 %
Consumer price inflation	7.75 %	5.82 %
Expected increase in healthcare costs	8.75 %	6.82 %
Net effective discount rate	2.77 %	1.97 %

The calculations for post-retirement medical aid were based on the policy adopted by the City of Johannesburg Metropolitan Municipality with regard to post-reitrement medical aid subsidies.

Employees over the age of 55 on 1 July 2003 will get a 60% subsidy on retirement. Employees over the age of 50 but under age of 55 will get a 50% subsidy on retirement. Employees under the age of 50 on 1 July 2003 will not receive any post retirement medical aid subsidy.

The valuation method and assumptions do not affect the ultimate cost of the long-term benefits – this is determined by actuarial experience and by the benefits provided. The method and assumptions influence how the past service liability and future service costs are recognised over time.

The projections assume that the entity's benefit and subsidy policies will remain consistent, and that all the actuarial assumptions made are borne out in practice.

In addition, it is assumed that no contributions are made by the entity towards prefunding its liability via an off-balance sheet vehicle.

Benefits paid refer to the Municipality's subsidy of current continuation members or beneficiaries.

There are no past service costs, curtailments or settlements to reflect.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

19. Operating lease asset (liability)

Current liabilities	(200 133)	(6 237 653)

Office accommodation leases were renewed in the 2019 financial year resulting in a operating lease liability from the straight-lining of the lease contracts.. The liability has amortised over the term of the lease.

20. Share capital / contributed capital

Authorised		
1 000 Ordinary shares of R1 each or par value of R1	1 000	1 000
Reconciliation of number of shares issued:		
Reported as at 01 July 2021	1 000	1 000
Issued		
1 000 Ordinary shares of R1 each	1 000	1 000
Share premium	5 141 721	5 141 721
	5 142 721	**5 142 721**

21. Revenue

Cellmast services	18 361 901	17 814 762
Commissions and ad hoc fees	43 644 618	29 936 133
Management fees	16 492 187	20 319 606
Internal recoveries	2 348 500	2 212 815
Cleaning service recoveries	146 147 821	141 300 910
Facilitation fees	500 000	1 500 000
Interest received	8 027 907	440 067
City of Johannesburg Metropolitan Municipality - Subsidy	526 278 000	646 229 000
Medical boarding refunds	923 240	894 910
SETA refunds	901 754	-
	763 625 928	**860 648 203**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Cellmast services	18 361 901	17 814 762
Commissions and ad hoc fees	43 644 618	29 936 133
Management fees	16 492 187	20 319 606
Internal recoveries	2 348 500	2 212 815
Cleaning service recoveries	146 147 821	141 300 910
Facilitation fees	500 000	1 500 000
Interest received	8 027 907	440 067
	235 522 934	**213 524 293**

The amount included in revenue arising from non-exchange transactions is as follows:		
City of Johannesburg Metropolitan Municipality - Subsidy	526 278 000	646 229 000
Medical boarding refunds	923 240	894 910
SETA refunds	901 754	-
	528 102 994	**647 123 910**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Interest revenue

Interest revenue		
Standard Bank sweeping account	8 016 879	370 228
Interest received on deposits	11 028	7 467
Interest received on SARS refunds due	-	62 372
	8 027 907	**440 067**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

23. Employee related costs

Basic	332 281 496	348 903 569
Exco bonuses	2 795 104	39 881
Medical aid - company contributions	19 610 395	19 603 074
UIF	2 710 191	2 742 164
SDL	3 796 861	2 652 728
Payroll levies	201 396	402 946
Leave pay provision charge	5 399 996	15 208 839
Pension fund contributions	57 171 256	56 538 960
Overtime payments	6 625 620	3 073 078
13th Cheques	24 096 352	26 251 424
Housing benefits and other allowances	10 496 179	10 022 264
Post-retirement medical aid benefits	(60 000)	88 000
	465 124 846	**485 526 927**

Remuneration of Mr. F Sardianos - Executive Manager: Strategic Corporate Support

Annual remuneration	165 305	1 983 665
Travel allowance	-	298 156
Performance bonuses	-	437 109
Contributions to UIF, Medical and Pension Funds	36 417	-
Final leave pay	393 272	-
	594 994	**2 718 930**

Mr. F Sardianos resigned as at 31 July 2021 financial year.

Remuneration of Mr. SZ Mntungwa - Executive Manager: Property Portfolio

Annual remuneration	-	976 796
Travel allowance	-	227 276
Performance bonuses	-	232 952
Contributions to UIF, Medical and Pension Funds	-	402 864
	-	**1 839 888**

Mr. SZ Mntungwa died in December 2020.

Remuneration of Mr. S Mabizela - General Manager: Internal Audit

Annual remuneration	878 703	-
Contributions to UIF, Medical and Pension Funds	192 194	-
Housing allowance	11 574	-
Acting allowance	105 444	-
13th Cheque	73 225	-
	1 261 140	**-**

Remuneration of Mr. TF Mokataka - General Manager: Legal

Annual remuneration	1 629 969	1 583 469
Performance bonuses	-	192 600
Contributions to UIF, Medical and Pension Funds	359 167	341 254
	1 989 136	**2 117 323**

Remuneration of Ms. G Dlamini - General Manager: Compliance and Secretarial

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

23. Employee related costs (continued)

Annual remuneration	849 739	-
Leave encashment	34 570	-
13th Cheque	51 597	-
Contributions to UIF, Medical and Pension Funds	167 617	-
	1 103 523	**-**

Remuneration of Mrs. B Jacobs - Acting Chief Operating Officer

Annual Remuneration	1 409 029	-
13th Cheque	117 419	-
Contributions to UIF, Medical and Pension Funds	327 312	-
Housing allowance	11 574	-
Acting allowance	42 271	-
	1 907 605	**-**

Remuneration of Mr. S Mbethe - Executive Manager: Outdoor Advertising

Annual remuneration	1 385 066	1 731 865
Travel allowance	69 457	90 222
Contributions to UIF, Medical and Pension Funds	263 412	328 515
Leave encashment	264 212	56 490
Housing allowance	8 386	-
	1 990 533	**2 207 092**

Mr. S Mbethe left the employ of the JPC during the fourth quarter of the 2022 financial year.

Remuneration of Mr. SG Mzobe - General Manager: Finance & SCM

Annual remuneration	1 508 360	1 456 519
Travel allowance	120 000	120 000
Performance Bonuses	-	192 600
Contributions to UIF, Medical and Pension Funds	349 961	337 072
Housing allowance	10 893	-
Leave encashment	57 275	-
Acting allowance	171 828	-
	2 218 317	**2 106 191**

Remuneration of Mr. M Makhunga - General Manager: Mega Projects

Annual remuneration	1 537 131	-
Travel allowance	96 000	-
Contributions to UIF, Medical and Pension Funds	353 346	-
Leave encashment	57 275	-
Acting allowance	85 914	-
	2 129 666	**-**

Remuneration of Mr. IM Bhamjee - General Manager: Special Projects

Annual remuneration	1 846 103	-
Travel allowance	91 130	-
Contributions to UIF, Medical and Pension Funds	422 806	-
	2 360 039	**-**

Mr. IM Bhamjee was previously the CFO and has been redeployed to oversee special projects.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

23. Employee related costs (continued)

Remuneration of Ms. S Tshabalala - General Manager: Property Portfolio

Annual remuneration	1 517 592	-
Travel allowance	120 000	-
Contributions to UIF, Medical and Pension Funds	350 267	-
Leave encashment	57 275	-
Acting allowance	71 111	-
	2 116 245	**-**

Remuneration of Mr. M Kgatuke - General Manager: Facilities Management

Annual Remuneration	1 371 911	-
Car Allowance	90 000	-
Contributions to UIF, Medical and Pension Funds	141 733	-
Leave encashment	40 616	-
Other allowances	180 000	-
	1 824 260	**-**

Notes to the Annual Financial Statements

Figures in Rand

24. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable

Executive

2022

	Basic Salary	Performance Bonus	Travel Allowance	Company Contributions	Leave Encashment	Acting Allowances	Housing Allowances	Total
Ms HM Botes	2 700 000	413 000	250 000	35 256	-	-	-	3 398 256
Mr SG Mzobe	1 508 360	-	120 000	349 961	57 275	171 828	10 893	2 218 317
	4 208 360	**413 000**	**370 000**	**385 217**	**57 275**	**171 828**	**10 893**	**5 616 573**

2021

	Basic Salary	Performance Bous	Travel Allowance	Company Contributions	Total
Ms HM Botes	2 700 000	-	250 000	31 126	2 981 126
Mr IM Bhamjee	1 914 067	227 876	96 000	410 514	2 648 457
	4 614 067	**227 876**	**346 000**	**441 640**	**5 629 583**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable (continued)

Non-executive

2022

	Directors' fees	Total
Mr M Rabodila	120 365	120 365
Adv B Madumise	142 000	142 000
Mr R Gallocher	96 000	96 000
Ms V Gumede	15 652	15 652
Mr J Letsapa	90 435	90 435
Ms X Lingani	96 000	96 000
Ms S Maja-Masilo	116 195	116 195
Mr S Mda	321 130	321 130
Mr B Mgoza	94 200	94 200
Ms M Mngomezulu	15 652	15 652
Mr S Mngomezulu	48 522	48 522
Ms S Moichelo	53 913	53 913
Ms T Mopai	73 043	73 043
Ms B Mthimkhulu	58 000	58 000
Ms K Muthwa	123 044	123 044
Ms K Ng'ambi	136 000	136 000
Mr T Ngcobo	96 000	96 000
Ms P Numa	20 870	20 870
Mr T Ramawa	94 000	94 000
Mr B Sneech	50 000	50 000
	1 861 021	**1 861 021**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. Directors' and prescribed officers' remuneration and other benefits paid, payable or receivable (continued)

2021

	Directors' fees	Total
Mr M Rabodila	212 174	212 174
Ms Y Erasmus	73 044	73 044
Mr M Rabodila	86 957	86 957
Adv B Madumise	129 700	129 700
Ms X Lingani	90 000	90 000
Ms S Maja_Masilo	73 044	73 044
Mr S Masemola	106 000	106 000
Mr S Mda	146 089	146 089
Ms S Moicehlo	86 957	86 957
Ms T Mopai	67 736	67 736
Ms M Mngomezulu	67 826	67 826
Mr S Mngomezulu	67 826	67 826
Ms K Muthwa	90 435	90 435
Ms P Numa	88 696	88 696
Mr C Rampheri	135 875	135 875
Ms A Ramakoaba	41 739	41 739
Ms K Sithebe	90 435	90 435
Mr TM Thulare	71 130	71 130
Mr V Ward	121 890	121 890
	1 847 553	**1 847 553**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. General expenses

Advertising	348 649	97 990
Auditors remuneration	5 136 456	3 765 611
Bank charges	28 030	37 895
Board expenses	462 433	-
Board fees	2 010 178	1 861 282
Cleaning consumables	2 215 433	5 019 014
Conferences and seminars	150 000	-
Consulting and professional fees	1 686 685	748 034
Document storage	341 634	378 193
Electricity and water	30 450 200	29 927 636
Fleet	15 366 894	13 164 150
Insurance	8 359 388	9 932 509
IT expenditure	7 193 619	5 315 438
IT system licenses	577 135	352 824
Minor assets	34 627	10 542
OHASA - COVID-19	189 751	54 105 882
Operating costs - office accommodation	2 624 627	1 506 802
Parking	57 358	49 883
Pest control	917 038	853 993
Printing and stationery	3 534 321	832 529
Promotions	-	33 000
Protective clothing	-	1 717 055
Repairs and maintenance	44 053 338	36 004 714
Rates and taxes	8 206 309	7 656 463
Refuse	630 532	576 149
Sanitation and sewerage	1 468 262	1 591 796
Security	45 818 977	46 772 363
Staff training	716 627	855 474
Staff welfare	43 873	1 000
Subscriptions and membership fees	431 107	1 496 375
Telecommunications	1 267 162	1 377 883
	184 320 643	**226 042 479**

26. Lease rentals on operating lease

Office accommodation	122 903 680	120 609 542
Parking	23 228 054	22 665 554
GRAP 13 - Straight-lining of operating leases	(6 037 520)	(5 675 156)
GRAP 13 - Tenant installation incentives	-	(15 392 506)
	140 094 214	**122 207 434**

27. Finance costs

Finance leases	39	278 075
Sweeping account	-	3 438 312
Disputed supplier accounts	243 095	6 619
	243 134	**3 723 006**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Auditors' remuneration

Fees	5 136 456	3 765 611
External audit	1 968 981	2 260 888
Internal audit	3 167 475	1 504 723
	5 136 456	**3 765 611**

29. Cash used in operations

Deficit	(34 802 200)	(4 770 217)
Adjustments for:		
Depreciation and amortisation	12 682 717	26 004 884
Loss/(gain) on sale of assets	238 862	1 053 213
Movements in operating lease assets and accruals	(6 037 520)	(5 675 156)
Movements in retirement benefit assets and liabilities	(60 000)	88 000
Movements in provisions	26 004 025	(1 531 375)
Movement in tax receivable and payable	(8 817 159)	2 508 150
Movement in deferred tax	(8 372 346)	1 547 786
Movement in provision for bad debts	4 096 058	-
Non-cash flow interest received	-	(62 372)
Movement in tax payable - prior period	-	2 431 176
Changes in working capital:		
Receivables from exchange transactions	(169 330 575)	53 348 933
Other receivables from non-exchange transactions	55 403	(143 389)
Prepayments	294 537	30 836
Payables from exchange transactions	(57 000 882)	(116 173 766)
Deposits	(11 028)	-
Deposits	-	(7 503)
Taxation refunded/(paid)	(4 144 972)	4 488 282
Income received in advance	-	(3 975 000)
	(245 205 080)	**(40 837 518)**

30. Commitments

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (Office accomodation)

Minimum lease payments due		
- within one year	2 893 472	110 730 045
- in second to fifth year inclusive	-	12 211 195
	2 893 472	**122 941 240**

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. Related parties

Relationships

Controlling entity	The City of Johannesburg Metropolitan Municipality
Fellow subsidiaries	City Power Johannesburg SOC Ltd Johannesburg City Parks and Zoo SOC Ltd Johannesburg Development Agency SOC Ltd Johannesburg Fresh Produce Market SOC Ltd Johannesburg Metropolitan Bus Services SOC Ltd Johannesburg Roads Agency SOC Ltd Johannesburg Social Housing Company SOC Ltd Johannesburg Theatre SOC Ltd Johannesburg Water SOC Ltd Metropolitan Trading Company SOC Ltd Pikitup SOC Ltd
Members of key management	Ms HM Botes - Chief Executive Officer Mr SG Mzobe - Acting Chief Financial Officer Mr IM Bhamjee - GM: Special Projects Mr TF Mokataka - GM: Legal Ms S Tshabalala - EM: Property Portfolio Mr S Mabizela - GM: Internal Audit Ms G Dlamini - Company Secretary Ms B Jacobs - Acting COO Mr M Makhunga - GM: Mega Projects Mr M Kgatuke - GM: Facilities Management

Related party balances

	2022	2021
Loan accounts - Owing by related parties		
City of Johannesburg Metropolitan Municipality - Group Treasury	320 716 726	128 597 724
City of Johannesburg Metropolitan Municipality - Portfolio	7 693 575	7 625 748
	328 410 301	**136 223 472**
Loan accounts - Owing to related parties		
City of Johannesburg Metropolitan Municipality - Group Finance	(596 068 444)	(304 296 745)
City of Johannesburg Metropolitan Municipality - Group Corporate and Shared Services	(423 629 898)	(243 935 505)
City of Johannesburg Metropolitan Municipality - Housing	-	(17 682 554)
City of Johannesburg Metropolitan Municipality - Revenue Services	(4 803 577)	(4 803 577)
	(1 024 501 919)	**(570 718 381)**
Services rendered to related parties		
City of Johannesburg Metropolitan Municipality - Commission received	40 684 068	29 867 093
City of Johannesburg Metropolitan Municipality - Cleaning services	145 845 123	141 233 524
City of Johannesburg Metropolitan Municipality - Management fees	11 111 384	17 434 051
City of Johannesburg Metropolitan Municipality - Subsidies received	526 278 000	646 229 000
City of Johannesburg Metropolitan Municipality - Internal recoveries	-	2 212 815
City Power SOC Ltd	297 108	90 426
Johannesburg Development Agency SOC Ltd	2 620 180	11 484
Johannesburg Fresh Produce Market SOC Ltd	4 061 061	2 903 028
Johannesburg Metropolitan Bus Services SOC Ltd	85 817	166 930
Johannesburg Water SOC Ltd	1 325 588	201 269
Johannesburg Roads Agency SOC Ltd	13 000	-
Metropolitan Trading Company SOC Ltd	302 698	248 688
Pikitup SOC Ltd	9 519	-
	732 633 546	**840 598 308**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
31. Related parties (continued)		
Balances included in trade receivables		
City of Johannesburg Metropolitan Municipality	680 296 729	507 636 520
City Power SOC Ltd	1 059 126	305 351
Johannesburg Development Agency SOC Ltd	33 192 376	16 856
Johannesburg Fresh Produce Market SOC Ltd	40 840 079	48 572 832
Johannesburg Metropolitan Bus Services SOC Ltd	3 286 124	2 860 535
Johannesburg Roads Agency SOC Ltd	109 474	561 145
Johannesburg Water SOC Ltd	6 481 788	492 352
Metropolitan Trading Company SOC Ltd	634 095	285 992
	765 899 791	**560 731 583**
Balances included in trade payables		
Johannesburg City Parks and Zoo SOC Ltd	-	1 070 865
Johannesburg Metropolitan Police Department	78 762 098	64 516 479
	78 762 098	**65 587 344**
Services rendered from related parties		
City of Johannesburg Metropolitan Municipality - Group Corporate Shared Services	-	3 401 878
Johannesburg City Parks and Zoo SOC Ltd	1 613 716	931 187
Johannesburg Metropolitan Police Department	45 463 653	46 275 766
	47 077 369	**50 608 831**
Interest paid to related parties		
City of Johannesburg Metropolitan Municipality - Group Treasury	-	3 438 312
Balances included in non-current liabilities		
City of Johannesburg Metropolitan Municipality - Group Finance	714 000	774 000
Interest received from related parties		
City of Johannesburg Metropolitan Municipality - Group Treasury	8 016 879	370 228

Notes to the Annual Financial Statements

Figures in Rand

31. Related parties (continued)

Remuneration of management

Executive management

2022

Name	Basic Salary	Performance Bonuses/13th Cheques	Travel Allowances	Leave Encashment	Acting Allowances	Company Contributions	Housing Allowances	Total
Ms HM Botes	2 700 000	413 000	250 000	-	-	35 255	-	3 398 255
Mr IM Bhamjee	1 846 103	-	91 130	-	-	422 806	-	2 360 039
Ms G Dlamini	849 739	51 597	-	34 570	-	167 617	-	1 103 523
Mrs B Jacobs	1 409 029	117 419	-	-	42 271	327 312	11 574	1 907 605
Mr M Kgatuke	1 371 911	-	90 000	40 616	180 000	141 733	-	1 824 260
Mr S Mabizela	878 703	73 225	-	-	105 444	192 194	11 574	1 261 140
Mr M Makhunga	1 537 131	-	96 000	57 275	85 914	353 346	-	2 129 666
Mr S Mhlongo	1 695 791	-	-	57 275	-	293 479	-	2 046 545
Mr T Mokataka	1 629 969	-	-	-	-	359 167	-	1 989 136
Mr SG Mzobe	1 508 360	-	120 000	57 275	171 828	349 961	10 893	2 218 317
Ms S Tshabalala	1 517 592	-	120 000	57 275	71 111	350 267	-	2 116 245
	16 944 328	**655 241**	**767 130**	**304 286**	**656 568**	**2 993 137**	**34 041**	**22 354 731**

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31. Related parties (continued)

2021

Name	Basic Salary	Perfromance bonuses	Travel Allowance	Leave Encashment	Company Contributions	Total
Ms HM Botes	2 700 000	-	250 000	-	31 126	2 981 126
Mr IM Bhamjee	1 914 067	227 876	96 000	-	410 514	2 648 457
Mr ES Mbethe	1 731 865	-	90 222	56 490	328 515	2 207 092
Mr SZ Mntungwa	976 796	227 276	-	402 864	232 952	1 839 888
Mr TF Mokataka	1 583 469	192 600	-	-	341 254	2 117 323
Mr SG Mzobe	1 456 519	192 600	120 000	-	337 072	2 106 191
Mr F Sardianos	1 983 665	298 156	-	-	437 109	2 718 930
	12 346 381	**1 138 508**	**556 222**	**459 354**	**2 118 542**	**16 619 007**

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32. Prior period adjustments

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Receivables from exchange transactions	-	4 679 141
Payables from exchange transactions	-	(5 111 158)
Taxation	-	120 965
	-	**(311 052)**

Statement of financial performance		
Ad hoc fees - Related parties	-	156 900
Management fees	-	200 092
Tenant installations	-	(4 268 744)
Office accommodation	-	4 322 248
Advertising	-	21 521
Current Taxation	-	(120 965)
Medical boarding refunds	-	(894 910)
Employee related costs	-	894 910
	-	**311 052**

Receivables from exchange transactions - The tenant installation recognised in the 2021 financial year has been revised after consultation with the landlord over the refundable amount that JPC was to receive. This occured after the landlord extensively reviewed the tenant installations that JPC had completed at Forum 1, Braampark Office Park. Management fees related to repairs and maintenance on behalf of the COJ has been corrected.

Payables from exchange transactions - Additional accruals were raised for expenditure not recognised in the 2021 financial year but became due and payable in the 2022 financial year.

Taxation - Movement in current taxation after taking the above prior period adjustments into account.

Notes to the Annual Financial Statements

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33. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Cash flow forecasts are prepared and adequate utilised facilities are monitored. The entity's cash is swept on a daily basis to The City of Johannesburg Metropolitan Municipality main account. Group Treasury releases funding for use by the JPC as and when funds are needed to settle operational obligations.

At 30 June 2022	Less than 1 year	Between 1 to 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	178 411 285	-	-	-

At 30 June 2021	Less than 1 year	Between 1 to 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	547 120	-	-	-
Trade and other payables	235 412 168	-	-	-
	235 959 288	-	-	-

Credit risk

Credit risk is managed on a group basis.

Credit risk consists mainly of cash equivalents and trade debtors. The COJ only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise of related parties with little to no risk of default. Management evaluates the credit risk relating to customers on an ongoing basis. Customer credit limits are set for each individual department within the COJ based on internal arrangements and enforced through a service level agreement The utilisation of credit limits is regularly monitored and upheld

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

Financial instrument	**2022**	**2021**
Trade and other receivables	773 062 205	607 827 688
Cash and cash equivalents	2 000	2 000

Market risk

Interest rate risk

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

The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus/(deficit). Fixed rate borrowings expose the company to fair value interest rate risk, however interest rates on finance lease assets are fixed over the duration of the lease term.

JPC is exposed to interest rate risks associated with the COJ and its group companies as the interest rates are determined by the COJ Group Treasury.

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34. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Loans to shareholders	328 410 301	328 410 301
Trade and other receivables from exchange transactions	773 062 205	773 062 205
Cash and cash equivalents	2 000	2 000
Deposits	600 587	600 587
	1 102 075 093	**1 102 075 093**

Financial liabilities

	At amortised cost	Total
Loans from shareholders	1 024 501 919	1 024 501 919
Trade and other payables from exchange transactions	178 411 285	178 411 285
	1 202 913 204	**1 202 913 204**

2021

Financial assets

	At amortised cost	Total
Loans to shareholders	136 223 472	136 223 472
Trade and other receivables from exchange transactions	607 827 688	607 827 688
Cash and cash equivalents	2 000	2 000
Deposits	189 559	189 559
	744 242 719	**744 242 719**

Financial liabilities

	At amortised cost	Total
Loans from shareholders	570 718 381	570 718 381
Trade and other payables from exchange transactions	235 412 168	235 412 168
Finance lease obligation	547 121	547 121
	806 677 670	**806 677 670**

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35. 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 ability of the entity to continue as a going concern is dependent on a number of factors.The existence of the company is dependent on the continued support of its sole shareholder being the City of Johannesburg Metropolitan Municipality by way of commisions and management fees paid each year in terms of a service delivery agreement entered into; as well as a non-conditional subsidy

To support the continuous collection of management fees, JPC has a 30 year agreement with the COJ, of which 9 years are remaining. The deficit of the company before taxation is R20 597 105 (2021: surplus R3 114 926), after taxation it is a deficit of R18 522 569 (2021: deficit R3 763 635). In lieu of the current financial position, the City of Johannesburg Metropolitan Municipality has issued a letter of surety for the debt and loans of the entity.

36. Fruitless and wasteful expenditure

	2022	2021
Opening balance as previously reported	47 938 553	32 413 424
Office accommodation	21 929 158	15 083 913
Supplier disputes	220 796	6 619
Court judgements	587 381	-
Acting allowances	-	165 029
Board members in the employ of the state	-	269 568
Closing balance	**70 675 888**	**47 938 553**

2022: Office accommodation - During the financial year incurred fruitless and wasteful expenditure on three leased buildings: 1) JPC has incurred R2 220 348 related to the leasing of office accommodation in Braampark office park at Forum 2. Forum 2, prevously occupied by JPC, became vacant after the occupation of Forum1 and the months that the building was unoccupied has been accounted for as fruiltess and wasteful. 2) JPC settled outstanding rentals for Proton House at a value of R11 803 708. The building was vacated by Group FInance, however the departments left their assets in the building resulting in the landlord billing JPC for the rental on the vacated building. 3) A settlment of R7 905 102 was reached for the occupation of 222 Smith Street that was left vacant by Group ICT. The matter was taken to arbitration and awarded to the landlord for outstanding rental.

Supplier disputes - JPC was disputing the outstanding rental at 222 Smith Street with the landlord through the arbitration process defined in the lease agreement. The arbitrator concluded that JPC was in breach of the contract and ordered JPC to pay the outstanding rental, legal costs as well as interest on the award made against the entity.

Court judgements - JPC incurred R22 300 related to court judgements that were issued against the entity and enforced by the Sheriff of the Court for the wrongful termination of employees. At the conclusion of the arbitration for 222 Smith Street, JPC was required to settle the legal costs of the claimant totalling R565 081.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

37. Irregular expenditure

Opening balance as previously reported	63 137 568	20 446 894
Fleet services	15 357 642	10 825 207
Panel of professionals	-	26 360 769
Legal services	-	485 684
Cleaning consumables	-	5 019 014
SCM non-compliance	158 000	-
Circular 62 of MFMA non-compliance	14 387 504	-
Competitive bids not invited above R200 000 threshold - current year	5 560 280	-
Competitive bids not invited above R200 000 threshold - prior period	4 595 396	-
Closing balance	**103 196 390**	**63 137 568**

2022: Fleet services - JPC incurred R15 357 642 for fleet services. Fleet services are an essential requirement for the operations of JPC and could not be discontinued under the existing contract that was entered into by the COJ.

SCM non-compliance - During the evaluation of bids for Wheelie Bins the bids were not evaluated in terms of the minimum threshold and the winning bidder did not provide declaration on local production and content (MBD 6.2) as it was not included in the bid documentation as required. This resulted in a failure to meet the minimum stipulated threshold for local production and content and non-compliance with Preferential Procurement Regulations 8(5).

Circular 62 of MFMA non-compliance - During the 2021/22 audit of contract management, there were lease contracts which had come to the end of their lease term. These contracts have subsequently moved to a month-to-month lease term. The amendments to the contract was not tabled to council in terms of section 116(3) of the MFMA. Further in terms of MFMA circular 62 the expansion/variation of the contracts were more than the allowed 15%.

Competitive bids not invited above R200 000 threshold - JPC participated in a contract through Regulation 32 for the utilisation of IT services. However, the paricipation in the contract was granted after the panel had expired thus rendering it irregular. The amounts related to this have been qunatified as R5 560 280 for the current financial year and R4 595 396 for the prior year.

38. Reconciliation between budget and statement of financial performance

Reconciliation of the budget with the surplus/(deficit) in the statement of financial performance:

Net deficit per the statement of financial performance	(34 802 200)	(4 770 217)
Adjusted for:		
Revenue	130 161 482	126 541 807
Operating expenses	(87 225 798)	(129 311 915)
Loss on disposal of assets	238 862	1 053 213
Taxation	(8 372 346)	6 487 112
Net surplus per approved budget	-	-

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39. Deviation from supply chain management regulations

Regulation 12(1)(d)(i) of the Municipal Supply Chain Management Regulation, 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. Regulation 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, reports them to the next meeting of the board, and includes a note to the annual financial statements

In the previous period, JPC acquired leases of office accommodation via Regulation 36. JPC was disclosing the expenditure on an annual basis throughout the contract period. National Treasury provided clarity that the disclosure should be done during the year of the deviation and JPC must disclose the full contract value and not what was expensed in that period. Contracts that were varied or extended via Municipal Finance Management Act Section 116 do not need to be disclosed in the annual financial statements. The contracts amended via section 116, are therefore removed from this disclosure and only the remaining contract value disclosed for leases on Regulation 36.

During the period under review, JPC established an emergency panel of service providers for the provision of deep cleaning, sanitizing and fogging services at various City of Joburg facilities. The bids were advertised for a shorter period (7 days) in line with MFMA section 22(1)(b)(1)

Deviations related to COVID-19		
4T Group Pty Ltd	-	778 470
Achemar Trading and Projects	-	975 823
Afropex Consulting	-	1 618 948
Amagwala Trading	-	934 648
Ambrica ZA Pty Ltd	-	934 648
Ambroser Solutions - LMZ Capital cc JV	-	1 011 256
Baitsekago Projects Pty Ltd	-	482 436
Ballatz Constructions and Maintenance	-	565 751
Bavumile Marketing and Consulting Pty Ltd	-	934 648
Big Boys Constructions	-	1 267 860
Blackcherry Trading Enterprise CC	-	760 018
Blue Lotus Trading Pty Ltd	-	508 295
Bonamini Trading Enterprise	-	934 648
Chillo Group	-	1 473 255
Cleanride Pty Ltd	-	438 474
Complete Link	-	508 295
Dloziman Trading Enterprise CC	-	953 819
Elevated Hygiene Services Pty Ltd	-	2 432 145
Entambane Pty Ltd	-	482 436
Fachs Business Consulting and Trading	-	113 134
Girman Thandinkosi Trading	-	207 278
Gloyan investement and Trade Pty Ltd	-	691 000
Headstart Projects	-	322 959
Hikumekile Business Enterprise CC	-	286 139
Igano Group Pty Ltd	-	533 346
Intando Yesintu Trading 13	-	934 648
Keavusi Trading and Projects Pty Ltd	-	527 721
Kendisa Trading	-	849 240
Khanimamba Projects and Finance Pty Ltd	-	565 670
Khobale Growth Investements	-	555 003
KKL IT Solutions and Projects	-	934 648
KM and FM Baleleni JV	-	508 295
Kokhoza Trading and Enterprise	-	419 375
Kwa Mbombo Cleaning and Supply	-	489 709
Laumeth Trading CC	-	926 521
Lesego Ke Neo Trading	-	519 679
Majodina Group Pty Ltd	-	482 436
Mamotlaletsi Pty Ltd	-	707 341
Mila Oluhle Group CC	-	778 470
Mmuso Group	-	420 374

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39. Deviation from supply chain management regulations (continued)

Missy Tee Business Enterprise Pty Ltd	-	565 670
Mogale Solution Providers Pty Ltd	-	1 027 903
Moomelang Business Enterprise	-	535 182
Mote Business Solutions Pty Ltd	-	424 620
Musenga Investments - Above Groung JV	-	489 709
Mxhumazwe Consulting	-	482 436
Nyeleti Training and Projects Pty Ltd	-	472 900
Omeida Trading 105	-	1 650 074
Othaniel Consulting and Projects	-	316 960
Phuti Mpai Building and Civil Contractors	-	489 709
Phuto Engineering	-	482 436
Poto M Construction Pty Ltd	-	404 050
Princess Mpule Projects	-	489 709
PTM Global Consulting	-	304 573
Rangi Property Management	-	790 461
Re Mo Cleaning Services Pty Ltd	-	484 860
Right Start Trading and Projects Pty Ltd	-	484 860
Royal Pest Management	-	482 436
Seeds Consulting and Projects Management	-	934 648
SIM Buidling Supplies and Projects Pty Ltd	-	934 648
Tallship Haulers Pty Ltd	-	489 709
Thathe Holding Pty Ltd	-	395 951
The Great Rocks Pty Ltd	-	489 709
Thembane Cleaning Services	-	934 648
Thibololo Seholo Pty Ltd	-	448 172
Tirhani Nkateko Projects and Developments	-	130 183
TNK Global Services	-	934 648
Tokitone Pty Ltd	-	436 697
Topcor Risk Services	-	934 648
Triple SL Tech CC	-	404 050
Try Easy Electrical Solution	-	202 025
Tswelopele Business Services and Projects	-	508 295
Tubatse Projects	-	448 172
Twin Place Trading and Projects Pty Ltd	-	126 306
Vakhova Management Consultants	-	849 240
WKS Holdings Pty Ltd	-	555 003
Wyza Media Solutions	-	482 611
Ximambana Trading Enterprise	-	1 246 731
Young Peers Trading and Projects	-	555 003
Zentoria LS Investments	-	515 627
	-	**53 104 131**

Deviations related to office accommodation

6 Plein Street	-	15 258 992
Abzubix	-	20 877 211
Balfin	-	196 923
CEZ Investments	-	9 102 147
City Property	-	2 030 800
Hermans and Romans	-	17 235 095
Malvern Plaza	-	18 305
Mutodo	-	32 018 044
Nthwese Developments	-	15 305 708
Orion Property Group	-	7 647 313
Redefine Properties	-	80 943 416
Sanlam/JHI	-	53 968 420
Sizanai	-	1 727 243
	-	**256 329 617**

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40. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangment(s) is|are as follows:

The JPC is mandated to provide facilities management that incorporates repairs and maintenance for the COJ and other MOEs' in the COJ group. The JPC is the agent in the arrangement. The JPC facilitates and manages the R&M projects on behalf of the COJ and receives a management fee equivalent to 10% of the project value.

The arrangement requires JPC to procure goods and services related to property and facilities management, and to thereafter project manage the works to ensure that they are executed according to the scope agreed upon with the COJ departments and other MOEs'. The arrangement is facilitated by a service level agreement between JPC and the various COJ departments.

JPC generated management from this arrangement as follows:

Management fees	9 492 187	13 319 606

41. Contingencies

JPC currently has four matters of litigation against the entity from external parties. The total estimated value of the litigation against the entity is R6 537 939.50. The matters are currently in varying stages of litigation with the likelihood that they may be concluded and settled in the coming 2023 financial year.

Litigation is in process against the entity relating to the dispute of various employee dismissals at the bargaining council and labour courts. Management is uncertain about the outcome of these various litigations, and due to the nature of the various claims, cannot quantify the potential financial impact as at 30 June 2022.

APPENDIX E(1)

	Current Year Actual Balance (000's)	Current Year Revised Budget (000's)	Variance (000's)	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Cellmast services	18 362	12 093	6 269	51.8	Collections are in line with the contract. revenue exceeded budgeted due to greater than anticipated quarterly upliftment fees
Commissions and ad hoc fees received	43 645	53 787	(10 142)	(18.9)	Commissions trail budgeted objectives due to leases currenlty under review at EAC.
Internal recoveries	2 349	-	2 349	-	Recovery of rent from Group Governance for the occupation of the 6th florr on Forum 1
Interest received	8 027	-	8 027	-	Interest income generated from the sweeping account as the account is in surplus.
Management fees	16 492	7 000	9 492	135.6	JPC undertook more R&M and CAPEX work than originally budgeted for and anticipated.
Cleaning services recoveries	146 148	221 619	(75 471)	(34.1)	Cleaning service recoveries have been recovered per the allocation of cleaning staff around the COJ.
Subsidy	526 278	526 278	-	-	
Third party facilitation fees	500	73 010	(72 510)	(99.3)	Facilitation fees for the 2022 financial year did not materialise due to challenges related to site preparation for the projects to initiate.
Medical boarding refunds	923	-	923	-	
SETA refunds	902	-	902	-	
	763 626	893 787	(130 161)	(14.6)	
Expenses					
Personnel	(465 125)	(455 219)	(9 906)	2.2	The budget approved for cleaning staff under-provided for the expenditure.
Depreciation	(12 682)	(14 132)	1 450	(10.3)	Depreciation is below budget as certain assets reached the end of their useful lives during the financial year
General expenditure	(184 321)	(343 086)	158 765	(46.3)	
Finance costs	(243)	(43 226)	42 983	(99.4)	JPC incurred interest on matters related to litigations
Lease rentals	(140 094)	(130 789)	(9 305)	7.1	Lease payments in line with contractual obligations
Debt Impairment	(4 096)	-	(4 096)	-	Bad debts provision has been revised to align with the requirements of GRAP 104.
	(806 561)	(986 452)	179 891	(18.2)	
Operating profit					
	(42 935)	(92 665)	49 730	(53.7)	
Other revenue and costs					
Gain or loss on disposal of fixed assets	(239)	-	(239)	-	
Net surplus/ (deficit) for the year	(43 174)	(92 665)	49 491	(53.4)	
Taxation					
Deferred tax	8 372	-	8 372	-	
Profit/(Loss) for the year	(34 802)	(92 665)	57 863	(62.4)	