a world class African city

JOBURG PROPERTY COMPANY

JPC Integrated Annual Report 2021/22

Company Information:

Registration number:	2000/017147/07
Registered address:	3rd Floor | B-Block | Forum I | Braam Park | 33 Hoofd Street | Braamfontein
Postal address:	PO Box 31565 | Braamfontein | 2017
Telephone number:	+27 010 219 9000
Shareholder:	The City of Johannesburg Metropolitan Municipality
Website:	www.jhbproperty.co.za
Global Email Address:	clientservicingunit@jhbproperty.co.za
Bankers:	Standard Bank South Africa
Auditors:	Auditor-General of South Africa
Company Secretary:	Gontse Dlamini

APPROVAL PAGE

Official Sign Off: It is hereby certified that this Annual Report:

- Was developed by the management of JPC SOC Ltd under the guidance of the Chief Executive Officer (CEO) and considers all the relevant policies, legislation, and other mandates for which JPC SOC Ltd is responsible; and
- Accurately reflects the Performance that JPC SOC Ltd has achieved in the 2021/2022 Financial Year.

SIGNATURE PAGE	
Mr. Sipho Mzobe **Acting Chief Financial Officer** .... **Signature**	29/11/2022 .... **Date of Approval**
Ms. Helen Botes **Chief Executive Officer** .... **Signature**	30/11/2022 .... **Date of Approval**
Adv. Brenda Madumise **Chairperson of the Board** MB Madumise .... **Signature**	30 November 2022 .... **Date of Approval**
Cllr. Nkululelo Mbundu **Member of the Mayoral Committee** .... **Signature**	Dec 05 ~~Nov~~ 2022 .... **Date of Approval**

Acronyms

ACRONYMS AND ABBREVIATIONS			
Acronym/ abbreviation	**Name/phrase**	**Acronym/ abbreviation**	**Name/phrase**
AFS	Annual financial statements	**IAR**	Integrated Annual Report
AGM	Annual General Meeting	**IAS**	International Accounting Standards
AGSA	Auditor-General of South Africa	**IAC**	Independent Audit Committee
AIDS	Acquired Immune Deficiency Syndrome	**ICT**	Information Communication Technology
ARC	Audit and Risk Committee	**IDP**	Integrated Development Plan
B-BBEE	Broad-Based Black Economic Empowerment	**IFRS**	International Financial Reporting Standards
BEE	Black Economic Empowerment	**IIRC**	International Integrated Reporting Council
CAPEX	Capital Expenditure	**ILP**	Individual Learning Plan
CBO	Client Business Operations	**MPG**	Multi-Party Government
CCMA	Commission for Conciliation, Mediation and Arbitration	**REMCO**	Remuneration and Human Resources Committee
COBIT	Control Objectives for Information and Related Technology	**RFP**	Request For Proposal
CoJ	City of Johannesburg Metropolitan Municipality	**SAPOA**	South African Property Owners Association
CSI	Corporate Social Investment	**SCM**	Supply Chain Management
DED	Department of Economic Development	**SDA**	Service Delivery Agreement
EAC	Executive Adjudication Committee	**SDBIP**	Service Delivery Budget Implementation Plan
EAP	Employee Assistance Programme	**SDG**	Sustainable Development Goals
EEP	Employment Equity Plan	**SDJOC**	Service Delivery Joint Operations Committee
FMM	Facilities Management and Maintenance	**SDM**	Service Delivery Model
GCSS	Group Corporate Shared Services	**SEC**	Social Ethics Committee
GIS	Geographic Information System,	**SHE**	Safety, Health and Environment
GIAS	Group Internal Audit Services	**SMMEs**	Small, Medium and Micro-Enterprises
GDS	Growth Development Strategy	**SOC**	State-Owned Company
GFIS	Group Forensic and Investigate Services	**WSP**	Workplace Skills Plan
GRAP	Generally Recognised Accounting Practice	**YTD**	Year to Date
GRI	Global Reporting Initiative		

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ABOUT THIS REPORT

Section 1: Scope

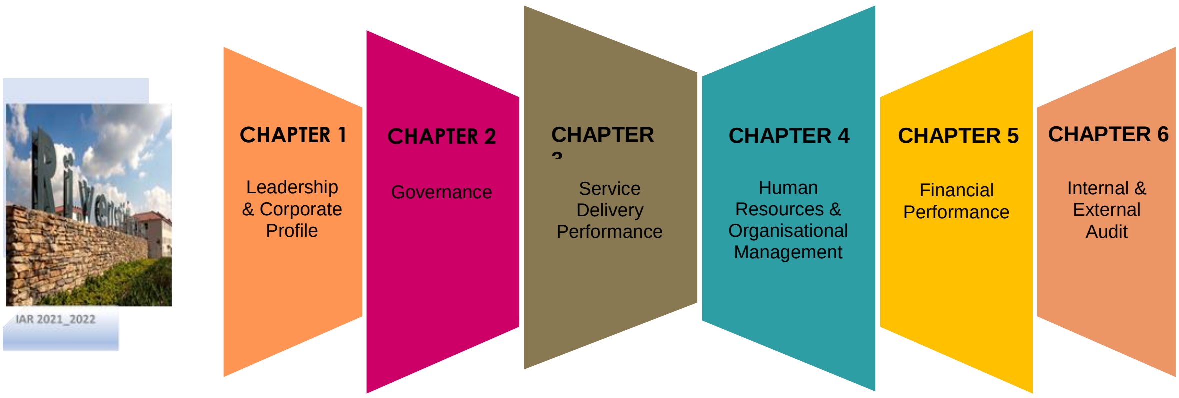
JPC, a municipal entity wholly owned by the City of Johannesburg (CoJ), is pleased to present its Integrated Annual Report for the period 1 July 2021 to 30 June 2022. This report aligns with best practices in integrated reporting.

To comply with local and international sustainable reporting best practice guidelines, the report also takes financial, social, and economic factors into account in reporting on JPC's operations. The guidelines, legislative and policy framework applied include the following:

- Reporting requirements as per the MFMA Circular 63
- The South African Statements of General Recognised Accounting Practice (GRAP)
- Section 46(1) of the Municipal Systems Act, No. 32 of 2000.
- The IIRC' Framework
- The King IV Report on Corporate Governance for South Africa
- National Treasury Guidelines and Regulations
- Millennium Development Goals
- National Development Plan (NDP)
- Integrated Development Plan (IDP)
- Service Delivery and Budget Implementation Plan (SDBIP)

JPC has applied the prescriptions outlined in Circular 63 of the Municipal Finance Management Act, No. 56 of 2003 (MFMA), issued by the National Treasury, in the preparation of this Integrated Annual Report. The circular prescribes the content that should be included in the Integrated Annual Reports.

We remain committed to reporting transparently to our wide range of stakeholders through this report which is structured as follows:



Supporting Documents and Feedback

The JPC 2021/22 Integrated Annual Report will be uploaded on the Company website at www.jhbproperty.co.za.

Your feedback is important to us and will help enhance our reporting processes. Accordingly, please direct any feedback on this report to clientservicingunit@jhbproperty.co.za or please visit our website indicated above.

Section 2: Materiality

JPC has applied the principle of materiality in determining relevant content and disclosure. By taking the risks and opportunities identified in our operating context, stakeholder engagement process, and internally identified risks and opportunities, we have determined which matters are most important to JPC's value creation in the short, medium, and long term.

Material issues are embedded into the company's processes as a point of reference in at least the following five ways that ensure efficiency and impact:

- **Strategy**: feed into ongoing strategy development by highlighting rapidly emerging issues and enabling them to be factored into strategy development and possibly addressed as business opportunities, rather than ignored until they become business risks.
- **Performance**: promotes internal understanding of the link between environmental, social, and governance issues and business performance. The materiality determination provides a link between issue experts and strategic and operational managers.
- **Financial**: quantitative materiality in respect of financial indicators that indicate the type of indicators widely used and accepted in the accounting profession as a basis for calculating materiality.
- **Stakeholder engagement**: provides a framework to design stakeholder engagement strategies and a powerful tool to help identify opportunities for dialogue and collaboration.
- **Reporting**: determine the scope of reporting and other communications so that they are more strategically aligned and useful to external stakeholders.

Materiality is not only related to the size of the entity and the elements of its financial statements. Misstatements that are critical either individually or taken together may have a material effect on the Company.

Qualitative materiality premised on the Company's risk assessment is set as follows:

- Any item or event for which specific disclosure is required by legislation, the King IV Report, or accounting standards
- Any fact discovered omission or misstatement of which, in the Board's opinion, could influence the decisions or actions of the executive authority or Council
- Any matter that could substantively affect the organisation's ability to create value over the short, medium, and long term
- Any participation in relevant initiatives or programme outside of the approved strategic plan
- All losses in respect of criminal conduct
- Any criminal or disciplinary steps taken as a consequence of such losses and
- Any irregular material expenditure, fruitless and wasteful expenditure

Section 3: Assurance

JPC has adopted a combined assurance framework with the aim of optimising, co-ordinating, and integrating assurance, provided by internal and external COJ assurance providers, on risk areas facing the entity. Combined assurance includes executive and senior management monitoring and oversight, internal audit and external assurance providers as well as Board and the relevant COJ committee's oversights.

The executive management, internal audit unit, and the Audit and Risk Committee have reviewed and assessed the entity’s integrated annual report for 2021/22 to ascertain whether minimum disclosure requirements were adhered to in terms of the following:

TABLE 1: MINIMUM DISCLOSURE REQUIREMENTS

Integrated Reporting Framework	MFMA: Circular 63 Annual Reporting Requirements
Organisational overview and external environment	Statements from: Member of the Mayoral Committee Chairperson’s foreword CEO’s foreword
Governance	Governance structures Board independence and reporting Intergovernmental relations Public accountability participation Supply chain management, by-laws, and oversight committees Risk management Anti-corruption and fraud Disclosure of financial interests Councillors and Board committees
	The entity s’ service delivery operating model is being updated to respond to the ever-changing operating environment to mitigate challenges within the property sector.

Integrated Reporting Framework	MFMA: Circular 63 Annual Reporting Requirements
Risk and Opportunities	Organisational development performance
Strategy and Resource Allocation	Financial performance and disclosure
Internal audit **Assessment of governance risk, management ethics, and internal control processes** **Progress on audit findings**	Appendices i.e. Auditor General Report and Annual Financial Statements
Governing stakeholder relationships	
Integrated reporting philosophy **Sustainability disclosure** **Financial Disclosure**	

JPC will continue to refine its approach to reporting to further align itself with international standards and strive to be consistent and accountable in its work to create sustainable value for all residents of Johannesburg.

Section 4: Board Responsibility and Approval of the Integrated Report

JPC's Board of Directors acknowledges its responsibility to ensure the integrity of the 2021/22 Integrated Annual Report and any supplementary information referenced in the report. The Board has accordingly applied its collective mind and, in its opinion, this integrated report addresses all material matters, offers a balanced view of its strategy, and how it relates to the organisation's ability to create value in the short, medium, and long term. The report adequately addresses the use of and effects on the resources and the manner in which the availability of these resources is impacting on JPC's strategy business model and capacity to deliver on its mandate. We, as the Board, believe that this report has been prepared in accordance with the International Integrated Reporting Council's (IIRC) framework.

The Integrated Annual Report 2021/22 was approved by the Board of Directors and signed on its behalf by:

Adv. Brenda Madumise
Board Chairperson

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JOBURG PROPERTY COMPANY

Chapter 1: Leadership & Corporate Profile

Section 1: Member of Mayoral Committee's Foreword

Subsequent to the local government elections in November 2021, the Multi-Party Coalition Government led by Executive Mayor Phalatse was constituted and I was sworn in as the Member of the Mayoral Committee responsible for Economic Development.

In this role I exercise Political Oversight over a Department and four municipal-owned entities which play a pivotal role in stimulating the economy of Johannesburg, the Gauteng Province and the broader Republic of South Africa. Each day, the Core Department of Economic Development, Joburg Property Company, MTC, Joburg Market, Joburg Tourism Company work towards pursuing and executing programmes linked to the seven mayoral priorities as directed by the MPG.

This enormous responsibility drives initiatives that aim to realise the vision of the MPG in terms of transforming Johannesburg into a City of Golden Opportunities. The JPC's 2021/22 Integrated Annual Report for the period of 01 July 2021 to 30 June 2022 presents the financial position and performance of the entity. It captures a year characterised by some challenges as well as successes. It further reflects the impact of efforts designed to ensure efficient delivery of the entity's organisational mandate in line with the Mayoral Priorities of the MPG.

Since coming into office, I have noted the entity's performance and, whilst I have been concerned about certain metrics, I am confident that the board is alive to the issues and will guide the entity's resolution of all concerns. Key amongst these is the entity's performance with respect to revenue generation, capital expenditure, management of the city's property asset base in a dilapidating state and the achievement of pre-determined objectives primarily addressing service delivery.

The execution of the following measures, amongst others, will assist the entity to quickly reach a point of financial sustainability:

- **Human Capital Development**: Implement an employee centric human capital development culture ensuring the workplace is safe, empowering and promotes high performance
- **Financial Sustainability:** diversifying income streams across its mandate to stabilize the financial position of the entity
- **Assets Audit:** support city units executing the reclamation of hijacked properties and accelerate lease renewal for Social and Commercial purposes
- Addressing **Repair and Maintenance constraints**
- **Investment Attraction and Job opportunities creation**

- **Asset Optimization:** Leverage underutilised city properties to extract maximum value linked to market averages
- **Revenue Collection:** Effective and equitable collection of rental revenue from all city owned properties currently leased out.

This report deals with the aspects of COJ property portfolio transactions such as sale, leasing, and acquisition including adherence to service standards, Small Micro and Medium Enterprises (SMME) support and stakeholder engagement

Future Outlook for JPC

Key goals for the City of Joburg include the need to address spatial inequalities and the expansion of access to economic opportunities to all residents. To address these, JPC has committed to measures such as the implementation of Inner-City Rejuvenation programme, which seeks to regenerate the inner city node by providing mixed-use developments which deliver affordable accommodation and stimulate economic activity in the hub of the South African economy.

The South African economy, at a macro level, remains deeply challenging, despite the slight upward growth due to a number of factors such the high unemployment rate and widespread poverty. As government, it is our responsibility to respond and address these challenges. To that end, the JPC will place emphasis on initiatives that stimulate economic growth through investment attraction on the COJ property portfolio, the creation of job opportunities and incubating and stimulating entrepreneurship for small, medium, and micro-enterprises (SMMEs).

In the short-term, JPC will support the City's efforts with the implementation of the recently approved informal trader's policy to create clean and safe trading spaces and start a process of regulating informal trade in order to ensure that traders can increase their earnings capacity, begin to move up the value chain in the formal economy and create an opening for others to earn a living.

Whilst rebuilding the JPC may take a while, the MPG is committed to galvanizing all stakeholders to play their part and support the building of the JPC into a sustainable and profitable agent for COJ property portfolio. I am confident that the execution of targeted initiatives will go a long way towards enhancing the revenue streams and build internal capacity of the entity as well as enhance service delivery in the city broadly and improve the lives and livelihoods of Johannesburg communities.

I implore the Executive Team to strive for continuous improvement in their stewardship of JPC and extend the same encouragement to the Board especially in ensuring that JPC is managed in the best interests of the City's residents.

As the Executive Leadership of the City, ably led by Executive Mayor Cllr Mpho Phalatse, we look forward to the year ahead and reaffirm our commitment to supporting the board and management by providing guidance to ensure that the entity takes significant strides towards achieving success for, and on behalf, the residents of this great city.

....
Cllr Nkululeko Mbundu
MMC: Economic Development

Section 2: Foreword by the Chairperson

The 2021/2022 financial year has been challenging and characterised by high levels of change and uncertainty. From Board‘s perspective, uncertainty creates the opportunity for the entity to evolve its operations. JPC manages a diversified immovable property portfolio on behalf of its sole shareholder and has been operating under the drive to turn around its operations and financial position in a recovering economic environment.

We faced a roller-coaster ride of highs and lows with the appointment of the Board of Directors in February 2022, ushering in a new era focusing on strategic matters, shaking off complacency, and finding solutions.

The Board‘s view is that governance is the key to ensuring that JPC remains a trusted agent to manage the shareholder‘s property portfolio thus creating value in the short, medium, and long term. The Board takes accountability and responsibility to direct, steer and monitor the entity‘s strategy, operations and ensures that resources are in place to meet current and future business requirements.

The following strategic themes were material in our Board deliberations with Management in order to pave a new vision and improve the organisation‘s performance and financial position:

- **Scaling up**: Revised Strategic Outlook that is aligned to the City‘s priorities, programmes, and interventions set out in 2022/2027 IDP.
- **Unlocking value**: Financial Sustainability through diversification of income streams to stabilize the financial position of the entity.
- **Evolving technology and operations**: advancing innovative technological solutions which improve the entity‘s operations.
- Operate **efficiently and improve** stakeholder relations and customer experience.

The Board of Directors is committed to ensuring its directors have appropriate skills, experience, and comprehension of COJ and JPC‘s operating context hence the board’s full participation in Induction sessions conducted by group governance and the organisation subsequent to the appointment of the Board of Directors.

During my tenure, the Board were seized with two investigations reports and made endeavours to complete these matters:

- The SIU Report

- Kunene Ramapala Incorporated Attorneys (KR)

The Integrated Annual Report (IAR) for the 2021/22 financial year reveals the entity's financial and organizational achievements and further elaborates on the current realities, organisational dynamics, and challenges that impact its capability to deliver its mandate.

Operating Environment Context

The City has adopted a drive to rebuild Johannesburg as a City of Opportunities by getting the basics right despite the various interrelated challenges ranging from increasing unemployment, rapid urbanization, economic growth, and socio-economic matters. As a result of this drive, JPC is forced to find solutions that are sustainable, modern and technologically resilient whilst maximizing social, economic, and financial benefits to COJ.

Organisational Performance

The Board's attention in the past two quarters of the 2021/22 financial year was on the stabilization of the entity while ensuring that its challenges are addressed sustainably. The entity has achieved 5 (33%) of its 15 due KPIs and while this performance level is below the set norm of 85%, the Board, in collaboration with management will continue to strive toward an improved performance level.

A focus is required on the company's inability to spend CAPEX, which reflects 42% of year-to-date spending and a financial loss of R18.5 million attributable to budget reduction effected by shareholders and difficulty to generate scalable revenue in a depressed macro-economic climate.

Way forward

The current financial and organisational performance indicators confirm the Board's resolution to review the organizational strategy and implement initiatives that will turn around the entity's financial position and bring about operational efficiency and leadership stability.

Going forward, the Board will continue to interrogate and review the strategies that management has in place to change the current performance levels and rebuild JPC setting it on a path to reclaim its status as the entity that manages COJ property portfolio for social and economic benefits.

I express my gratitude to my fellow Board Members for their hard work and input into the strategic discussions which will be finalised by mid-term and their unwavering commitment to ethical leadership and deep work ethic.

On behalf of the Board, I thank the Executive Team under the guidance of the CEO as well as the staff for their energy and resilience during a tough year full of uncertainty.

I take this opportunity to thank the MMC: Economic Development, Cllr. Nkululeko Mbundu for sterling leadership and guidance in making this Board effective.

Adv. Brenda Madumise
Board Chairperson

Section 3: Chief Executive Officer's Report

Our integrated report is the window into our business, a tool for engaging with our stakeholders and bringing together the most pertinent information on what matters most, including our ability to create sustained value. The 2021/22 Integrated Annual Report provides a holistic and integrated overview of the entity's performance in terms of its operations, finance, governance, and sustainability.

While organisational and financial instability remained pervasive themes throughout 2021/22, the focus for the entity is to turn around its operations through these key strategic themes that impact performance:

- **Operate Efficiently:** Operational efficiency is not only about cutting costs. It's about finding the best possible way to do what we do with the resources at our disposal. In the current environment, we need to balance our social mandate with a drive for financial sustainability.
- **Attract Strategic Investment:** package attractive investment opportunities
- **Engaged workplace:** committed to creating a conducive workplace in order to gain a harmonious environment in which each employee is invested in the success of the organization
- **Unlock value:** Reviewing the property portfolio and exploring how we can unlock value over the next three years through diversification of income streams.
- **Growing our** reputation and **improving** stakeholder relations and experience; and
- **Evolve technology** as part of the readiness for the impact of the Fourth Industrial Revolution (4IR) on the entity, its business model, and operations.

Operating environment

This year was characterised on the one hand by the stabilization of the organisation and, on the other, by setting the course for our medium-long-term strategy. JPC operates in a constantly evolving environment and has continued to strive toward delivering on its mandate in support of the Strategic Priorities and Golden start programs.

Financial performance

The financial position of the entity indicates that the JPC has remained insolvent and stagnant year on year. The solvency ratio resides at 0.95:1 and the liquidity at 0.90:1. The ratios indicate that the increase in the company's assets year-on-year of R372.5 million was mirrored by an increase in the liabilities.

Organisational Performance

For the period under review, JPC scorecard reflects the entity has achieved 33% of its targets i.e. (5 of 15 KPI). The achievements for the period under review include:

- ✓ JPC has realised a rand value investment spend of R357 579 666.33 as a result of Construction Projects within CoJ Boundaries.
- ✓ 280 asset management plans concluded.
- ✓ One hundred and sixty-six (166) properties to the value of R24 989 996.00 were transferred during the reporting period to advance the City's service delivery, housing provision, and economic development objectives.
- ✓ The entity achieved a resolution rate of 100% on the AGSA audit findings of the 2020/21 financial year.

The reasons for the non-achievement of targets relate to various factors amongst others the informal trading policy was only approved in the last quarter of the financial year, and the delayed conclusion of SCM processes for property transactions resulted in projects having to be rolled over or being halted.

In the 2022/2023 financial year, we will implement our turnaround plan in line with the Service Delivery Agreement (SDA), and focus on initiatives to maintain continuous improvements, quick wins, and sustainability with a positive financial position with the following as key areas of focus:

- The digital revolution of the Fourth Industrial Revolution (4IR) and its impact on the entity, its business model, and operations;
- Land remains fundamental to changing spatial form and challenging spatial inequalities within the City thus JPC will explore options on how property transactions are released to maximize economic benefits for the City and also for broader social good;
- Focus on land acquisitions to ensure the availability of strategic commercial assets for the City's portfolio;
- Render an improved service and ensure accuracy in billing and recovery of money.

Appreciation

I thank my executive team and employees for their commitment and support during the year. I also thank our Shareholder COJ for their continued support as we position the entity for long-term growth.

My appreciation extends to the Board for providing clarity on areas of prioritisation and focus, and for their support.

JPC will realize its strategic mandate and together we can usher in a new era that is more just, resilient, transformative, and inclusive. We can only achieve our ambition through the ongoing collaborative efforts with the Board of Directors, Management, and JPC employees.

Helen Botes
Chief Executive Officer

Section 3: Review by the Acting Chief Financial Officer

The financial year end concluded with a significant increase in expenditure related to OPEX and CAPEX as various supply chain management ("SCM") processes were completed during quarter four. The finalisation of the midterm budget process in Q3 allowed the organisation to focus on what could be achieved by financial year-end while preparing for the next financial year. Of important significance was the conclusion and establishment of two strategic panels to improve JPC's service delivery to its stakeholders and to improve its budget utilisation.

The financial statements detailed in Chapter 5 indicates a loss of R34.8 million for JPC for the financial year. The loss for the year is attributable to the following

- A severe budget reduction on the subsidy by R128 million during the mid-term budget review came into effect in the fourth quarter of 2022. The COJ reviewed the OPEX and CAPEX budgets of all its departments and entities and rebased the budgets to mitigate its liquidity and credit risks. The rebased budgets have been carried forward into the next three financial years.
- Budgeted facilitation fees relating to Soweto Gateway and Southern Farm development of R72.5 million could not be realized in this financial year, due to Soweto Gateway being a non-responsive bid, and Southern Farm has been at the Executive Adjudication Committee since March 2022, we are hopeful that the award will be made in the first quarter of the new financial year
- Commissions and adhoc fees were R12.7 million under the budgeted objectives for the financial year. JPC is currently attending to a number of lease renewals which will positively affect this line item in the new financial year.
- Cleaning services recoveries do not include a JPC charge as the mayoral resolution on insourcing did not include the 10% management fees charged by JPC. JPC was not provided a subsidy to cover its head office and JPC depot cleaning staff but the budget was structured as an internal recovery to fund cleaning services.
- Further to the above point, when considered in isolation of the overall financial performance of JPC, cleaning services resulted in an operating loss of R35.9 million as unrecovered expenditure was borne by JPC.
- A provision of R23.9 million has been recognized for the white-boxing of Proton House. The matter has been at arbitration across the financial year end with a bill of quantity being prepared by a quantity surveyor for engagement of the settlement value for the white-boxing with the landlord.

Management has implemented a number of interventions to manage the extent of the loss, which included the following;

- Curb expenditure throughout the financial year with Repairs & Maintenance being the only significant variable expense component of JPC's budget and expense structure.
- JPC has maintained a surplus bank balance throughout the financial year and as a result, an additional income of R8 million has been generated with no interest expenditure for the financial year.

The financial position of the entity indicates that the JPC has remained insolvent and stagnant year-on-year. The solvency ratio resides at 0.95:1 and the liquidity at 0.90:1. The ratios indicate that the increase in the company's assets year-on-year of R372.5 million was mirrored by an increase in the liabilities. Despite the insolvency, JPC is commercially solvent and has access to R320 million from its sweeping account to settle all expenditures and trade payables as they fall due. Difficulties in the conclusion of service level agreements ("SLA") with departments across Q3 and Q4 have resulted in difficulties recovering trade receivables for cleaning services. There are ongoing consultations between JPC and the COJ to resolve and iron out the technical details of the SLA, in the interim the service is still being provided.

External monies from the recovering property sector will be explored with an emphasis on generating revenue in the financial years ahead. Revenues from outdoor advertising, property rentals and developments, have the potential to bring in considerable and sustainable revenue streams that can transform the net liability position of the financials to a net asset position again.

Internal audit services were commissioned in Q4 to review SCM and various aspects of Finance during the quarter. The audit work and reports are to be concluded in the first quarter of the 2023 financial year with the intention of reviewing and implementing mitigations for any control deficiencies.

Fruitless and wasteful expenditure on leased office accommodation has been a challenge to contain as departments have partially vacated their buildings leaving JPC to resolve the fallouts with the landlords. As a result JPC has incurred R22.7 million in fruitless and wasteful expenditure for the year, of which vacant office accommodation contributes to R21.9 million of the fruitless and wasteful expenditure.

JPC continues to incur irregular expenditure on the fleet as the contract with Afrirent, through the COJ, was declared irregular by AGSA and National Treasury. The year-to-date expenditure totals R15.3 million. During the audit of the 2022 financial year, the Auditor General identified other items of irregular expenditure bringing the total irregular expenditure for the financial year to R40 million.

The details of fruitless and wasteful and irregular expenditure are provided in Chapter 5 of this report and the annual financial statements.

In the new financial year we will continue with initiatives to improve the financial performance of the organisation including the following;

- Request the City to increase the employee cost line items in order to fill critical vacancies. During the budget period, JPC was instructed to wait for the new board prior to requesting an additional budget. The new board was appointed in February 2022.
- We will request the City Budget Steering Committee to move the repairs and maintenance budget on corporate buildings and city-owned assets to JPC Portfolio. This will ensure accurate reporting of the Property, Plant, and Equipment to repairs and maintenance ratio, and to ensure compliance to GRAP 17.
- Repairs and Maintenance will be moving at a fast pace as the condition assessment has been done and a panel established to deal with the repairs
- JPC is now ready to assist the City with emergency repairs and maintenance as a panel with fixed BOQ rates has been finalised.
- The asset verification project will start which will include the lease audit, resulting in improved revenue collections in both the JPC and Portfolio.
- A number of leases are currently at bid committees stages which will result in improved revenue

We can only achieve our ambition through the ongoing collaborative efforts with the Board of Directors, Management Team, and JPC employees. We would like to thank all parties for their contribution thus far

Sipho Mzobe CA (SA)
Acting Chief Financial Officer

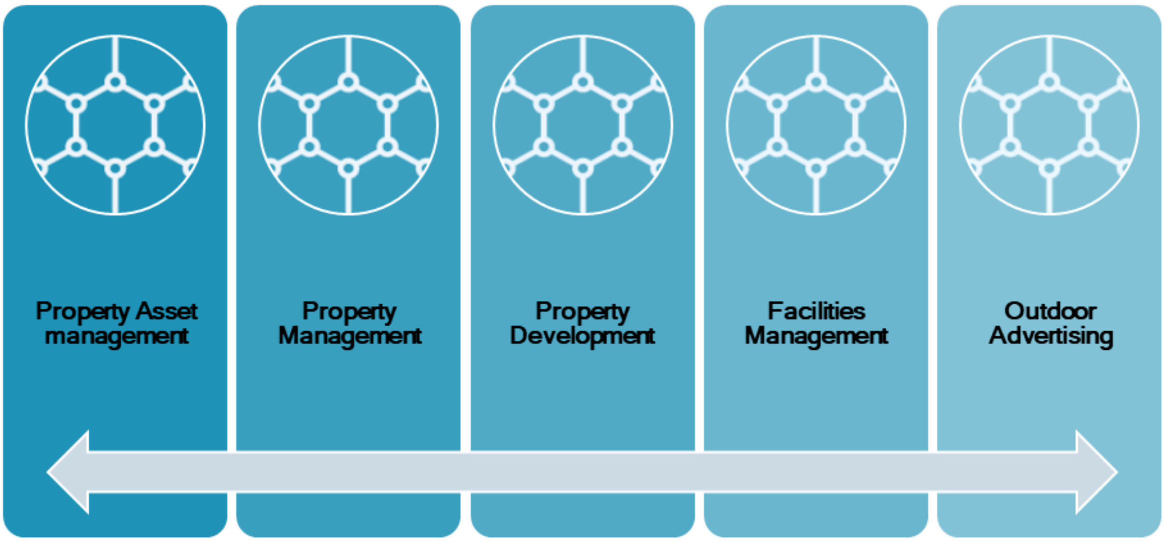
Section 4: Corporate Profile and Overview of the Entity

The City of Joburg Property Company SOC Ltd (JPC) was established as a private company in 2000 and is wholly owned by the City of Johannesburg (CoJ).

Core Mandate

JPC is mandated to manage and develop COJ's property portfolio for the purpose of maximising both social and commercial opportunities for the Council. JPC derives its mandate from a signed Service Delivery Agreement (SDA) with its sole Shareholder, the CoJ and it provides these core functions:

DIAGRAM 1: JPC CORE FUNCTIONS



The entity has 1603 employees who execute the strategy of the organisation.

DIAGRAM 2: JPC MISSION VISION & VALUES

Our Vision

To provide property and facilities management, property development, property asset management services, land strategy, acquisition and stewardship in order to maximise the social, economic and financial benefit to the CoJ and support the CoJ's delivery objectives on a cost competitive basis.

Our Mission

JPC is an agent of the City of Johannesburg, responsible for maximising the social, economic and financial value of the CoJ's total property portfolio and enhancing the efficiency of its use. JPC provides Property Asset Management, Property Management, Facilities Management, Property Development and Outdoor Advertising, as well as interacts with the public in respect of the property portfolio. JPC will support the achievement of the CoJ's strategic priorities, including economic and social development and the service delivery objectives of the CoJ.

Our Values

The values adopted by JPC are:

- Professionalism
- Accountability
- Responsibility
- Customer Service
- Trust

Unique Competitive landscape

JPC manages a diverse property portfolio consisting of various classes of assets, i.e., residential, office, commercial, social (sports facilities and stadiums), and service delivery (clinics, fire stations, community centres) assets.

The following factors give JPC its unique distinctive traits and create opportunities within its operating environment:

- **Extension of Land regularisation** i.e. (transfer of residential homes to beneficiaries as part of the City's service delivery mandate for the provision of housing).
- **Commercialise the public spaces** and **enhance an aesthetic pleasant environment** of the city s' highways, embankments, and street furniture through Outdoor Advertising while enhancing revenue.
- Collaborate and contribute to Smart City programmes: jointly pursues the creation of an innovation ecosystem that leverages technology in respect of land/ properties to improve the quality of life of residents as buildings are viewed as critical to attracting private sector participation and investment and achievement of the City 's potential social, and economic objectives.
- Self-managed profitable assets (end-to-end decision e.g., Property fund).
- Driving economic growth through property transactions while being a **transforming agent for youth and women** in the property sector; and
- **Development capability with a substantial pipeline**: Our development capability, including refurbishments and greenfield developments, gives us the opportunity to refine and improve the quality of COJ's assets, unlock new income streams by sweating off COJ Assets, strengthen tenant relationships and extend the lifespan of our core properties. Among these projects, and those in our pipeline, are many significant and innovative concepts, which strongly position the entity and its shareholder for the future.

JPC is not only focused on the financial returns but also must fulfil the social, and economic empowerment mandates of the COJ.

Political Governance and Accountability

JPC relies on the Department of Economic Development Member of the Mayoral Committee for its political mandate and oversight. The Group Governance unit provides corporate governance and related support, including financial sustainability and compliance reporting and review

The Council's Portfolio Committee on Economic Development provides political oversight of the JPC's activities and functions. JPC also falls under the Economic Development Cluster, which ensures that the work of the other departments and entities mandated with spatial transformation and economic growth of the city is integrated and coordinated. JPC's management is accountable for strategic and operational matters to the Board of Directors, which controls and maintains a fiduciary relationship with the company.

Significant factors affecting the External Environment

The current era is characterised by global interdependence on economic, environmental, and social scales and as result, cities including COJ during the last years, and especially because of the COVID crisis, have become one of the most effective factors to transfer from the international scale to local realities, lessons and development opportunities designed to tackle the challenges all cities are facing.

The major challenges experienced globally range from:

- **Increasing World Population** i.e., an increase of more than 25% from 2020 living in urban areas leading to increased density in cities.
- **Rapid urbanisation,** if not accounted for, puts a strain on urban infrastructure and often leads to unplanned expansion, densification, and development, like slums or informal settlements within cities.
- **Climate change** is linked to the pace of urbanisation, industrialisation, and the associated impacts on natural resources; and
- The world will continue to be significantly affected by the digital revolution of the **Fourth Industrial Revolution (4IR**) and its impact on organisations, business models, and operations.

South Africa's economy has been in a cyclical downturn for a while and this economic slowdown continues to impact the property sector. Long-term property market cycles tend to lag major economic cycles due to the time scale of project development. All industries and businesses have been impacted by the Covid-19 pandemic in some way, including how commercial properties are being utilized.

The rise of remote working, the boom in online shopping, and the heightening of environmental awareness – have all influenced the commercial property market providing many challenges and opportunities. As we embark on the new post-pandemic era, which is accelerating developments towards the fourth industrial revolution, there is a common view that commercial properties will remain good assets to invest in. The key is to stay focused on the long-term future and be versatile. While the property market has a long road to recovery ahead of it, there are still opportunities in the property market. The following trends will affect the property market from 2022.

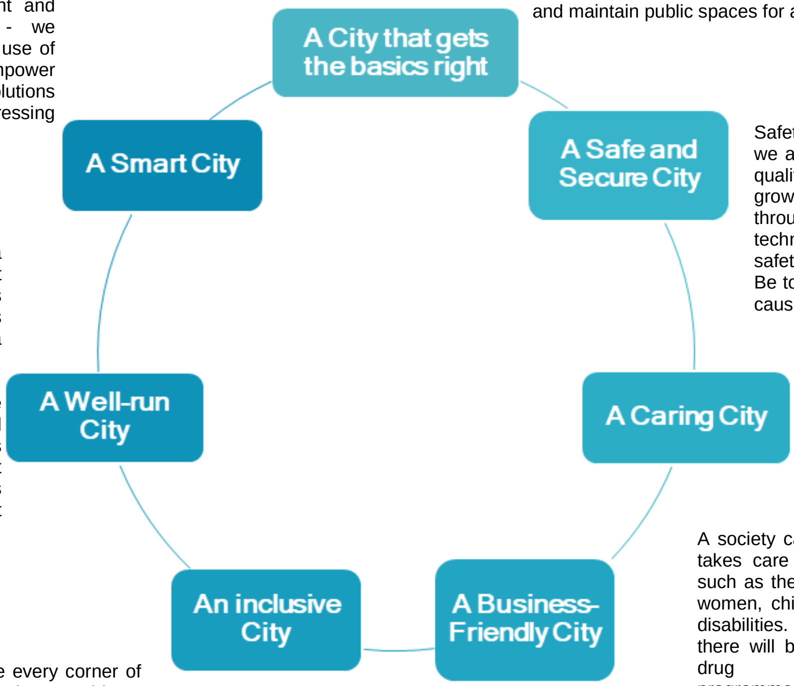
- **The partial return to the office as the pandemic tapers:** As firms adopt a hybrid approach to remote working and adjusted lockdown regulations boost a return to the office, the commercial office space is far from being a relic of a bygone era. The prevailing trend is the repurposing of office spaces and has added new amenities to accommodate the new workplace norms i.e., hot desking, etc.
- **Catalysing the growth of Property technology:** The pandemic induced significant changes to the market appetite for more technology-driven systems and solutions i.e., innovations for indoor safety and facilities management, online customer relationship management (CRM) support for remote work productivity, etc.
- **An exponential rise in online retail trade:** Industrial-Similar to the commercial market, e-commerce has catalysed a huge shift in wholesale retail and logistics.
- **Repurposing commercial properties to meet rising warehousing and residential demand:** Another trend that will impact the commercial and industrial property sector in 2022, which had already gained momentum in recent years, is the repurposing of commercial property into warehousing space and last-mile distribution centres to meet the burgeoning online shopping market. A functionally obsolete building can easily be repurposed into a productive, profitable space. There was a desperate need for the government to intervene in some areas which are facing a climate of disintegrating infrastructure that was not conducive to business.
- **Environmentally sensitive properties:** There is an uptick in demand for commercial and industrial properties that are more environmentally sustainable. There is a business case for leasing and buying properties with environmentally sensitive features. A fair amount of research has repeatedly shown that firms that are proactive regarding environmental sustainability tend to achieve higher financial returns, for example, the day-to-day financial saving on the cost of energy, due to the use of more cost-effective renewable energy.
- **Land invasions and illegal occupations** have severe financial implications in the form of loss of assets and reallocation costs to find alternative accommodation and ensure the securing of the property to prevent future invasions.

South Africa's commercial and industrial property sector is on the path to rapidly increase its green building credentials.

Section 5: Strategic Objectives

JPC recognises and emphasises its role as an economic and social property company to achieve COJ 's positive developmental outcomes. The City has confirmed the seven (7) Mayoral priorities depicted in the diagram below following the political transition of the new multi-party government.

DIAGRAM 3: STRATEGIC PRIORITIES



Ensure there is clean water and a sanitary environment for every community; Provide a hygienic environment to live and play; Give residents their power back; Create and maintain public spaces for all to enjoy

Safety is another non-negotiable: we all crave it, it is important to a quality life and strong economic growth, and we will achieve this through dedicated partnerships, technology, and investment in our safety and emergency services. Be tough on crime, tougher on the causes of crime

A society can be judged on how it takes care of its most vulnerable such as the LGBTQA+ community, women, children and persons with disabilities. We will make sure that there will be improved healthcare, drug recovery process programmes, support for the homeless, food security programs, and dignified old age homes. Adopt a holistic approach to keeping communities in good health

Government must do everything possible to create an environment for economic growth, so that entrepreneurs and businesses can invest and create the jobs that will continue to make Joburg the City of Opportunities. Bring jobs and investment to the local economy

We need to make every corner of Joburg a place where residents have all the amenities they need to live a quality life, with access to housing and job opportunities

Joburg must become a center of clean, honest government that puts residents first, spends money wisely and is a pleasure to deal with.

We must improve customer service and providing customers with services that meet their individual needs and circumstances must be prioritized.

A truly successful city makes the most of the talent and innovation available - we need to maximise our use of technology to empower residents and find solutions to our most pressing challenges.

JPC has fully embraced the City's strategic priorities and has the following long-term strategic objectives:

- Maximise social, economic, and financial benefits to COJ;
- Maximise the efficiency of the COJ property portfolio through transactions such as sale, leasing, and acquisition;
- Enable socio-economic and spatial transformation;
- Create high-yielding property assets with sustainable income streams; and
- Enhance an aesthetically pleasing environment of the City's highways, embankments, and street furniture through Outdoor Advertising while enhancing revenue.

The Strategic areas of opportunity that are championed are indicated below but are not limited to the listed ones:

- Stimulate Investment Attraction and Retention strategically.
- Advancing digitisation and automation in the administrative process relating to property transactions in support of the Fourth Industrial Revolution (4th IR).
- Re-confirming commitment to densification (in designated areas) can help combat the urbanisation trend and assist in enhancing the utilisation of existing infrastructure in the face of structural redundancy - this approach also presents opportunities to support and expedite re-purposing of property and adaptive re-use and enable more temporary use opportunities.
- Participation in the green economy – amongst other climate change interventions.
- Operate efficiently: refine business processes, mitigate risks and impact stakeholder engagements.
- Create an engaged workplace: invest in our employees.

In line with best practice, JPC focuses first on strengthening weak areas in the organisation and achieving **quick wins (short-medium term objectives**) before committing a to larger mandate (long–term objectives).

In this financial year, the corporate scorecard was outlined as indicated below in the table 2:

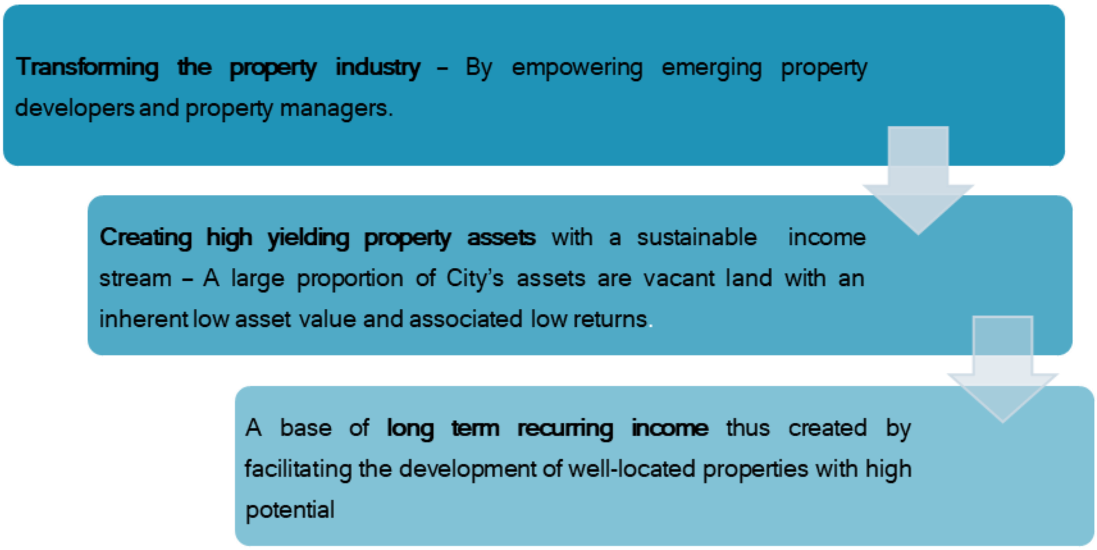
TABLE 2: MAYORAL PRIORITIES

Mayoral Priorities	JPC's contribution to the priorities included in the 2021/22 Corporate Scorecard Business Plan:
A Business Friendly City	• 1500 Jobs opportunities created through property transactions • 500 SMMEs supported through property transactions • R2.5 billion Investment / Rand value attraction of investment on COJ property • R200 million investment spend on COJ property / Construction value on the ground
All-Inclusive City	• 280 asset management plans formulated • Acquisition of 20 properties on behalf COJ for service delivery purposes • Release of 120 properties for social and economic leases including servitudes and sales • 500 Lease renewal of shops and stalls located at various public transport facilities and informal trading markets
A well–run City	• 100% spend of the allocated capital expenditure budget • R130 million-rental income raised from leases and servitude sales. • Audit Opinion / Unqualified audit opinion (Clean audit) • 100% resolution of External audit findings • 100% resolution of Internal audit findings • 560 employees trained to address competency gaps
A Safe and Secure City	• 1% Injury frequency rate

Our Strategy

JPC endeavours to maximise the return on City-owned land. In this regard, the objectives for public land development are understood as a trifecta of returns as follows:

DIAGRAM 4: Land Development Objectives



JPC is dedicated to finding solutions to the developmental challenges i.e. spatial imbalances facing the City of Johannesburg. JPC utilises Council-owned land assets to leverage private sector investment embracing density, diversity, and mixed-use of Council–owned land.

In enhancing service delivery, JPC partners with the City's departments to acquire land or property for service delivery purposes such as housing, and temporary accommodation. Furthermore, the Inner City Rejuvenation programme focuses on creating an inclusive society through the roll-out of the **Block-by-Block** strategy for the Inner City to deal with the bad buildings in a precinct manner. This will include addressing urban decay. The ultimate goal is to realise the vision of a sustainable, economically viable town and a desirable place to live –ultimately improving quality of life.

JPC seeks to contribute to economic growth through investment attraction, retention, and expansion with a focus on deprived areas identified for COJ's High Impact Programmes and the transformation Zone. The Transformation Zone includes areas where investment is prioritised for future urban intensification and growth as such zones have the capacity to trigger positive effects on a City metropolitan scale.

JPC aims to contribute to addressing the clutter, and illegality in respect Outdoor Advertising and sets out to sweat the Outdoor Advertising (OA) portfolio. It seeks to guide the placement of OA signs on the COJ landscape, implement a Street furniture Programme and introduce Outdoor Advertising Precincts as part of generating revenue for the City. This will ensure that JPC continuously creates sustained revenue sources for the City both in the short, medium, and long-term basis.

These initiatives are influenced and dependent on the review and approval of the new by-laws for Outdoor Advertising and the masterplan.

JPC will be focusing on the initiatives mentioned below to improve the financial position of the entity:

- Improve collection rate of debt from debtors. JPC earns 10% on all debtor collections on properties leased by JPC on behalf of the COJ. It is in JPC's interest that money is collected as the commission is payable on receipt and not when the debtor is raised. The more money the JPC collects, the better the commission earnings. Initiatives like debit orders and blacklisting of non-payers will need to be enforced.
- The COJ has around twenty-eight thousand properties at its disposal and the implementation of the **Land Strategy** will determine how and when certain types of transactions are concluded:
  - Renewal of leases
  - Disposals of residual properties
  - Acquisition of properties for service delivery i.e. Infrastructure, housing, etc.
  - Income generated is based on current market value and takes into account developments within the region or area.
- The land strategy principles highlight a need for the selling of non-strategic assets. The income realised from the sales will be used to acquire strategic assets to support the City's objectives. The release of those properties will increase the commission for JPC as well as rates and taxes for the COJ.

In upholding the service standards requirements, JPC ensures that the day-to-day operational matters such as repairs and maintenance for City properties are conducted within set timelines. In improving a focused customer culture, JPC has continual customer and stakeholder engagements with COJ residents through platforms including radio interviews, live broadcasts, print leaflets, the JPC website, and various social media platforms.

Stakeholder engagements go as far as having meetings with ward councillors, various SMMEs, and community forums. The content of communication engagements includes messages about services offered by JPC and projects undertaken.

To deliver on the vision, the JPC delivers on its strategic goals, which are linked to the Shareholder's strategic direction as outlined in the IDP. In addition, the Entity has taken cognisance of principles 4 and 5 of the King IV Report on Corporate Governance for South Africa, which postulates that the governing body should appreciate that the organisation's core purpose, risks, and opportunities, strategy, business model are all inseparable elements of the value creation process.

The short-term performance achievements and target outcomes are measured through the Corporate Scorecard. The long-term achievements and target outcomes will be measured on a continuous basis from the period under review until the end of the 2022/27 IDP period. **Table 3** indicates the short, medium, and long-term goals.

TABLE 3: JPC STATEGIC GOALS

STRATEGIC GOALS JPC'S PRIMARY PURPOSE IS TO MAXIMISE THE RETURN ON CITY-OWNED LAND			
SHORT-TERM GOALS	**MEDIUM-TERM GOALS**	**LONG-TERM GOALS**	**IMPACTED OUTCOMES**
Release and renew properties for commercial and social including servitudes and sales.	Concentrating on commercial leases and growing the portfolio by 50% each for the next three years.	CoJ properties utilised for commercial, social, and service delivery purposes to attract investment, and enhance the value of assets while generating revenue.	Jobs created, SMME development and Economic growth
Reduction of variables costs on rentals for office accommodation, i.e. City to utilise own office space	Sweating of existing CoJ assets to attain exponential growth in rental income, i.e. Office Space Optimisation (OSO).	Grow facilities management revenue by providing strong consulting services.	Financial sustainability
Understanding our customer and stakeholder needs	Establish our customer and stakeholder satisfaction needs.	Improved customer and stakeholder satisfaction.	Stakeholder Satisfaction
Gaining efficiencies and service quality through IT standardisation.	Managing IT like a business: customer-focused, proven, competitive and trusted service provider.	Use of technology of effective and efficient operations.	Effective & efficient Entity
Motivated employees and an engaged workplace	High performance culture inculcated.	Invest in our staff to sustain optimal performance and a service-focused culture with committed people.	Productive workforce
Reduce outdoor advertising illegal signs/clutter and renew expired leases (transitional plan)	Increate the outdoor advertising income to R300 million.	Transform outdoor advertising sector so that there are role-players that are more diverse and representation of the South Africa demographics.	Financial Sustainability
Redevelopment of existing facilities into public-private partnerships, i.e. Inner-City Revitalisation Programme	Increase in facilitation fees by introducing new property developments, i.e. property pipeline.	Create high yielding property development; grow revenue while transforming the property industry.	Economic Growth Job Creation SMME Development
Implement sound asset management practices through the land strategy	Land acquisition increased to R30 million over three years.	Provision of land for socio-economic purposes as part of contributing towards a healthy growing economy.	Economic Growth Financial Sustainability

Value Creation

JPC has set out its business model with inputs, business processes, and outputs in line with principles 4 and 5 of the King IV Report. Figure 2 demonstrates the value creation process in support of the CoJ's strategy. Our value creation process has been designed to show the relationship between the various elements involved in achieving our strategic goals.

By gaining an in-depth understanding of all the factors that impact our ability to create sustainable value for our stakeholders, we're better able to plan and adjust our business in a constantly changing environment filled with challenges to overcome and opportunities to explore. It further describes how we create value for our stakeholders through our core processes to deliver on our mandate.

As part of the business ethos, the JPC recognises the interdependencies between the business and a range of inputs that include human, financial, social, and natural capital. In turn, the business delivers a meaningful impact on society and its various communities that goes beyond mere financial performance.

TABLE 4: JPC CAPITAL VALUE

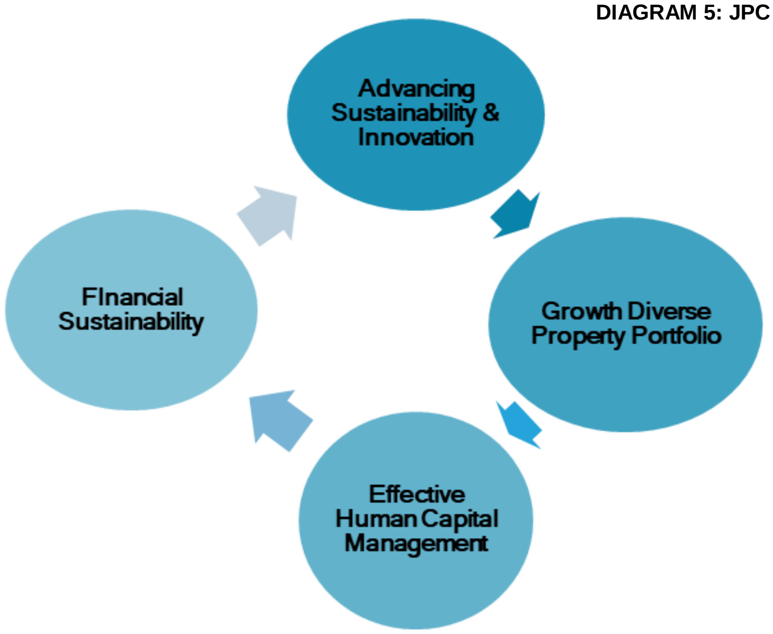
CAPITALS	UTILISATION OF CAPITALS	REFERENCE
Financial Capital	Ability to generate cash flows and access revenue.	Annual Financial Statement Service Delivery Performance
Social and Relationship Capital	Quality relationships with our key stakeholders are vital to long-term sustainability. Building trust and credibility with our stakeholders is key.	Stakeholder Management Corporate Social Investment
Intellectual Capital	Our intellectual capital is largely dependent on our people and the development of Property portfolio solutions and strategies.	Our Business Model Service Delivery Performance
Human Capital	People are core to delivering our strategies. A pool of qualified, trained, and talented people are required to deliver expectations supported by empowered management and support staff. Employment development and engagement remain focus areas to ensure we attract and retain the highest calibre of people to drive our strategy.	Our Board of Directors Our Executive Management Team Human Resources Transformation Health, Safety, and Environment
Natural Capital	Utilisation of natural capital i.e. Land/ property is predominately driven by our requirements for optimally located facilities upon which COJ can provide basic services	Our Business Model Service Delivery Performance Health, Safety, and Environment

The value creation process is linked to the following:

- Our external operating context: The environment in which we operate impacts our ability to create value.
- Identify risks and opportunities: Our strategy is impacted by risks that could materially impact the delivery of value to our stakeholders.
- Stakeholder engagement: We are reliant on being perceived as a credible service delivery agent.
- Governance: We are a values-based organisation, committed to high standards of business integrity and ethics.

Material matters are those issues that could substantially affect our ability to create value in the short, medium, and long term and result in us not being able to execute our strategy.

DIAGRAM 5: JPC BUSINESS CYCLE



Our executive management is responsible for managing material matters in a structured way and ensuring that they remain current and relevant. Safety and environmental awareness underpin the business cycles of the entity.

JPC Business Model

At the core of our business model is obtaining and maintaining value from the property portfolio by effective administration, leasing, acquiring, selling, and ensuring maintenance of properties.

JPC's business model is underpinned by the following principles:

- Improved integrated service delivery;
- Creative strategic investment opportunities;
- Stimulate new socio-economic paradigms; and
- Co-production of service delivery.

LEADERSHIP & CORPORATE PROFILE

JPC aims to create sustainability through its business activities, partnerships, value proposition, and revenue streams.

Business Impact: Maximise Social, Economic, and Financial benefits to CoJ as well as support the delivery objectives on a cost-competitive basis.

DIAGRAM 6: JPC BUSINESS MODEL

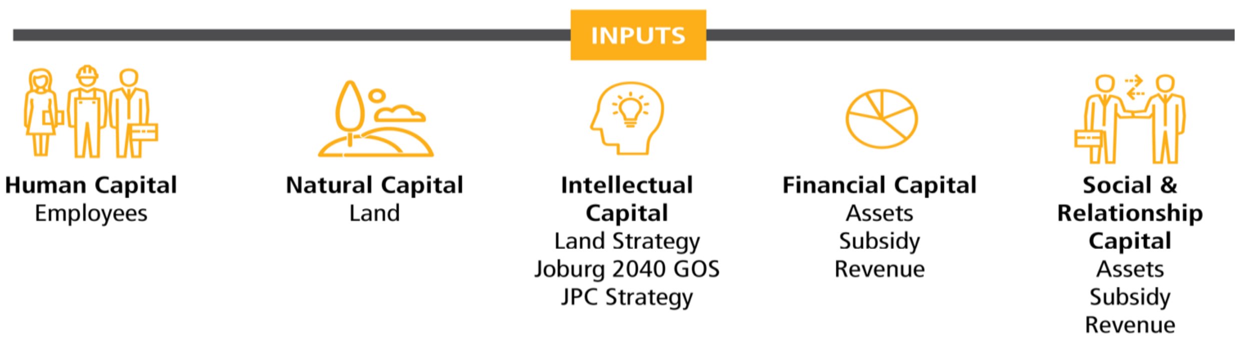
BUSINESS ACTIVITIES
- Risk Management
- Governance & Strategic Implementation
- Stakeholder Management
- Property Development Facilitation
- Project Management
- Innovation & Good Practice
- Outdoor Advertising
- Facilities Management

OUTPUTS PARTNERSHIPS
- Economic and Social Interventions
- Job Creation & SMME Development
- Property Infrastructural Interventions
- Promote Innovation & Knowledge Sharing
- Ensure Financial Sustainability

VALUE PROPOSITION
- Affordability
- Access to Land Property
- Growth in the Informal Business Sector
- Optimal Use of the City's Assets

OUTCOMES
- Investment Attraction
- Financial Social Sustainability
- Community Development and Social Initiatives
- Transformation of Property Industry
- Economic Sustainability

REVENUE STREAMS
- Outdoor Advertising
- Property Development
- Facilitation
- Fee
- Lease Income
- Acquisition and Sales
- Facilities Management
- Informal Trading



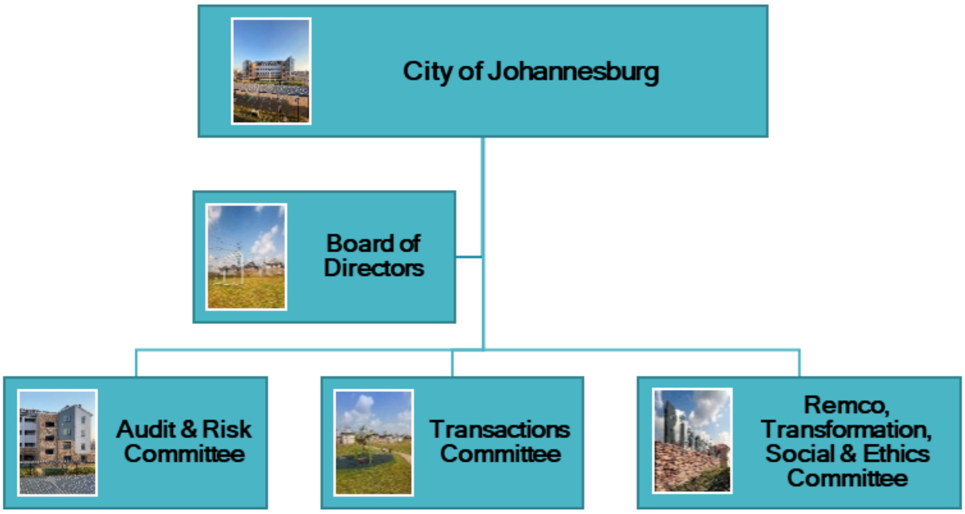
a world class African city

JOBURG PROPERTY COMPANY

Chapter 2: Governance

Section 1: Corporate Governance Statement & Structure

DIAGRAM 7: JPC BOARD GOVERNANCE STRUCTURE



JPC has a unitary Board, which consists of executive and non-executive directors in accordance with Principle 7 of King IV. The Board is chaired by a non-executive Director, Adv. Brenda Madumise, who remains independent and has no pecuniary interest in the JPC.

The Board meets regularly (at least quarterly) and retains full control of the company. The Board remains accountable to the CoJ Metropolitan Municipality as its sole shareholder and its stakeholders, the citizens of Johannesburg.

The Board comprises nine (09) non-executive directors and two (2) executive directors. As prescribed by section 166 of MFMA and the Company Act, three (3) Independent Audit and Risk Committee members were appointed by shareholders.

JPC's decision-making and administration comply with the MFMA, MSA, and the Companies Act. JPC follows King IV Report on Corporate Governance for South Africa, 2016.

Board Composition & Diversity

The Board is satisfied that it is comprised of the appropriate mix of knowledge, skills, experience, and diversity and that it is sufficiently independent and able to discharge its fiduciary duties effectively and with the requisite objectivity.

The Board composition complies with the Memorandum of Incorporation (MOI). JPC regards diversity on the Board of Directors as a significant part of sustainable operations, and a success factor that allows the company to reach its strategic goals.

Diversity is part of a functional Board of Directors, which is able to work together and respond to the requirements set by the company's businesses and strategic goals and challenge the company's management in a proactive and constructive manner. At its Annual General Meeting held on 15 February 2022, the Shareholder retired the following Non-Executive Directors, namely:

TABLE 5: RETIRED DIRECTORS

Mr. Moeketsi Rabodila	Non-executive director and chairperson of the Board (Retired on the 15 February 2022)
Ms. Tryphina Mopai	Non-executive director and chairperson of the Board (Retired on the 15 February 2022)
Mr. Jake Letsapa	Non-executive director and chairperson of the Board (Retired on the 15 February 2022)
Ms. Dina Maja-Masilo	Non-executive director and chairperson of the Board (Retired on the 15 February 2022)
Mr. Solomon Mngomezulu	Non-executive director and chairperson of the Board (Retired on the 15 February 2022)
Ms. Kululwa Muthwa	Non-executive director and chairperson of the Board (Retired on the 15 February 2022)
Ms. Mapule Mngomezulu	Non-executive director and chairperson of the Board (Retired on the 15 February 2022)
Ms. Vuyiswa Gumede	Non-executive director and chairperson of the Board (Retired on the 15 February 2022)
Mr. Thulani Ngcobo	Non-executive director and chairperson of the Board (Retired on the 15 February 2022)
Mr. Patrick Makape	Independent Audit Committee members (Retired on the 15 February 2022)
Ms. Nosipho Makhanya	Independent Audit Committee members (Retired on the 15 February 2022)
Mr. Bigboy Kekana	Independent Audit Committee members (Retired on the 15 February 2022)

At its Annual General Meeting, the Shareholder appointed a new JPC Board of Directors who are independent as specified in the table below, for a period of three (3) years:

TABLE 6: APPOINTED DIRECTORS

Adv Brenda Madumise	Non-executive director and chairperson of the Board (Appointed 15 February 2022)
Mr. Slingsby Mda	Non-executive director (re-appointed 15 February 2022)
Mr. Barry Sneech	Non-executive director (Appointed 15 February 2022)
Mr. Thilivhali Ramawa	Non-executive director (Appointed 15 February 2022)
Ms. Boitumelo Mthimkhulu	Non-executive director (Appointed 15 February 2022)
Mr. Xola Lingani	Non-executive director (re-appointed 15 February 2022)
Mr. Bongani Mgoza	Non-executive director (Appointed 15 February 2022)
Ms. Khanyisile Ng'ambi	Non-executive director (Appointed 15 February 2022)
Mr. Rory Gallocher	Non-executive director (Appointed 15 February 2022)
Ms. K Asare-Bediako	Independent non-executive director (Appointed 15 February 2022)
Mr T Ndadza	Independent non-executive director (Appointed 15 February 2022)
Mr L Langalibalele	Independent non-executive director (Appointed 15 February 2022)
Ms. Helen Botes	Chief Executive Officer & Executive Director
Mr. S Mzobe	Acting Chief Financial Officer & Executive Director

Section 2: Directors Profiles

Brenda Madumise

Board Chairperson

Non-Executive Director **(Age: 57)**

Qualifications: Graduate Diploma in International Trade Law, MBA, LLB, B.Proc,

Skills and Expertise: Legal Consultancy, Strategic Management, Corporate Governance and Regulatory, International Contracts Management, Macro Economic Policy

Professional Memberships: N/A

Barry Sneech

Non-Executive Director (**Age:** 65)

Qualifications: B.Compt accounting

Skills and Expertise: Property Development Industrial, Residential, Urban Development, Property Acquisition Auditing, Town Planning and Design.

Professional Memberships: IoDSA,

Slingsby Mda

Non-Executive Director (**Age**: 52)

Qualifications: B Com, Certificate of Theory in Accounting, CA (SA), International Executive Development Programme

Skills and Expertise: Financial Management, Transformational Coaching, Corporate Governance, Business Development.

Professional Memberships: SAICA, IoDSA, International Coaches Register

Boitumelo Mthimkhulu

Non-Executive Director (**Age:** 35)

Qualifications: Bachelor of Architectural Studies, Honor's Degree – Bachelor of Architectural Studies, Master's Degree Bachelor of Architectural Studies.

Skills and Expertise: Space Design and Building Construction, 3D Graphic Designing, Project Architect, Auto CAD 2021, Revit 2021, Google Sketchup, CS6 Photoshop & In-Design, Lumion

Professional Memberships: IoDSA,

Thilivhali Ramawa

Non-Executive Director (**Age**:43)

Qualifications: BCom (Accounting),

Post. Grad. Dip in Account, Chartered Accountant (SA)

Skills and Expertise: Financial Management, Risk Management, Auditing, Governance and Public Sector

Professional Membership: SAICA, Registered Auditor, IRBA, IIASA Professional Internal Auditor,

Xola Lingani

Non-Executive Director (**Age**: 42)

Qualifications: National Diploma Internal Auditing, B-Tech Internal Auditing, CISA, CIA, CRISC, MBA, Doctorate in Technology: Business Administration (current)

Skills and Expertise: Strategic Planning, Corporate Governance, Financial Risk Management, Audit & Risk Advisory, Risk & Compliance.

Professional Membership: IoDSA

Bongani Mgoza

Non-Executive Director (**Age**: 54)

Qualifications: Master's in Business Administration (MBA), Business Project Management Programme. Advanced Social Management Programme, Finance for Non-Financial Management, Senior Business Leadership Program (SBLP), Management Development Programme (MDP), National Diploma (Elect. Engineering

Skills and Expertise: Facilities Management, Properties and Asset Management, Construction Communication Strategy, Mining Compliance

Professional Membership: IoDSA

Khanyisile Ng'ambi

Non-Executive Director (**Age**: 51)

Qualifications: B Com Honours Industrial & Organisational Psychology, Programme in Principles of Business and Management (New Managers Programme)

Skills and Expertise: Talent & Recruitment Management, Performance Management, Talent Acquisition and Succession Management. Coach Management

Professional Memberships:, IoDSA,

Rory Gallocher

Non-Executive Director (**Age**:56)

Qualifications: Municipal Executive Financial Management Programme,International Housing Finance, Master of Town and Regional Planning (MTRP), Bsc Law degree

Skills and Expertise: National Rental Housing Strategy, Social Housing, Property Management

Professional Memberships: IoDSA,

2 GOVERNANCE

Board of Directors

Appointment of Board Members is in terms of the Governance Policy. When selecting board members, the shareholder has ensured that the Board of Directors wholly supports the development of JPC's current and future business operations.

Board Diversity in terms of Gender & Age Demographics

The Board is satisfied that it is properly constituted with a complementary set of skills, the balance of power, experience, and personal characteristics. The Board prides itself in a dynamic boardroom culture anchored on high ethical standards. Diversity in the Board guarantees robust engagement on matters given the various professional and personal backgrounds of the members.

DIAGRAM 8: DIRECTORS GENDER DIVERSITY

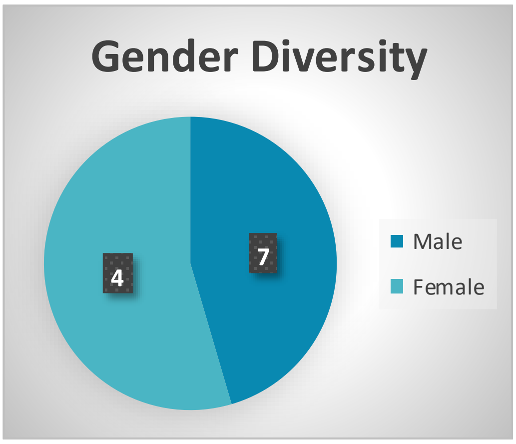
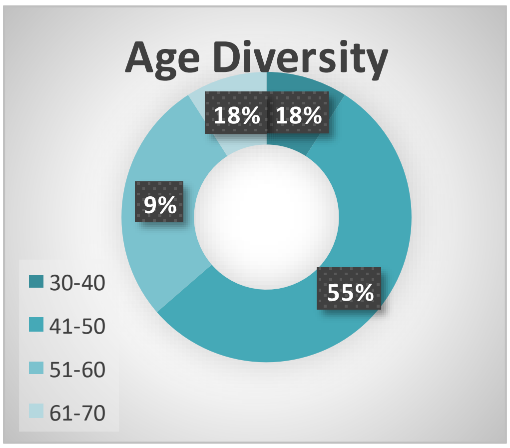


DIAGRAM 9 DIRECTORS AGE DIVERSITY



Section 3: Board & Committees Meetings

The Board as the custodian of the Company serves as the focal point of governance. The Board sets the strategic direction of the JPC in collaboration with Management. It monitors the implementation of strategies and policies through a structured approach to reporting, based on agreed performance criteria and defined written delegations to Management.

The Board has established the necessary Board committees with specific terms of reference and delegated powers to assist the Board in discharging its responsibilities. The day-to-day running of the company has been devolved to the CEO through a formal schedule of delegated powers. The CEO in turn devolves certain powers to the executive management team to carry out and implement the Company's strategic objectives.

Members of the Board have unlimited access to the Company Secretary, who acts as an advisor to the Board and its Committees on matters including compliance with Company rules and procedures, statutory regulations, and best corporate practices.

The Board confirms that the sub-committees have discharged their mandates during the period under review.

Key Focus Areas in 2021/22 of Board and its Committees	
→	Approval of the Social and Ethics Quarterly Report
→	Review of Strategic Risk Register
→	Recommendation of the JPC Annual Report & AFS 2021/22 for Board Approval
→	Recommendation of the JPC Budget & Business Plan 2021/22 for Board Approval
→	Approval of JPC Service Delivery Agreement (SDA)
→	Approval of JPC Shareholder Compact
→	Approval of the Compliance Risk Process
→	Recommendation of the Company policies to the Board for Approval

DIAGRAM 10: JPC BOARD & COMMITTEES FOCUS AREA

The Board recognises that duties and responsibilities can be delegated but that accountability cannot be abdicated and, that the Board, therefore, remains ultimately accountable. To discharge its responsibilities the Board is assisted by three (3) Board Committees, namely; the Audit and Risk Committee, the Social and Ethics Committee, Transformation, and Remuneration Committee, and the Transactions and Service Delivery.

TABLE 7: JPC BOARD & COMMITTEES DELEGATION

Committees	Audit & Risk Committee	Transactions and Service Delivery Committee	Remco, Transformation, Social and Ethics Committee
Focus Area	• Recommendation of the JPC Annual Financial Statements. • Recommendation of the JPC Budget and Business Plan for the 2021/22 financial year. • Approval of the JPC Procurement Plan • Approval of the Audit Strategy. • Recommendation of the JPC Risk Management Strategy. • Integrated Reporting • Financial Reporting • Internal Audit and External Audit Matters • Risk - Management Information and Technology Governance • Information & Cyber Security	• Consider and recommend to the Council for approval, and subject to the applicable legislation, the following property-related transactions: • Alienation of Property; Acquisition of Property • Acquisition of Property; • Granting Amending, Acquiring, and/or cancellation of servitudes; • Property Donations; • Barter; • Outdoor Advertising and Cellular Masts; • Leases, use, management agreement, and/or control agreements; • Property Development	• Remuneration Strategy and Policy • Succession Planning • Human Capital Management • Good Corporate Citizenship • Ethical Leadership and Conduct • Social and Economic Development • Stakeholder Relationships • Reputation Management
Composition	• Mr. Slingsby Mda **(Chair)** • Mr. Thilivhali Ramawa) • Ms. Konosoang Asare-Bediako (IAC Member) • Mr. Leon Langalibalele (IAC Member) • Mr. Tshilidzi Ndadza (IAC Member)	• Mr. Xola Lingani **(Chair)** • Mr. Barry Sneech • Ms. Boitumelo Mthimkhulu • Mr. Bongani Mgoza • Mr. Rory Gallocher	• Ms Khanyisile Ng'ambi **(Chair)** • Ms. Boitumelo Mthimkhulu • Mr. Bongani Mgoza • Mr. Thilivhali Ramawa • Mr. Xola Lingani • Mr. Rory Gallocher

Cross-Functional Responsibilities

The Board acknowledges the cross-functional responsibilities that exist between the Social and Ethics Committee and the Audit and Risk Committees. Each Committee has developed a framework for monitoring its activities and responsibilities. This is done through sharing of information about matters served and discussed at each Committee.

Schedule of attendance of meetings

Attendance of meetings held from 01 July 2021 to 30 June 2022 are as follows:

TABLE 8: MEETING SCHEDULE

Directors and Independent Audit Committee members	Board	Audit & Risk Committee	SEC REMCO & Transformation Committee	Transactions and Service Delivery Committee	Shareholder Meetings / Other	Total
	15	**8**	**5**	**5**	**10**	
Moeketsi Rabodila	5/10	-	-	-	5/10	10
Mabusha Maja - Mashilo	5/10	5/8	-	4/5	-	14
Jake Letsapa	4/10	-	-	4/5	-	8
Kululwa Muthwa	5/10	-	4/5	3/5	1/10	13
Mapule Mngomezulu	3/10	-	3/5	-	-	6
Pinkie Numa	3/10	-	3/5	-	-	6
Seipati Moichela	3/10		4/5	-	-	7
Slingsby Mda	15/15	8	-	-	1/10	25
Xola Lingani	15/15	-	1/5	5	-	8
Tryphina Mopai	4/10	-	4 /5	-	-	8
Solomon Mngomezulu	4/10	-	-	4	-	8
Vuyiswa Gumede	1/10	-	1/5	-	-	2
Thulani Ngcobo	1/10	-	1/5	-	-	2
Nosipho Makhanya	-	5/8	-	-	-	5
Bigboy Kekana	-	4/8	-	-	-	4
Patrick Makape	-	3/8	-	-	-	3
Brenda Madumise	5/5	-	1/3	-	5/10	11
Barry Sneech	4/5	-	-	3/4	-	7
Boitumelo Mthimkhulu	4/5	-	3/3	3/4	-	10
Khanyisile Ng'ambi	5/5	-	3/3	-	-	8
Bongani Mgoza	5/5	-	3/3	4/4	-	13
Thilivhali Ramawa	5/5	3/3	3/3	-	-	11
Rory Gallocher	5/5	-	3/3	3/3	-	11
Tshilidzi Ndadza	-	2/3	-	-	-	2
Konosoang Asare-Bediako	1/5	3/3	-	-	-	4
Leon Langalibalele	1/5	3/3	-	-	-	4

Section 4: Directors' & Prescribed Officers Remuneration

Directors' remuneration is regulated through the City of Johannesburg's Group Policy on Governance of Municipal Entities.

TABLE 9: DIRECTORS' FEE STRUCTURE

Type of Meeting	Fees: 01 July 2021 to 10 March 2022	Fees: 11 March to 30 June 2022
Board		
Chairman – Meeting	R16 000	R16 000
Member-Meeting	R12 000	R12 000
Audit and Risk Committee		
Chairman – Meeting	R10 000	R10 000
Member-Meeting	R8 000	R8 000
Transactions and Service Delivery Committee		
Chairman – Meeting	R10 000	R10 000
Member-Meeting	R8 000	R8 000
Social and Ethics Committee, Remco, and Transformation		
Chairman – Meeting	R10 000	R10 000
Member – Meeting	R8 000	R8 000

The fees paid to non-executive directors and independent Audit and Risk Committee members for the period 1 July 2021 to 30 June 2022 were as indicated in **Table 10**.

TABLE 10: DIRECTORS' EMOLUMENTS

Name of Director	Meetings Attended YTD	Other Meetings YTD	YTD Directors Payments as at 30 June 2022
Mr M Rabodila	5	5	R120 365.19
Ms T Mopai	8	-	R73 043.46
Mr J Letsapa	8	-	R 90 434.78
Mr S Mda	17	17	R321 130.40
Ms K Muthwa	12	1	R123 043.45
Ms M Mngomezulu	6		R15 652.17
Ms P Numa	6		R20 869.56
Ms S Maja-Masilo	14		R116 195.01
Ms S Moichelo	4	2	R53 913.43
Mr S Mngomezulu	8		R48 521.73
Ms V Gumede	2		R15 652.17
Mr T Ngcobo	2		R-
Adv. B Madumise	6	9	R142 000.00
Mr B Sneech	6	4	R 50 000.00
Mr T Ramawa	8	4	R94 000.00
Miss B Mthimkhulu	7	5	R58 000.00
Mr B Mgoza	9	5	R94 200.00
Mr R Gallocher	6	5	R96 000.00
Miss K Ng'ambi	8	8	R136 000.00
Mr X Lingani	16	2	R 235 700.00
Total	**158**	**67**	**R1 768 721.35**

Due to some Board members being employed by the state, they participated in meetings however not remunerated in line with set the regulations

TABLE 11: INDEPENDENT AUDIT COMMITTEE REMUNERATION

YTD DIRECTORS PAYMENTS		
Name of Independent Audit Committee Member	**Meetings Attended YTD**	**Emoluments**
Mr B Kekana (Retired)	4	R 5 217.39
Ms N Makhanya (Retired)	5	R 31 304.34
Mr P Makape (Retired)	3	R-
Ms K Asare-Bediako	5	R 48 000.00
Miss T Ndadza	3	R32 000.00
Mr L Langalibalele	5	R 40 000.00
Total	**25**	**R156 521.73**

Due to some Board members being employed by the state, they participated in meetings however not remunerated in line with set the regulations

Board Induction & Information

An induction session for the Board of Directors was held on 10 March 2022 following the Annual General Meeting of 15 February 2022. The COJ and JPC information is captured in a document management system under the control of the Company Secretary. Board members have unrestricted access to the Company Secretary, as well as all company records and documents.

Board Assessment 2021/2022

A formal assessment of the Board was conducted by the Shareholder through its Group Governance Department. The purpose of the assessment was to establish insight into how well the Board could be improved or enhanced. The outcome reflected that the Board had been meeting its performance objectives.

Disclosure of Interest

Each time the meeting of the Board or one of its subcommittees was convened, a specific item was included in the agenda on the declaration of interest. During the period under review, there were no conflicts of interest decalred. The attendance and declaration of records are kept in one register and are open for scrutiny.

Section 5: Company Secretarial Function

Declaration by the Company Secretary

In terms of section 88(1) (e) of the Companies Act, 2008, I hereby declare that, to the best of my knowledge and belief, the Joburg Property Company SOC Limited has lodged with the Registrar of Companies, for the financial year ended 30 June 2022, all such returns and notices as are required of a State-Owned Company in terms of the Companies Act, and that all such returns and notices appear to be true, correct and up to date.

Gontse Dlamini

Company Secretary: City of Joburg Property Company (SOC) Ltd

Section 6: High-Level Organisational Structure

Refer to Chapter 4: Human Resources & Organisational Management for an overview of the Organisational Structure on **Page 101.**

Section 7: Executive Management Team

Helen Botes:
(Chief Executive Officer)
Executive Director

Expertise & Experience: Treasury and banking, money market trading, trading of financial instruments, foreign exchange, retail bonds for CoJ, economic development, property development and management.

Qualifications: Master Business Administration (MBA), Executive Leadership Development Programme. Diploma in Treasury Management

Professional Membership:

Sipho Mzobe CA (SA)
(Acting Chief Financial Officer)
Executive Director

Expertise and Experience: Internal and External Audit experience, Business plan development, Strategic and Operational Risk Assessments, Accounting and Financial Management reporting and disclosure,

Qualifications: B Com (Accounting), BCompt (Hons), and CTA Chartered Accountant (RSA)

Professional Membership: SAICA, IIASA, IoDSA

Gontse Dlamini
(Company Secretary)

Expertise and Experience: Legislative compliance, governance, subsidiary company management, investor relations, corporate reporting, ethics management, corporate planning and budgeting, Corporate Governance and administration.

Qualifications: LLB, Diploma in Industrial Relations Management, Chartered Secretaries Qualification, Property Development and Investment, Project Management
Professional Membership: IoDSA

Brenda Jacobs
(Acting Chief Operations Officer)

Expertise and Experience: Board Leadership & Local Governance, Risk & Compliance, and Stakeholder & Relationship management. Operations Management and Change Agent., Governance practitioner
Qualifications: QCPS, Charted Secretaries, Municipal Finance Management Programme Certificate Programme in Municipal Development for Municipal Finance, South African Institute of Chartered Accountants (SAICA) completed Articles – Associate General Accountant

Professional Membership: IoDSA.CIBM

Tshepo Mokataka
(General Manager: Legal)

Expertise and Experience: Admitted Attorney of the High Court of South Africa, providing strategic legal advice, operational transitional compliance, vetting strategic agreements and legal documentation, managing legal advisors, managing legal risks, legal department, Legal/litigation strategy, drafting and providing legal advice, legal processes and procedures. The deputy information officer.

Qualifications: BA (Political studies and |Sociology) LLB, Postgraduate Certificate in Provincial & Local Government Law; Postgraduate Diploma in Labour Law

Imraan Bhamjee:

General Manager: Special Projects

Expertise & Experience: Financial management, audit & risk management, process & control mapping, management consulting, product management, relationship management.

Qualifications: BComp Honours, Accredited as Registered Government Auditor (RGA), advanced certificates in Auditing, Leadership Management & CTA

Professional Membership: RGA

Musah Makhunga

General Manager: Mega Projects

Expertise and Experience: Business plan development, Strategy management and implementation. Strategic and Operational Risk assessment, reporting, evaluation and monitoring, management of transformation Initiatives Company wide.

Qualifications: Bcom (hons) SA Government Procurement and Law

Professional Membership: Not Applicable

Sizeka Tshabalala

General Manager: Commercial Focussed and Intervention Projects

Expertise & Experience: Property management and development facilitation expertise. Provision of overall leadership and strategic vision to the Property Management & Development, Informal Trading, Acquisitions and Large Service Providers Team; Portfolio Performance Monitoring, Provision of Strategic direction for the acquisition of properties for Service Delivery purposes. Management of land packaging for development purposes. Enhancement of the utilisation of the City's Property Portfolio.

Qualifications: MBA (Henley),Post Graduate Diploma Property Management and Development (Wits),National Diploma: Commercial Practice

Professional Membership: Not Applicable

Sipho Mhlongo

General Manager: Leasing

Expertise and Experience:

Property Management, Project Management, Service Delivery, Local Government.

Qualifications

Municipal Finance Management Programme

Professional Membership: Not Applicable

Sifiso Mabizela CA (SA)

Acting General Manager: Internal Audit

Expertise and Experience: Internal and External Audit experience. Risk and Compliance

Qualifications

B Com (Accounting), BCompt (Hons), and CTA Chartered Accountant (RSA) the Wits Business School's Municipal Executives Finance Management Course

Professional Membership: SAICA

Shaun Kgatuke

General Manager: Facilities Management & Cleaning Services

Expertise & Experience: Project & Programme Management within construction infrastructure and property environment sector. Quantity Surveying principles from briefing until close out. Facilities Management and social infrastructure developments including schools, clinics, catalytic human settlement projects, corporate and property developments. Construction cost controls, evaluations and contracts.

Qualifications: National Diploma: Building Sciences Diploma: Project Management, Degree: Quantity Surveying Degree: Project Management, Municipal Finance Management Programme

Professional membership: ASAQS (Association of South African Quantity Surveyors), SAFMA (South African Facilities

Section 8: Governance of Stakeholder Relationships

The management of stakeholder relationships was arranged in such a way that the board maintained oversight, while management remains the contact point. Stakeholder engagement practices are key success factors in achieving our strategy and form part of the boundaries and scope of our Enterprise Risk Management Framework.

Our priority is creating value through and in partnership with our stakeholders to ensure that we manage our stakeholder relations ethically and accountably.

Sustainable relationships with stakeholders form the foundation of JPC's ability to create value in the short, medium, and long term. The material stakeholder interests and level of influence vary according to geographical location, area, and nature of their roles. The entity has identified a number of stakeholders broken down into the following categories and strives to gauge the quality of the relationship on the scale below:

○○○○○●	**1.**	**No existing relationship**
○○○○●●	2.	The relationship is established but much work to be done to improve the quality of the relationship
○○●●●	3.	The relationship was established and good strides were made toward growing mutually beneficial, value-generating connection, but still room for improvement
○●●●●	4.	Good-quality, mutually beneficial relationship with some room for improvement
●●●●●	5.	The strong relationship of mutual benefit

The Shareholder: City of Johannesburg: ●●●●●

Our Shareholder mandates us to deliver on the City's priorities and ensure internal JPC strategic objectives are in line with the mayoral priorities and other plans and policies of the city.

TABLE 12: SHAREHOLDER – HOW WE ENGAGE & MATERIAL INTERESTS

How we Engage	Material Interests
• **Regularly scheduled engagement with the Executive Mayors, Members of Mayoral Committee (MMC), Councillors, and Executive Directors** • **Strategic engagements between the City and JPC to report on Annual Business Plans i.e. Council, Mayoral and Sub-Mayoral Meetings, Mayoral and EMT Lekgotla, etc.** • **Regional Roadshows, RSVD's, A Re Sebetseng**	• Policy and Regulatory Uncertainties/ Frameworks • Liquidity and Capital Project Execution • Reporting and Compliance • Revenue and Financial Sustainability • Strategy Execution • Service Delivery & Performance Management **Opportunities:** • Acquiring/developing modern well-located projects that deal with spatial transformation.

Investors, Commercial Partners, Government: ○○●●●

Key investing opportunities, which could lead to economic growth approaches with COJ. Innovation through partnerships is an essential mechanism for measuring the quality end scope of service while reducing costs. These stakeholders include the property industry, Heritage Council, Outdoor Advertising industry, government institutions (national, provincial, and state-owned entities), and informal traders, among others.

How we engage	Material Interests
• **Joint Planning Sessions** • **Commercial Networks and Business Interactions (Virtual/Contact – as and when there is a need)**	• Investment Opportunities • Impact on the Community • Collaboration in planning and delivering Property Development Projects • Servitude Agreements **Opportunities:** • Public Private Partnerships

TABLE 13: INVESTORS, COMMERCIAL PARTNERS, GOVERNMENT – HOW WE ENGAGE & MATERIAL INTERESTS

Organised Labour: ○●●●●

JPC engages with organised labour through applicable collective agreements and established forums.

TABLE 14: ORGANISED LABOUR – HOW WE ENGAGE & MATERIAL INTERESTS

How we Engage	Material Interests
• **Local Labour Forum** • **Meetings** • **Correspondence** • **Other relevant structures**	• Employee Wellbeing • Organisational Policies and Regulations • The new normal – working from home • OHASA • JPC Strategy • Compliance & Labour Law **Opportunities:** • Partnership to drive organisational change and create a conducive environment

Communities ○●●●●

JPC's activities affect the lives of communities in and around the jurisdiction of the City of Johannesburg. JPC actively promotes economic growth through property-related transactions.

TABLE 15: COMMUNITIES – HOW WE ENGAGE & MATERIAL INTERESTS

How we Engage	Material Interests
Community-based forums **Regional accelerated service delivery meetings** **CoJ Roadshows as prescribed by COVID regulations** **Client services walk-ins**	• Socio-economic impact on communities • Relationship with community representatives i.e. Councillors • Property and Land appropriation • SMME and Entrepreneurial opportunities **Opportunities:** • Co-productions initiatives • CSI

Employees ○●●●●

The human capital is valued by JPC as it is deemed as a key enabler for its business.

TABLE 16: EMPLOYEES – HOW WE ENGAGE & MATERIAL INTERESTS

How we engage	Material Interests
• **Staff meetings** • **Newsletters & Electronic Correspondence** • **Organisational talks or engagements**	• Compliance with Labour Law • Changes conditions of service • Health and safety of employees • Standard Operating Procedures • Performance and Productivity • Training and Development • JPC Strategic Direction **Opportunities:** • Enhance the Employee Value Proposition

Media and the General Public: ○○○●●

The print, broadcast, and electronic social media with transparent access to information relating to JPC performance including large-scale economic and developmental achievements and potential failures.

TABLE 17: MEDIA & THE GENERAL PUBLIC – HOW WE ENGAGE & MATERIAL INTERESTS

How we engage	Material Interests
• **Media Enquiries & Press Responses.** • **Participation in section-specific events and publications** • **Business interactions** • **City Communication campaigns**	• Perceived lack of transparency and information availability • Request for Information as per Legislation • Public Matters • SCM tenders and Request for Proposals

The company maintained a healthy working relationship with various government departments, such as National Treasury, the Gauteng Provincial Government, and the sister departments within the CoJ.

The methods of engagement vary from one stakeholder to another and may include workshops, JPC quarterly reports, attendance of meetings, Indabas, business breakfast meetings, and briefing sessions. Post the Covid19 pandemic, JPC has continued participated in innovative ways and maintained online platforms to drive stakeholder engagements and physical interaction is also used when necessary.

Attention was paid to the environment within which JPC operates, taking cognizance of the fact, that it is fluid and that the needs of the stakeholders are diverse and conflicting, which requires a balanced and objective approach. The implication for JPC is to continue to strive for improvement in respect of stakeholder engagement and management initiatives. This will be addressed holistically in the strategy and operating model review in the 2022/23 financial year.

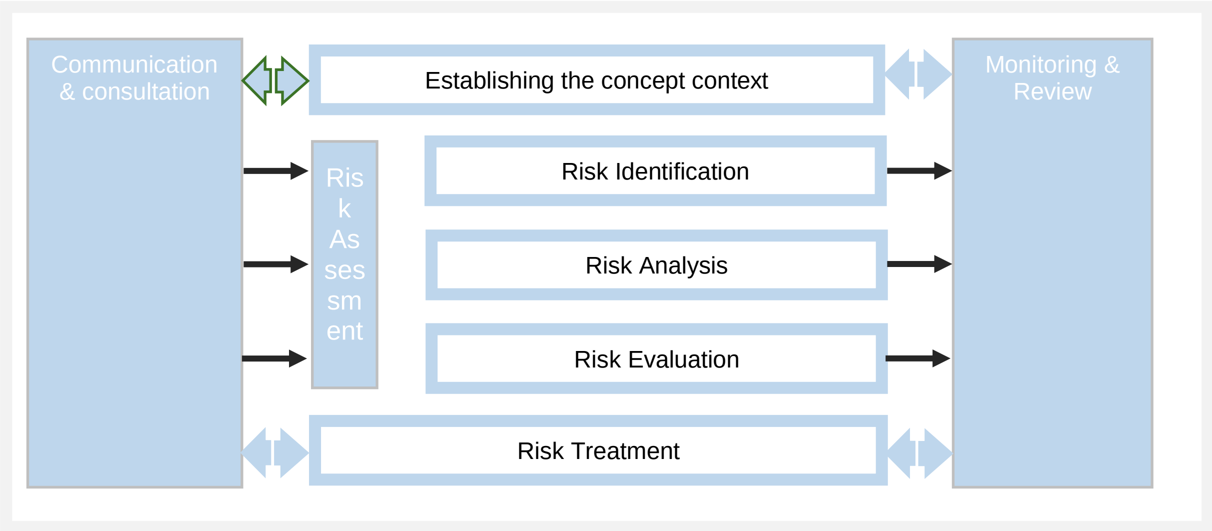
Section 9: Risk Management

Approach to Risk Management

Risk Management is a critical component of the company's strategic management. As a result, our risk management processes are embedded in our everyday activities and culture. Every year the Board of Directors approves the strategic risks, which are likely to have the most material impact on the company's ability to achieve its predetermined objectives. In our view, risk management involves achieving an appropriate balance between realising opportunities for gain while minimising the adverse impact of these risks.

The JPC policy and framework on Risk Management are fully aligned to the CoJ group policies, ISO 31000, and the King Code of Corporate Governance. Management identifies monitors and reports on progress made on the strategic risks to the Audit and Risk Committee on a quarterly basis.

DIAGRAM 11: JPC RISK MANAGEMENT STRATEGY& APPROACH



Board Risk Oversight

The Board is the governance structure accountable for ensuring that significant risks to the business are adequately identified and effectively managed. The Board has delegated this oversight responsibility to the Audit and Risk Committee (ARC) to ensure that there is an effective system of risk management in place within the company.

During the 2021/22 financial year, The Strategic Risk workshop was conducted with the Audit and Risk Committee and fifteen (15) Strategic risks were identified for 2022/2023.

Performance on Strategic Register

IMPACT						
	5 Critical	Low 5	Moderate 10	High 15	Very high 20	Very high 25
	4 Major	Low 4	Moderate 8	High 12	High 16	Very high 20
	3 Moderate	Low 3	Moderate 6	Moderate 9	High 12	High 15
	2 Minor	Low 2	Low 4	Moderate 6	Moderate 8	Moderate 10
	1 Rare	Low 1	Low 2	Low 3	Low 4	Low 5
LIKELIHOOD		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain

TABLE 18: RISK REGISTER RATING TABLE

Other key activities undertaken during the current financial year were a Risk Management Workshop with management, development of departmental operational risk registers as well as project risk registers based on the strategic and service delivery importance of projects to the Company.

Performance on Strategic Register

The Strategic Register Profile as at year-end is depicted in the table below:

TABLE 19: STRATEGIC RISK REGISTER

Risk Ref	Risk Description	2022/23 Inherent Risk*	2022/23 Residual Risk*	2021/2022 Inherent Risk*	2021/2022 Residual Risk*	Movement on Residual risk
1	Perceived to be trading in insolvency and inability to generate revenue	25	11	25	11	⟺
2	Occupation of buildings that are not OHASA compliant	25	19	25	19	⟺
3	Erosion of the City-owned land and property asset base	20	11	20	11	⟺
4	Inadequate maintenance of the property	20	16	20	16	⟺
5	Financial viability of cleaner insourcing and prevalent unhygienic conditions prevailing at buildings	20	16	20	16	⟺
6	Non-compliance with legislation, policies, and procedures	15	4	15	4	⟺
7	Fraud and corruption	20	9	20	9	⟺
8	Inability to attract investment	16	9	16	9	⟺
9	Inadequate Contract Management	20	16	20	16	⟺
10	Inadequate ICT delivery	20	10	20	10	⟺
11	Inadequate internal and external stakeholder management and brand reputation	9	5	9	5	⟺
12	Weakened organization	16	8	16	8	⟺
13	Inadequate security control	20	16	20	16	⟺
14	Covid 19 related negative impact	25	15	25	15	⟺
15	Document Storage and Security	20	20	20	20	⟺

⟺ Unchanged / slight improvement / slight regression

TABLE 20: KEY RISKS & MITIGATION STRATEGIES AS AT 30 JUNE 2022

No	Risk	Likelihood	Impact	Mitigation	RISK IMPICATIONS
1	Perceived to be trading insolvency and inability to generate revenue	Almost certain	Critical	• Implementation of the outdoor advertising master plan as it depends on the City's finalization of the new by-laws • Review and Implementation of the Financial Turnaround Strategy (i.e. Growth of outdoor income; increasing land sales, land acquisitions, property development, property management, and repairs & maintenance for other depts.). • Review and Implementation of Facilities Management Strategy. • Timely renewal of leases so that revenue generation can be enhanced as per the pipeline of transactions. • The formalisation of traders' leases and collection of rentals from Informal traders also depended on DED informal trading policy.	**Medium-term**
2	Occupation of buildings that are not OHASA compliant	Almost certain	Critical	• Assessment of properties to allow the assessment of repairs and maintenance to be increased from the current 16 corporate buildings to all properties housing CoJ staff. • The JPC-approved Organogram be filled with competent officials to effectively execute the CBAs of Corporate Buildings. • Working with the relevant COJ team such as OHASA, EMS, and department of labor on the non-compliant building. • The follow-up is to be made on the commitment made by entities and departments on OHASA issues. • Entities and departments with buildings that are not OHASA compliant are to be reported to the City structure and given notice of non-compliance to the Manager and later to the Executive Mayor, if necessary. • Implementation of facilities management strategy.	**Medium to Long-term**
3	Erosion of the City-owned land and property asset base	Likely	Critical	• Implementation of Land Strategy. • The lease renewals process is to be started timeously and at least 6 months before the contract ends to provide sufficient time for the tender process • Partner with GFIS and JMPD on the land evasion strategy.	**Long-term**
4	Inadequate maintenance of the property	Likely	Critical	• Implement a comprehensive facilities management plan for all properties of the City. • Facilities management plan to be informed by needs analysis/condition assessments. • Bi-annual inspection of properties allocated to departments and entities to ensure that the properties are well maintained. Repairs on leased properties to be affected by the lessees and their condition regularly inspected. • Fill scarce skills in line with the approved budget for critical vacancies.	**Medium-term**
5	Financial viability of cleaner insourcing and prevalent unhygienic conditions prevailing at buildings	Likely	Critical	• Capacitated the cleaning with sufficient cleaning staff, equipment material, cleaning supervisor, and management	**Medium to Long-term**

No	Risk	Likelihood	Impact	Mitigation	RISK IMPICATIONS
6	Non-compliance with legislation, policies, and procedures	Possible	Critical	• Monitor changes in labor and statutory laws, and ensure adherence. • Perform a regulatory compliance review by internal auditors. • Quarterly reporting on JPC compliance checklist. • Conducting awareness workshops annually. • Reviewing all the policies annually. • Update JPC Compliance Management Framework which is aligned to the City-Wide Compliance Management Framework. • Consequences management to be implemented. •	**Medium-term**
7	Fraud and corruption	Rare	Critical	• Work with GFIS on fraud corruption issues and implement ER based on consequence management measures.	**Long-term**
8	Inability to attract investment	Likely	Major	• PPP implementation/Investment summit. • Develop friendly bid specification • Timeous evaluation and adjudication of RFP responded to • Timeous conclusion of the property development agreement and leases	**Long-term**
9	Inadequate Contract Management	Likely	Critical	• Budget to be secured for Legal Services to appoint dedicated Contract Management officials. • Portfolio management will appoint dedicated staff to manage and monitor new and current leases of facilities	**Short-medium term**
10	Inadequate ICT delivery	Likely	Critical	• JPC is part of the COJ SAP4 HANA single platform integration.	**Medium-long term**
11	Inadequate internal and external stakeholder management and brand reputation	Possible	Moderate	• Implementation of business processes and systems integration (link the JPC Call Centre to PIMS, TRIM) which will improve the tracking and monitoring of stakeholder and client inquiries. • Conduct semi-roadshows to the regions and departments to align with the JPC process. • Responds timeously to all queries. • External stakeholder engagement aligning JPC's strategic objectives. • Property indaba and outdoor indaba. • JPC presents in all the regions.	**Short-medium term**
12	Weakened organization	Likely	Major	- Review corporate KPIs, - Review the HR strategies. - Review and implement all organization policies. - Review and implement organizational structure in line with the strategy. - Ailing the strategic objective to perform deliverables and outcomes. - Review the performance target for the whole organization. - Appointments of all the critical vacancies. - Develop a consequence framework for non-performance. - Develop employee wellness and initiative team building. - Develop and implement the delegation of authority throughout the company. - All employees to be informed about the outcome of all disciplinary cases to increase	**Medium-term**

No	Risk	Likelihood	Impact	Mitigation	RISK IMPICATIONS
13	Inadequate security control	Likely	Critical	- De Develop Security guard access control protocol for JPC buildings and sign SLA with Service Provider. - Implementation of ICT infrastructure, the current status of the project is awaiting signatures for approval of the finance lease. • Assess CCTV and access control requirements for JPC and budget for funding. Security guard access control protocol for JPC buildings and sign SLA with Service Provider • implementation of ICT infrastructure, the current status of the project is awaiting signatures for approval of the finance lease • Assess CCTV and access control requirements for JPC and budget for funding	**Medium-long term**
14	Covid 19 related negative impact	Almost certain	Critical	• Ongoing COVID-19 Employee education and Awareness campaigns are needed. • Implementation of the LRA and DC policies in JPC to enforce compliance with the Regulation protocol. • Support from EXCO in dealing with non-compliant employees regarding the practice of and observation of COVID-19 protocol.	**Medium-long term**
15	Document Storage and Security	Almost certain	Critical	• Management in process of updating record management policies and construction of storage and security space	**Medium-long term**

Section 10: Corporate Ethics and Organisational Integrity

The JPC Board and Management abide by the principles of King IV, among others those related to corporate ethics and organisational integrity. The Company values – professionalism, accountability, responsibility, customer service, and trust – provide an ethical foundation and are fundamental to success. JPC Management encourages employees to live the JPC values.

King IV principles require that a Company should demonstrate its commitment to organisational integrity by providing effective leadership based on ethical foundations, ensuring that the Company reflects responsible corporate citizenship and that the Company's ethics are effective. JPC has already taken an initiative to put more effort into promoting ethics and good corporate governance by establishing the Transformation, Social and Ethics Committee, as prescribed by the Companies Act. This Committee is tasked with overseeing the social and ethical matters in JPC and reporting to the Board on progress.

JPC has a code of conduct endorsed by the Board that applies to employees and the provisions of code of conduct outlined in Municipal Systems Act are applicable to its Board of Directors. The code is regularly reviewed and updated to ensure that it reflects the highest standards of behaviour and professionalism. In summary, the code requires that JPC's entire personnel act at all times with the utmost integrity and objectivity and in compliance with the letter and spirit of both the law and its policies. Failure by employees to act in terms of the code results in disciplinary action.

The Board and Management are aware that certain elements of sustainability need to be explored addressed. In the coming financial years focus will be given to sustainability programmes such as technology and other environmental initiatives.

King IV Reporting

JPC confirms and acknowledges its commitment to the highest standards of corporate governance. The Board Charter is in line with the principles contained in the King IV Report and continues to entrench further and strengthen recommended practices in its governance structures, systems, processes, and procedures.

The Board of Directors and Management recognise and are committed to the principles of openness, integrity, and accountability advocated by King IV. Through this process, shareholders and other stakeholders may derive the assurance that the entity's ethical management is in accordance with prudently determined risk management parameters in compliance with generally accepted corporate practices.

The entity's practices are, in most material instances, in line with the principles set out in the King IV Report. The Board will also review compliance with the provisions of the MFMA, which are compatible with the King IV principles, on a quarterly basis.

Governance Framework

JPC views good governance as a vital component in operating a successful and sustainable business as well as providing assurance to its Shareholder that the Company is well managed.

JPC's governance structures are informed by the Group Governance Framework and support the company's ability to create value in the short, medium, and long term by creating an enabling environment within which to achieve strategic objectives.

JPC's formal governance structures oversee the Company's ethical performance through codes, policies, and processes, and ensure that structural accountability and principled behaviour are promoted throughout the organisation. The City's Governance Framework clarifies governance roles and responsibilities and enhances oversight, monitoring, and evaluation within the Group Governance Functions. This reinforces the concept of the City as a 'Shareholder' and ensures alignment and consistency.

Conflict of interest

The annual declaration of interest by all employees of JPC is overseen by the HR Department, and a status report for the 2021/22 financial year is outlined in Chapter 4: Human Resources & Organisational Management of the report page 96.

Section 11: Compliance with Laws and Regulations

The board is responsible for ensuring that the JPC complies with applicable laws, regulations, guidelines, and standards in accordance with its identified compliance universe. The company has a Compliance Risk Framework, which guides the process of managing compliance risks. This compliance risk process is as prescribed by the Compliance Institute of South Africa (CISA) and includes identification, measurement, management, and monitoring.

JPC has completed the City s' Corporate governance compliance checklist which informs the City s' Compliance Register. At each Audit and Risk Committee meeting, an update on compliance is presented. This update include a significant legislative developments within the environment in which JPC operates in. Key areas of non-compliance, if any, are also brought to the attention of this committee.

Other focus areas are on MFMA Circular 68 (irregular, fruitless, and wasteful expenditure), MFMA Section 65(2)(e) (thirty-day late payment reporting), declaration of interest by the employee as well as on 40 Acts that are identified as core for JPC operations. A review has been undertaken in order to ensure compliance with core Acts and to ensure that adequate and effective controls are in place and regularly monitored.

During the financial year, no fines or penalties were issued against the Company, and no directors or senior management members were accused of or held liable for non-compliance with any laws, regulations, or codes of conduct.

Section 12: Sustainability Report

Health and Safety

JPC manages facilities for the CoJ and as a result, issues related to the Occupational and Health Safety Act (OHASA), 1993, are high on the organisation's priority list. The Committee monitored the OHASA reports detailing the conditions of the public facilities under the Management of JPC. The Committee considered some of the challenges faced by the Company and ensures compliance with OHASA legislation.

Environment

At JPC, reducing environmental impact is a top priority and is considered at all stages of the building and renovation projects to deliver innovative workspaces that are energy-efficient with low operating costs, and use sustainable materials and recyclable products wherever possible. JPC's commitment is to maintain the grounds and buildings of the Council Buildings in an environmentally sensitive way including aspects such as the refurbishment programmes of buildings, planning and delivery of new capital projects, and the chemicals used by our maintenance teams.

Built Environment

JPC works with external service providers to deliver on carbon and energy reduction targets through the installation and use of energy-efficient materials, equipment, and water efficiency fittings equipment. Office, and space requirements for ergonomically friendly designed buildings are taken into consideration in the planning and construction of the most efficient and environmentally friendly offices. These requirements include aspects related to energy and water use, the internal environment (health and well-being), pollution, transport, materials, waste, and facility Management processes. Creating office environments with natural ventilation is incorporated into designs for new and refurbished buildings.

Corporate Social Responsibility Report

The concept of sustainable development broadly underpins the Company's corporate social investment philosophy and function. The policy of JPC is to act as a facilitator, rather than a sole sponsor of social investment projects. In this way the long-term sustainability of projects is encouraged, additional donors are attracted, and historically disadvantaged communities are empowered. NGOs serve as a major national initiative through which business and government have joined hands to support strategic interventions on the following issues:

- Health care initiatives
- Education
- Skills training and job creation
- Small business development

Section 13: Anti-Corruption and Fraud

JPC has zero tolerance for fraud and corruption and related irregularities. This is in line with the JPC Anti-Fraud Policy. This Policy is compliant with the Prevention and Combating of Corrupt Activities Act, 2004, and its related regulations. It is also aligned with the anti-fraud policy of the shareholder. At this stage, Anti-Fraud and Corruption work, falls within the scope of GFIS, in terms of a Council resolution.

Secondly, the City has established a Disciplinary Board responsible for investigating allegations of financial misconduct within the City and entities. The Special Investigating Unit (SIU), was appointed by the President of South Africa on 23 July 2020, to conduct an investigation in terms of Proclamation R23 of 2020.

On 1 September 2020, the SIU appointed an investigator to commence with the investigation into the appointment of four service providers by the JPC in March 2020, namely:-

- KM Masigo Trading CC;
- Triple Tech SL CC;
- Omphile Turnkey Solutions (Pty Ltd and
- Mizana Engineering Services (Pty) Ltd.

The JPC had appointed these service providers to provide deep cleaning and sanitisation services, at City owned facilities, during the Covid-19 inspired lockdown of March 2020. The SIU completed the investigation and submitted its investigation Report, to the JPC Board, in March 2021.

After considering the SIU Report, the JPC Board caused the appointment of a senior Counsel, as prosecutor to proceed with a disciplinary hearing, in respect of allegations against the CEO and CFO. The prosecutor tabled a memorandum of advice, at JPC Board. In the advice, prosecutor indicated that, by the close of his analysis of the matter, there had been no evidence, to sustain a prosecutable case against the CEO. Further, the JPC Board apparently, caused the appointment of Kunene Ramapala Incorporated Attorneys (KR) to investigate, allegations of irregularities and corruption, in the appointment of service providers, for deep cleaning, sanitisation, employment and promotion practices, allegedly committed in March 2020.

KR submitted its forensic report to the JPC Board, dated January 2022. The JPC Board is seized with both these matters, as at the close of the period under review.

Section 14: Information & Communications Technology (ICT) Governance

The Board acknowledges its responsibility for promoting and enabling innovation. In doing so, it has embraced innovation under Strategic Goal: Smart City: The use of technology for effective operations. The effective management of information technology and information systems is key to achieving the strategic objectives, particularly in delivering quality services to customers and stakeholders. Information and communications technology (ICT) was viewed as a key enabler of the entity's strategic objectives and, as such, it required robust governance. The entity's ICT governance objectives included the following:

DIAGRAM 13: JPC ICT GOVERNANCE OBJECTIVES

In line with King IV, the Board delegated to management the responsibility to implement and execute effective technology and management. To further our strategic objective of providing innovative and quality services, the company maintained the drive to deliver on key projects, all of which ultimately contributed to an improved service and mitigation of risks, including cyber threats. For the year under review, the major focus areas were as follows:

DIAGRAM 14: JPC ICT GOVERNANCE OBJECTIVES

Integration of people, technology, information & processes across the organisation.

Integration of technology and information risks into organisation-wide risk management.

Arrangements to provide for business resilience.

Proactive monitoring of intelligence to identify and respond to incidents. Including cyber-attacks and adverse social media.

Management of the performance of, and the risks pertaining to Third party and out sourced service providers.

Monitoring the alignment of the short, medium and long-term strategies of the business and technology.

Measuring and managing the cost expended and the value received from technology.

The responsible disposal of obsolete technology and information in a way that has regard to environmental impact and information security.

Ethical and responsible use of technology and information

Maintaining formalized information technology (IT) governance at JPC aligned to existing corporate governance structures and leading practices.

Automation and Technology Innovation

SAP Enterprise Resource Planning (ERP) System

JPC in partnership with the City, is implementing CoJ SAP. At this stage, there is network connection access for SAP Fiori Module for JPC Finance and SAP HCM ESS for Human Resources.

JPC Finance SAP Flori project aims to ensure governance of and compliance with municipal standard chart of accounts (MSCOA), a standardised accounting system that aims to change how municipalities transact by standardising financial management processes through policy formulation, budgeting, in-year reporting frameworks, and statements.

The availability to access SAP HCM ESS i.e. Human resources module allows access to leave payslips and additional HR information for all JPC employees. Further JPC ICT implemented user-friendly kiosk workstations to all remote offices allowing connectivity and access to all employees for HR personal electronic management.

Protection of Personal Information Act (POPI Act)

In terms of Principle 7 of the Protection of Personal Information Act (PoPIA), security safeguards have been implemented on the entity's information systems, including user authentication and access control, password security, and review of user access on a periodic basis. JPC has initiated a process to address PoPIA compliance.

Business Analytics

In pursuance and support of the Smart City Strategy, JPC initiated development and deployment of Business Intelligence (BI) dashboards including property pipeline analytics covering key performance areas and indicators of the business. These dashboards will lead to Business automation transformation in these areas, allowing business to somewhat predict their transactional future; maintaining a competitive edge in the Property space.

Informal trading

Technology becomes key with regard to data collection, verification of the traders, and control of the spaces. The proposed WORK FORCE management tool will include electronic handheld verification devices which JPC will utilise to collect data with a flexibility to upload such data to a centralised agnostic system.

The solution will have the functionality to scan the barcode contained in the ID and take a picture of the documents for easy verification of traders, contracts, assets, and leases, ultimately ensuring that the operations on the ground are performed with accurate information, in the shortest possible time using technology and enabling business to make effective decisions on the ground while maintaining the same message and standards.

Future Focus Areas

Digital transformation (Workforce Optimisation) to implement a technology platform that optimises the end to end service delivery value chain from the time a customer engages with JPC and workforce teams will be equipped with ICT tools that ensure business continuity of the development of the Integrated SmartProp Centralised Management Solution (ISMS) leading to an agnostic approach allowing seamless integration to SAP, operating within JPC's defined space which comprises Property Management, Property Development, Supply Chain Management, Asset Management, Client Services, Outdoor Advertising, Cell Masts, Informal Trading, Facilities Management and Legal Services for JPC as a property company.

Electronic Document Records Management System (EDRMS), a technology that will securely preserve the integrity, segregate and maintain records with the ability to retrieve records accurately and efficiently by implementing an integrated Electronic Documents & Records Management System and basic workflow processes, the system shall allow workflow management, batch scanning with barcode, tight integration with MS Office and the administration of paper archives.

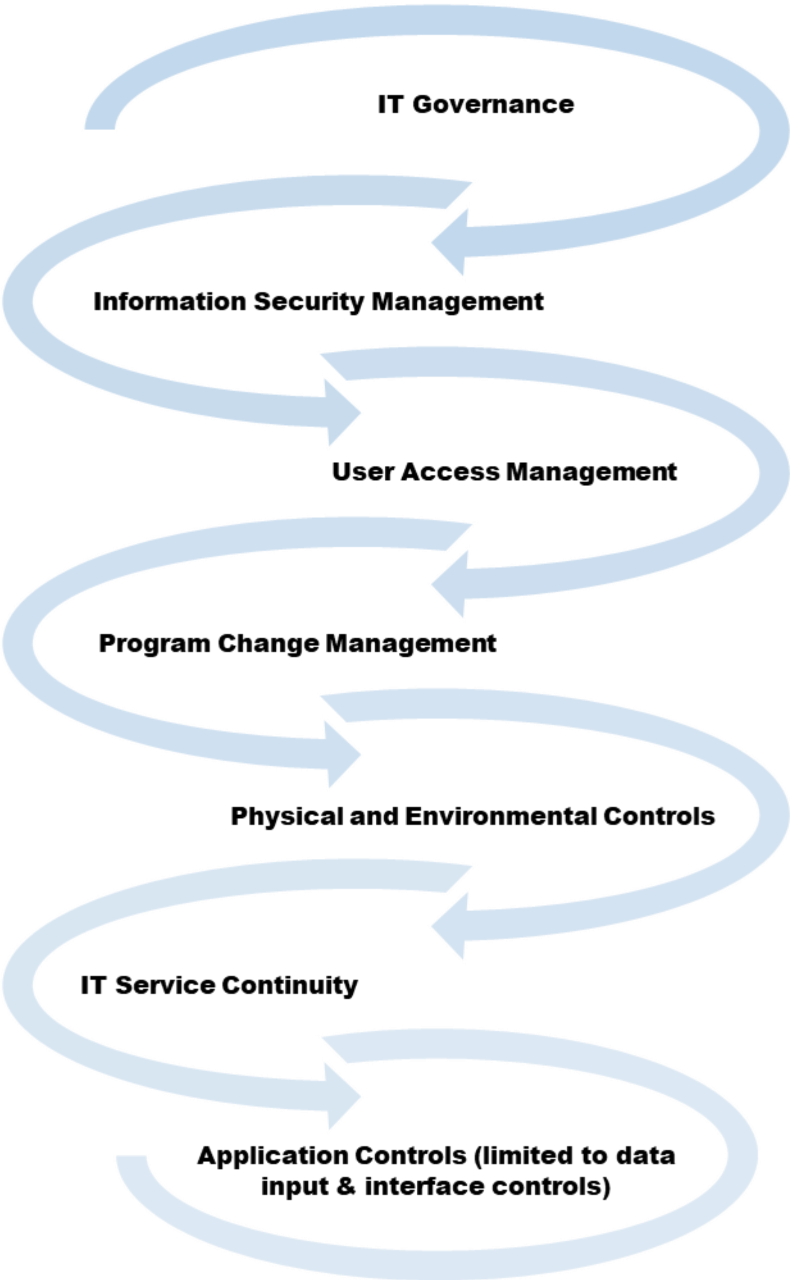
This will be used to enable the JPC to gain control over the current manual document and records management processes in line with The National Archives and Records Service of South Africa compiled in compliance with the Promotion of Access to Information Act (PAIA) (act no. 2 of 2000) resulting in additional cost reduction associate with traditional printing and paper records archiving methodologies.

JPC IT Governance Status

JPC has adequately complied with King IV principles and objectives in respect of ICT governance. These ICT Auditable spheres for ICT Good Corporate Governance and compliance have been thoroughly tested by both internal and external auditors.

The audit approach is designed to place more emphasis on high-risk areas, which naturally implies that internal auditing will not necessarily detect all errors, fraud, and irregularities. It is further designed to aid the efficiency and effectiveness of business operations, as well as to address traditional compliance and financial areas.

DIAGRAM 15: JPC ICT GOVERNANCE STATUS



Chapter 3: Service Delivery Performance

3 SERVICE DELIVERY PERFORMANCE

Section 1: Organisational Performance

Section 1.1.: Highlights and Achievements

During the year under review, the following key service delivery achievements, milestones, and other unexpected occurrences were realised:

TABLE 21: JPC HIGHLIGHTS & ACHIEVEMENTS

	SERVICE DELIVERY ACHIEVEMENTS / MILESTONES
✓	JPC has realised a rand value investment spend of R357 579 666.33 as a result of Construction Projects within CoJ Boundaries.
✓	280 asset management plans concluded.
✓	100% resolution of AGSA audit findings
✓	One hundred and sixty-six (166) properties to the value of R24 989 996.00 were transferred during the reporting period to advance the City's service delivery, housing provision, and economic development objectives.
✓	JPC obtained an unqualified Audit Opinion with findings by the Auditor General of South Africa (AGSA) for the 2020/2021 financial year

Section 1.2.: Service Delivery Challenges

The Informal Trading challenges:

- ✓ Cleaning services to keep all the facilities hygienically clean and compliant with OHS protocol.
- ✓ Lack of visibility by security guards securing our facilities thus leading to criminal related incidents.
- ✓ Overcrowding in our facilities caused by commuters and traders in our major facilities
- ✓ Increased number of illegal traders in all major facilities
- ✓ The implication of Operation Dudula i.e. causing major threat and havoc in some facilities that have foreign nationals.
- ✓ Recent fires affecting Market Facilities (Kwa Mai Mai and Yeoville Markets).

Revenue Collection

- ✓ Outdoor Advertising Revenue loss due to lapsed contracts and the volume of illegality in the City has increased substantially over the years thus having a negative impact on the value of outdoor advertising;
- ✓ Delays in the review of the by-laws thus affecting revenue and roll-out of the Outdoor Advertising Initiatives.

Occupational Health & Safety (OHS) i.e. internally for JPC and Externally

The OHASA non-compliance of City-owned buildings remains a challenge across the property portfolio. A majority of the buildings has exceeded design life and is due for replacement and/or major refurbishment. These facilities, mostly due to dilapidation over the years, now pose a risk to occupants and users.

Security at Corporate Buildings and Council owned Properties

Vacant land was invaded resulting in illegal structures and occupation, sub-letting, illegal connections, and crime i.e. theft-related incidents. The lack thereof leaves us with no recourse in the absence of effective security of our buildings. A Service Level Agreement (SLA) with JPMD to provide security at our facilities will minimise and mitigate theft-related incidents and illegal connections.

Stakeholder Management

- ✓ Section 79 committee matters arising reports not tabled due to non-signature by the MMC
- ✓ 10 Transactional reports not tabled at Maycom due to non-signature by the MMC

Section 1.3: Performance against Predetermined Objectives

The annual report has been prepared against the JPC's 2021/22 business plan and approved corporate scorecard. The corporate scorecard was reviewed and approved by the Board based on the strategic priorities set out by the Multi-Party Government (MPG). The deviation and mid-term budget adjustment was undertaken in line with prescribed and regulated procedure and approved by Council.

The reporting is done on a quarterly basis and the performance of the entity is rated and assessed based on the achievement or non-achievement of targets set. The following KPIs were deferred to the next financial year as a result of reasons provided in the Council approved deviation:

- Refurbishment of Public Conveniences
- Percentage implementation of Outdoor Master plan

The JPC scorecard for the financial year ending 30 June 2022 reflects that the entity achieved **33**% (5 of 15 targets due), and **67**% (10 of 15) of its targets not achieved.

TABLE 22: LEGEND KPI ACHIEVEMENT

	Target Achieved
	Target Exceeded
	Target not achieved

DIAGRAM 16: JPC KPI ACHIEVEMENT

TABLE 23: JPC KPI ACHIEVEMENTS

1.1 KPI: Unlocking Investments/ Business through property transactions & developments			
IDP Priority	Economic Development		
GDS OUTCOME	An inclusive, job-intensive, resilient, competitive and smart economy that harnesses the potential of citizens		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
R2.5bn Rand value investment attracted/ business facilitated within COJ boundaries based on signed contract	Rand value Zero Investment/ business facilitated attracted within COJ boundaries based on signed contract	R2.5bn investment attracted/ business facilitated within COJ boundaries based on signed contract	R1 .86 Billion Investment/ business facilitated attracted within COJ boundaries based on signed contract
Not Achieved: Soweto Gateway – R3.2 billion was advertised and the bids received were non-responsive. This transaction has to be re-advertised. Furthermore, in respect of the Southern Farms transaction, the process is not finalized as JPC is awaiting the probity report by the Group Internal Audit Services. The Southern Farm submission has been presented to Executive Adjudication Committee and will be concluded in the coming financial year.			

1.2 KPI: Investment Spend within COJ based on construction value on the ground			
IDP Priority	Economic Development		
GDS OUTCOME	An inclusive, job-intensive, resilient, competitive and smart economy that harnesses the potential of citizens		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
R200 million Investment Spend based on projects within COJ boundaries on construction value on the ground	R357 579 666.33 Investment Spend based on projects within COJ boundaries on construction value on the ground	R200m investment attraction/ business facilitated within COJ boundaries based on construction value on the ground	R302 682 033.20 investment attraction/ business facilitated within COJ boundaries based on construction value on the ground
Target Exceeded			

2.1 KPI: Number of Job Opportunities Created			
IDP Priority	Job Opportunity & creation		
GDS OUTCOME	An inclusive, job-intensive, resilient, competitive and smart economy that harnesses the potential of citizens		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
1500 Job opportunities created	1039 Job opportunities created	1500 Job opportunities created	735 Job opportunities created
Not Achieved: due to underspending on repairs and maintenance as a result of delays in the SCM processes that were still underway for inclusion in the panel of service providers. The SCM process was only concluded in the last quarter of the financial year.			

2.2. KPI: SMME's supported through property transactions			
IDP Priority	Job Opportunity & creation		
GDS OUTCOME	An inclusive, job-intensive, resilient, competitive and smart economy that harnesses the potential of citizens		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
500 SMMEs supported	265 SMMEs supported	1000 SMMEs supported through property transactions	553 SMMEs supported through property transactions
Not Achieved: due to underspending on repairs and maintenance as a result of delays in the SCM processes that were still underway for inclusion in the panel of service providers. The SCM process was only concluded in the last quarter of the financial year.			

3.1 KPI: Number of Asset Management Plans Formulated			
IDP Priority	Financial Sustainability		
GDS OUTCOME	A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated, and globally competitive Gauteng City Region.		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
280 Asset Management Plans Formulated	280 Asset Management Plans Formulated	200 Asset Management Plans Formulated	250 Asset Management Plans Formulated
Target Achieved			

3.2 KPI: Number of Properties Acquired on behalf of City departments and entities			
IDP Priority	Financial Sustainability		
GDS OUTCOME	A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region.		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
20 Properties Acquired	14 Properties Acquired	20 Properties Acquired	31 Properties Acquired
Not Achieved: Acquisition processes are still underway and will be concluded in the 2022/2023 financial year.			

3.3 KPI: Leasing/ lease renewals of shops and stalls located at various public transport facilities and traders markets owned by the City			
IDP Priority	Financial Sustainability		
GDS OUTCOME	A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region.		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
500 shops and stalls leases concluded	59 shops and stalls leases concluded	500 leases of shops and stalls concluded	36 leases of shops and stalls concluded
Not Achieved: Provisions of the COJ-approved Informal Trading Policy require that permits be issued to informal traders before entering into a lease agreement with JPC. These provisions brought a change to the process of informal trading leasing which has a dependency on DED who are responsible for issuing permits. DED is attending consultations with Informal Traders Leadership on the informal trading policy and the roll-out of permits. The policy was only approved in the last quarters of the financial year. The non-achievement of this KPI was beyond the control of the JPC.			

3.4 KPI: Release of 120 Properties on Social and Economic Leases including Servitudes and Sales			
IDP Priority	Financial Sustainability		
GDS OUTCOME	A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated, and globally competitive Gauteng City Region.		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
120 properties released on social and economic leases, including servitudes and sales	27 properties released on social and economic leases, including servitudes and sales	120 properties release on social and economic leases, including servitudes and sales	28 properties release on social and economic leases, including servitudes and sales
Not Achieved: SCM challenges experienced hindered our ability to achieve this target. Lease renewal processes are still underway and will be concluded in the forthcoming financial year. Remedial plans have been developed to address these challenges and achieve the set target in the 2022/23 financial year.			

4.1 KPI: Implement training & development initiatives to address competency gaps			
IDP Priority	Good Governance		
GDS OUTCOME	A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive locally integrated, and globally competitive Gauteng City Region.		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
560 employees trained	348 employees trained	560 employees trained	94 employees trained
Not Achieved: The planned training programme was affected by the delay in the SCM process of appointing a panel of service providers.			

4.2. KPI: Occupational Health & Safety			
IDP Priority	Good Governance		
GDS OUTCOME	A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive locally integrated, and globally competitive Gauteng City Region		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
1 % Disabling Injury Frequency Rate	1 % Disabling Injury Frequency Rate	0 Fatalities	0 Fatalities
Target Achieved			

5.1. KPI: Income generated through property transactions			
IDP Priority	Financial Sustainability		
GDS OUTCOME	A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive locally integrated, and globally competitive Gauteng City Region		
Current Year 2021/22		**Prior year 20201/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
R130 000 000.00 income raised from leases servitude and sales	R104 111 993.68 income raised from income from leases servitude and sales	R130 000 000.00 raised from rental income from leases and servitude sales	R94 935460.69 raised from rental income from leases and servitude sales
Not Achieved: Due to delays in the lease renewal process most transactions are in the approval pipeline stages and will be concluded in the coming 2022/23 financial year.			

5.2. KPI: Spend of Allocated Capex			
IDP Priority	Financial Sustainability		
GDS OUTCOME	A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region.		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
100% spend on allocated CAPEX	42% spend on allocated CAPEX	100% spend on allocated CAPEX	4% spend on allocated CAPEX
Not Achieved: Some of the projects despite being concluded and awarded had to be cancelled due to financial difficulty and re-advertised while in some instances the SCM processes for projects were only concluded in the 4th quarter.			

5.3. KPI: Audit Opinion			
IDP Priority	Good Governance		
GDS OUTCOME	A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region.		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
Unqualified Audit	Unqualified Audit	Unqualified Audit Report	Unqualified Audit Report
Target Achieved			

5.5. KPI: Resolution of Auditor General Findings			
IDP Priority	Good Governance		
GDS OUTCOME	A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated, and globally competitive Gauteng City Region		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
100% resolution of Auditor—General findings	100% resolution of Auditor—General findings	100% resolution of Auditor—General findings	59% resolution of Auditor—General findings
Target Achieved			

5.6. KPI: Percentage Resolution of internal Audit Findings			
IDP Priority	Good Governance		
GDS OUTCOME	A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated, and globally competitive Gauteng City Region		
Current Year 2021/22		**Prior year 2020/21**	
Annual Target	**Actual**	**Annual Target**	**Actual**
100% Percentage resolution of Internal Audit findings	27% Percentage resolution of Internal Audit findings	New target not applicable in 2020/21	New target not applicable in 2020/21
Not Achieved: The target was not achieved due to the management process of implementing the controls and addressing the findings. The internal audit will finalise the review and assess the controls implemented by the management in the first quarter of the 2022/23 financial year.			

Section 2: Core Business

Section 2.1: Asset Management

Acquisitions during the period

Twenty-three (23) properties to the value of R80 370 639.00 were taken on during the 2021/2022 financial year.

TABLE 24: PROPERTIES ACQUIRED USING COJ BUDGET

Asset Description	Location	Value	Category
Rem of Farm	Poortjie	R 4 153 000.00	Devolution
Holding 17	Carlswald A.H	R 7 372 539.00	Housing
Ptn 1 of Erf 646	Jeppestown	R 1 814 574.00	Housing
Erf 647	Jeppestown	R 2 555 525.00	Housing
Ptn 1 of Erf 648	Jeppestown	R 2 933 561.00	Housing
Erf 649	Jeppestown	R 7 485 118.00	Housing
Erf 651	Jeppestown	R 7 485 118.00	Housing
Erf 654	Jeppestown	R 3 750 120.00	Housing
Erf 655	Jeppestown	R 3 750 120.00	Housing
Erf 2788	Jeppestown	R 14 425 864.00	Housing
Ptn 121	Zandspruit 191 IQ	R 8 100 000.00	Housing
Erf 918	City and Suburban	R 905 326.54	Housing
Erf 919	City and Suburban	R 664 891.15	Housing
Erf 930	City and Suburban	R 664 891.15	Housing
Erf 931	City and Suburban	R 664 891.15	Housing
Erf 80	Stafford	R 2 100 000.00	Housing
Ptn 22	Roodepoort 302-IQ	R 3 900 000.00	Vesting
Erf 688	Hyde Park Ext 135	R 100.00	Vesting
Ptn 20	Roodepoort 302-IQ	R 961 000.00	Vesting
Ptn 96	Klipriviersoog 299-IQ	R 1 873 000.00	Vesting
Holding 69	Unaville A.H.	R 749 000.00	Vesting
Ptn 179	Elandsfontein 308-IQ	R 303 000.00	Vesting
Ptn 117	Elandsfontein 308-IQ	R 3 759 000.00	Vesting

Fifteen (15) properties were acquired with the budget provided by the Housing Department for housing development purposes on behalf of the Housing Department. One (1) property was devolved to the City by the Gauteng Provincial Government. Seven (7) properties were acquired through vesting in terms of the Conditions of Township Establishment.

Disposals during the period

One hundred and sixty-six (166) properties to the value of R24 989 996.00 were disposed of during the reporting period to advance the City's service delivery, housing provision, and economic development objectives made up as follows:

One hundred and four (104) housing properties to the value of R1 998 821.00 were transferred to beneficiaries for the provision of housing as mandated by the Housing Act.

Seven (7) properties to the value of R61 175.00 were transferred to beneficiaries as part of the Land Regularization Program.

Fifty-five (55) properties to the value of R22 930 000.00, which are situated in Ekurhuleni (outside the boundaries of the City of Johannesburg) were transferred to the rightful owner - the City of Ekurhuleni Municipality in line with the demarcation. The table below provides an outline of the transferred properties.

TABLE 25: DISPOSALS

Category	Quantity	Value
Housing Transfers	104	R1 998 821.00
Land Regularization - Shops & Churches	7	R 61 175.00
Re-transfer Ekurhuleni	55	R22 930 000.00
Total	**166**	**R24 989 996.00**

Status of CoJ Property Portfolio Holdings

The portfolio of the City has a total value of R9, 263 billion which comprises 28 193 properties for the financial year ending 30 June 2022. The table below illustrates the high-level summary outlining the quantity and value per region.

TABLE 26: COJ PROPERTY PORTFOLIO

Region	No. of Properties	Value %	Historical Book Value
Region A	1 697	10%	R898 581 987.28
Region B	3 922	17%	R1 595 120 110.10
Region C	2 350	12%	R1 125 690 161.38
Region D	6 097	9%	R874 320 919.40
Region E	4 487	19%	R1 726 954 968.18
Region F	4 874	17%	R1 568 683 930.97
Region G	4 459	13%	R1 180 517 369.12
Outside COJ	307	3%	R293 697 936.01
Grand Total	**28 193**	**100%**	**R9 263 567 382.44**

Net Movements

The table below indicates the impact of the movements on the value of the Asset Register in the 2021/2022 financial year:

TABLE 27: NET MOVEMENT

Asset Register Movements in Value	
Opening Balance (1st July 2021)	R 9 208 186 739.44
Acquisitions	R 80 370 639.00
Disposals	R -24 989 996.00
Closing Balance (30 June 2022)	R 9 263 567 382.44
Movement in percentage	**0.60%**

More properties were disposed compared to the number of properties that were acquired, however, the value of the portfolio has increased in value by 0.60% in the 2021/2022 financial year.

Year on Year: Number of Properties

The table below provides a movement outline of the total number of properties. The portfolio will continue decreasing marginally as the Housing Department continue to transfer properties to beneficiaries in terms of the Housing Act and in terms of the Land Regularisation Program. The table below outlines the year-on-year summary.

TABLE 27: NUMBER OF PROPERTIES PER REGION

Number of properties					
Region	**2022**	**2021**	**2020**	**2019**	**2018**
Region A	1 697	1 712	1 756	1 775	1 907
Region B	3 922	3 927	3 935	3 989	3 999
Region C	2 350	2 349	2 349	2 353	2 354
Region D	6 097	6 126	6 228	6 407	6 567
Region E	4 487	4 528	4 759	4 915	4 907
Region F	4 874	4 862	4 833	4 841	4 844
Region G	4 459	4 468	4 526	4 684	4 886
Outside CoJ	307	364	490	490	489
Total	**28 193**	**28 336**	**28 876**	**29 454**	**29 953**

Section 2.2: Inner City

In response to the growing need for affordable housing within the City and its surrounding areas, the Inner City Rejuvenation Programme was implemented in 2018/2019. The programme vision was to release City-owned properties, some of which are in a dilapidated state, to the private sector for the development of Affordable Mixed-Use Residential and Affordable Student Accommodation. During the 2018/19 and 2019/20 financial year(s), JPC released City-owned properties to the private sector (Phase 1 – 3) for the development of Affordable Mixed-use Accommodation and Affordable Student Accommodation. Various stakeholders such as Ward Councillors, and CoJ Departments (i.e. Fast track steering committee, CoJ development planning, CoJ

City transformation, and community members) have been engaged to ensure that the Programme is implemented seamlessly.

To date Three (3) Phases have been rolled out which saw the successive release of city-owned properties for long-term lease and development by the private sector. Furthermore, the Programme seeks to achieve the City's Strategic Priorities, while also focusing on job creation and local SMME development, among other key objectives.

Much focus has been on achieving tangible and measurable progress, in the following manner: Effective, persistent collaboration with all stakeholders, City Departments and MoEs to mitigate existing challenges and unlock Town Planning bottlenecks.

Moreover, in the interests of achieving optimal progress (which can be measured, effectively monitored, and evaluated) in Quarter 2 of the year, an interim strategy was devised and adopted by the Inner City Focused Intervention Projects Unit. The aforementioned strategy aims to ultimately accelerate the path towards construction commencement. Furthermore, the strategy entails the arrangement or classification of all awarded developments into 1 of the following 3 categories:

- **Quick-Wins**: These are awarded developments/projects which are now at an advanced stage (based on the Town Planning application and approval Process of the CoJ). This handful number of developments have few bottlenecks remaining. Furthermore, construction commencement for these developments/projects is anticipated in the current and impending calendar year.

- **Work-in-progress:** These are awarded developments/projects with existing challenges which can be resolved through persistent collaboration of all the critical stakeholders (i.e. Developers, JPC, CoJ Land Use Management, City Power, et al).

- **Flagged projects**: These are developments/projects which have significant challenges (i.e. lack of Temporary Alternative Accommodation TAA). All flagged developments/projects often have challenges that are further aggravated by existing interdependencies among stakeholders and or CoJ Departments/MoEs. These require a collaborative and concerted effort by all stakeholders so that, ultimately construction can commence.

Below are Six (6) developments/projects that have been identified as "Quick-Wins" as they are now at an advanced stage and have the least amount of challenges/bottlenecks that, can be unlocked in the current and forth-coming calendar year. As such these are projected to commence with construction during the 2023 calendar year:

Erven 3545, 3546, 3547, 3548, 3549, 3550 & 3551 Johannesburg

Affordable Student Accommodation

Town Planning Status	Anticipated construction date	Development Cost	Development Yields	Jobs to be created	SMMEs to be supported
Rezoning and Removal of Restrictions approved ✓ SDP and Building Plans underway	August 2023	R116 000 998	666	500	10

Erven 1015 City and Suburban

Affordable Mixed-Use Residential

Town Planning Status	Anticipated construction date	Development Cost	Development Yields	Jobs to be created	SMMEs to be supported
Relaxation of Building line and SDP approved ✓ Consolidation and Building Plans underway	July 2023	R280068700	891	500	10

Erven 637 – 639 & 652 -654 Vrededorp

Affordable Student Accommodation

Town Planning Status	Anticipated construction date	Development Cost	Development Yields(beds)	Jobs to be created	SMMEs to be supported
Rezoning approved ✓ Consolidation, SDP and Building Plans underway	June 2023	R17 000 000	147	100	10

Erven 495 – 501 &516 Vrededorp

Affordable Student Accommodation

Town Planning Status	Anticipated construction date	Development Cost	Development Yields(beds)	Jobs to be created	SMMEs to be supported
Rezoning approved ✓ Consolidation, SDP and Building Plans underway	June 2023	R17 000 000	147	100	10

3 SERVICE DELIVERY PERFORMANCE

Remainder of Portion 260 of Farm Doornfontein 92IR

Town Planning Status	Anticipated construction date	Development Cost	Development Yields	Jobs to be created	SMMEs to be supported
SDP approved ✓ Building Plans underway	July 2023	R 1 415 000 00	370	2846	4

Erven 171 – 178 Marshall Town

Town Planning Status	Anticipated construction date	Development Cost	Development Yields	Jobs to be created	SMMEs to be supported
Rezoning approved ✓ Consolidation, SDP and Building Plans underway	September 2023	R 76 145 000	126	786	79

Highlights

In period under review, (April 2022), the Inner City Rejuvenation Programme was presented to the Office of the Executive Mayor (OEM). The OEM has since provided its support and assistance by opening a platform for the relevant City Departments and MOEs (i.e CoJ Land Use Management, CoJ Building Control, etc) to engage and assist JPC in “fast-tracking” the projects. Frequent meetings have since been held throughout Q4 and measurable progress and the following are notable highlights for most developments/projects:

- Removal of Restrictions
- Rezoning approval(s)
- Building Line Relaxation and Parking approvals(s)
- Consolidation approval(s) and registration of new Erf/Erven
- Site Development Plan (SDP) approval(s)
- Bulk Service application assessment and approval(s)
- Building Plan approval(s)

Below is a picture taken during an engagement held between JPC, a Developer, and CoJ Land Use Management in May 2022.



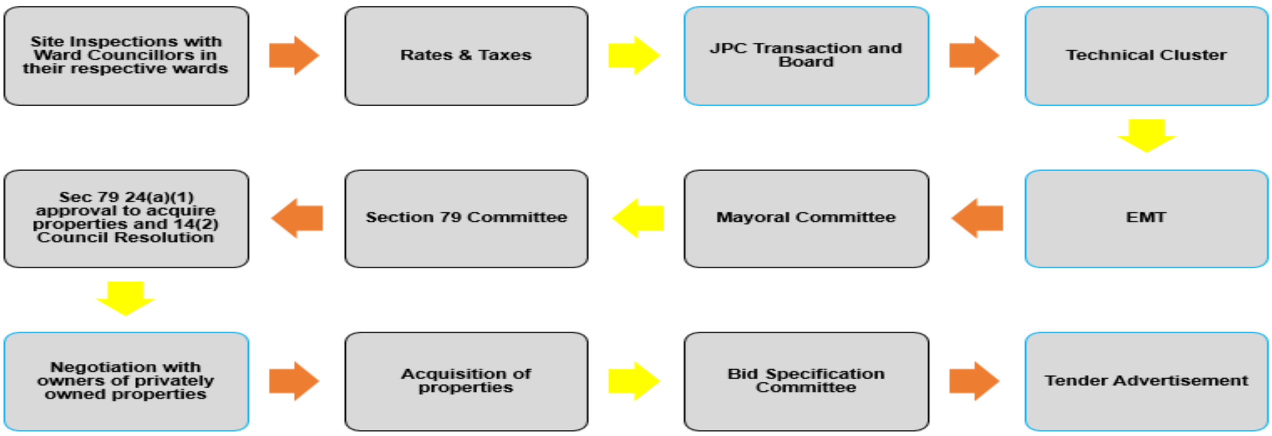
Such meetings have produced progressive outcomes as CoJ Land Use Management and the Developers' Professional Team, were able to engage constructively, and ultimately, the developer's Site Development Plan (SDP) application was approved

Phase 4 (Release of privately Owned Bad Buildings in the Inner City)

Phase 4 is focused on the acquisition of privately owned bad buildings in the Inner City. The physical state that these buildings are in, accompanied by the criminal activities that take place has resulted in a decline in the property value of the surrounding buildings. Following a Block-by-Block approach, approximately 400 properties have been identified through site visits and collaboration with key stakeholders (CRUM, Law enforcement, and The Ward Councillors Forum of Region F). The list of properties is reviewed on a monthly basis.

No properties have been approved by Council and released to the private sector for development. This is due to the unavailability of the budget to acquire these properties for 2021/2022 and 2022/2023. Once a budget is allocated, the acquisition report will be tabled at various Committees for approval in terms of Section 79(24)(a)(i) of the Local Government Ordinance and 14(2) of the Municipal Finance Management Act, respectively. Below is the schedule for report submission:

DIAGRAM 17: REPORT SUBMISSION SCHEDULE



Section 2.3: Facilities Management & Cleaning services

During the year under review, the following progress was achieved in respect of planned maintenance:

- **Ennerdale Civic Centre** – Appointment of Quantity Surveyor & compilation of bill of quantities
- **Meadowlands Civic Centre** – Appointment of Quantity Surveyor & compilation of bill of quantities
- **Public Convenience Facilities -** Appointment of Quantity Surveyor & compilation of bill of quantities

Planned maintenance revolves around Condition Based Assessments (CBA) for all buildings which then form the basis for the repairs and maintenance to be undertaken.

With regard to the cleaning services, 8 SLAs were concluded:

- Group Marketing and Communications
- Group Finance
- Group Legal
- Office of the Ombudsman
- Economic Development
- Group Governance
- Development Planning
- Environment Infrastructure and Services

The remainder of the SLAs are in the process of being finalised, as negotiations are still underway.

Section 2.4: Mega Projects

A four-stage development facilitation process is employed to improve land assets in terms of which land is first prepared for development by JPC, and development is undertaken by third-party developers procured in terms of the MFMA. Development is based on a long-term development lease in terms of which the commercial part of the development reverts to the CoJ at no cost, at the end of the lease period.

DEVELOPMENT PROJECTS

Jabulani Housing Development

This development is located within Erf 2332 Jabulani ext., which is an emerging node, becoming a vibrant mixed-use high-density centre. The upmarket units are located in high-rise apartment complexes with good security and landscaped gardens. The estimated development cost is R117 million. The CBD is already home to the popular Jabulani Mall, a well-established Jabulani Police and Fire Station, an existing Amphitheatre, the Bheki Mlangeni Provincial Hospital, and, the acclaimed Soweto Theatre. The development forms part of the award that was made towards the regeneration of the former township areas and the realisation of a vision for transformation in Soweto, in particular.

The progress made to date:

- 2890 units have been completed and handed over.
- Jabulani Development Company (JabDevCo) has managed to secure electricity for the development of 1310 community residential units in partnership with the Gauteng Department of Human Settlement.
- The remaining 92 are to be completed in the coming financial year.

The value of work done including investment spend since the commencement of construction to date is R56 million (excluding VAT).

Mooki Street Precinct

The Mooki Street Precinct is located within the City of Johannesburg Region D administrative boundary. The following facilities are located in the Precinct:

- The Orlando Stadium;
- The South African Police Services- Orlando Police Station;
- The Orlando Train Station;
- The Ubuntu Kraal Development;
- The Hector Peterson Memorial and Vilakazi Street Node.

The area is well served by a network of various forms of public transport- namely the Metro Rail Station as well as the two BRT stations to the north and south of the Precinct.

The objectives of the development include the following:

- A mixed-use precinct development to create both job and economic opportunities and address the previous apartheid spatial planning practice while stimulating private development.
- Densify the area by providing walk-ups.
- Create safe zones around the precinct area not only in terms of pedestrian access but also in terms of promoting public safety.

Progress to date is as follows:

- The Property Plan is complete.
- Section 14(2) approval has been obtained.
- No budget is allocated. As a result, the project will not be executed in the financial year unless funds are allocated during the budget adjustment (2022/23).
- The other erven will be done in phases.

Paterson Park (Victoria)

This development is located along Paterson Road in Norwood. It is a mixed-income residential development comprising 744 units. The total project area approximately is 3.5 hectares and the estimated development cost is R550m.

Progress to date is as follows:

- Property Plans complete.
- Section 14(2) approval obtained.
- Rezoning application approved.
- Subdivision and Consolidation application submitted to CoJ Planning, awaiting approval.
- Urban Design Framework approved.
- Construction of bulk services completed (sewer, water, internal roads and storm water).
- Relocation strategy for City Parks completed.
- Structural assessment of Bowling Club completed.
- Heritage specialists have been appointed

Targeted milestones for 2022/2023:

- Heritage Impact Assessment application to be reviewed and resubmitted to Provinicial Heritage Regulatory Authority- Gauteng (PHRA-G) for approval by no later than the end of Oct 2022.
- RFP (first phase of 744 mixed-income residential development) for development and sale/ long-term lease of the site to be released in the second quarter of 2022/2023.

Soweto Gateway – Portion 159 of Farm Diepkloof 319IQ

This property located along Chris Hani Road, west of N1 highway in Diepkloof. It is directly adjacent to and east of Chris Hani Baragwaneth Hospital Precinct. The total project area is approximately 30.5 hectares and the estimated development cost is R3.2 billion. The total development yield consists of the following: approximately 3366 mixed-income residential units, public open space, retail space, educational space, medical facilities, hotel/ conference centre, community facilities, commercial and some light industrial.

The Soweto Empowerment Zone (SEZ) occupies about 5ha within the site. It was established in 2006 as a support facility for small businesses in Soweto, and was developed to grow local enterprises in the area. It will be incorporated into the development and will be one of 2 access points to the development. The other will be off Collinder Street. The SEZ is managed by the Department of Economic Development.

Progress to date is as follows:

- Property Plan completed.
- Section 14 (2) was obtained.
- The RFP will be re-advertised due to only one of the four bids received was compliant with the pre-qualification criteria.

Southern Farms

Southern Farms is located south of the existing suburbs of Naturena, west of Kibler Park, east of Lenasia and Lehae and is abutted by the N1 and N12 National Highways. The Southern Farms project area including the privately owned land parcels located to the east of the N1 highway is approximately 3 997 hectares in size. Of the total project area, approximately 2902 hectares are undevelopable due to environmental sensitivities, heritage, and major road reserves (PWV 5 and K-routes) of which the majority will form part of the Biodiversity Conservation Area, representing approximately 73% of the total project area.

A rather small portion of the total project area which is approximately 27% of the total project area of 1 094 hectares, is considered suitable for development. The cost of the development is R27 billion. The development agent for this project is the Valumax / Safdev Joint Venture.

The development concept entails the establishment of a network of conservation-based inclusionary, mixed-use precincts. The Precinct Plan provides for seven (7) sub-precincts or “urban Villages” referred to as Precinct A, B, C, D, E, F, and G. Each of these Precincts are designed to be self-sustaining human settlements that integrate into the larger Southern Farms Development.

The Precincts will have the following components /mix:

- Residential (bonded, FLISP, rental, RDP, site, and services)
- Public facilities and infrastructure such as government schools, government social amenities, EMS, government hospitals and clinics, municipal offices, etc.
- Private land uses such as retail, commercial, industrial- warehousing, medical (private), short-stay accommodation, trade and automotive, etc.
- The estimated total number of residential units is 32 575 units.

Progress to date is as follows:

- Section 14 (2) obtained
- Stage 1 of the 2 Stage appointment is concluded which entailed a detailed environmental sensitivity analysis of the Southern Farms study area, including a range of specialist studies to compile this analysis. A Business and Precinct Plan was developed and workshopped with all stakeholders and approved by Council.
- Development Planning tabled a report to Council to move the Urban Development Boundary (UDB), which was approved by Council.
- The report outlined that township approval will be obtained precinct by precinct as the development unfolds and the grant funding needed is made available through the Department of Housing, for the planning, design, and construction of all bulk and internal services.
- On the 17th of February 2022, the EAC Committee decided that the report and the process to date on the Southern Farms project be subjected to external probity by the Group Head: Group Risk and Assurance Services (GRAS). JPC is waiting for the Probity Report from GRAS, to report back to EAC.

Riverside View Mega Housing Development – Diepsloot

Riverside View is located directly north of Steyn City and West of the Riversands Incubation Hub along William Nicol Drive. It is a high density mixed use and mixed-income development. It maximises the use of strategically located land to ensure vibrancy and sustainability.

It addresses a wide range of housing demands and ensures that housing is delivered to poorer beneficiaries in a way that helps people out of poverty. Valumax Northern Farms Pty (Ltd) is the developer.

3 SERVICE DELIVERY PERFORMANCE

The total residential yield is approximately 10 414 residential units with 3113 single residential GAP/FLISP units, approximately 4332 high-density walk-up RDP units, and approximately 2969 high-density walk-up Rental units.

To date, 7769 units have been completed. The units comprise of the following mix:

- Single residential FLISP – 2 948
- Multi-storey Rental units – 457
- Multi-storey FLISP units – 224
- Multi-storey RDP units – 4140

In terms of infrastructure the following update:

- The civil infrastructure for the first 500 Rental units for Joshco and top structures was completed. First 180 Joshco units at 50% complete
- The civil infrastructure on the next 304 Sectional Title FLISP units and the top structures, civil infrastructure is 95% complete. First 152 units 95% complete, second 152 units 80% completed.
- Additional 160 Sectional Title FLISP units civil is 60% completed
- In terms of the bulk and link electrical infrastructure, construction was completed on the Yellowwood switching station in November 2020; the Station will supply power to the remaining phases of the project.
- It is anticipated the project will be completed by the end of 2023, depending on the budget.

Office Space Optimisation Programme (Oso): Metro Centre Precinct

The Metro Centre Precinct is bordered by De Korte Street in the South, Loveday Street on the West; Joubert Street in the East, and Hoofd Street in the North. This is a mixed-use transit-oriented development comprising the council chamber, CoJ offices, retail, government, and private sector offices, residential, and a piazza, in line with the Office Space Optimisation Programme. The total project area is approximately 12 hectares and the estimated development cost is R5 billion. This mixed-use development will comprise mixed-income residential, 500m^2 of Council Offices, refurbishment of informal trading stalls, and taxi rank facilities in line with the OSO Programme.

OSO Region B: Randburg Precinct

The OSO Randburg precinct is located corner Jan Smuts, Selkirk and Braamfischer in Randburg. This is a mixed-use development comprising mixed-income residential, 5500m² of council offices, refurbishment of informal traders stalls and taxi rank, a library, a clinic, and 2333 mixed-income residential units for rental. The total project area is approximately 8.28 hectares and the estimated development cost is R 1.86billion.

Progress to date:

- Property Plan completed.
- Public participation completed.
- Section 14(2) approval obtained.
- Development Framework completed.
- Rezoning application submitted and circulated – awaiting finalisation.
- Development Agreement signed.
- Relocation of the temporary taxi holding area – in progress
- The RFP for Long-Term Lease and Development of Site; for the development and release.

Section 2.5: Informal Trading

Income Collection

During the financial year under review, the Informal Trading Unit collected **R2.5 million**, income has increased in comparison to the previous financial year. This is a positive indication that the portfolio is gradually recovering from Covid-19.

- Council granting JPC permission to conduct the public participation process for the control and management of Johannesburg International Transport Interchange (JITI), the public participation process will be concluded during the 2022/23 financial year.
- Successful negotiations and signing of the agreement to purchase Portion 27 of the Farm Johannesburg 91 IR, South African Post Office land which was in the process of transfer at year-end.
- A small portion of the Yeoville Market burnt towards the end of the financial year of which 21 stalls were affected by the fire. Intervention measures to repair the damaged area were put in place, including identifying temporary trading areas for the 21 affected Traders. The burnt area was cordoned off.
- Conditional assessment and bill of quantities were conducted for six Markets (Hillbrow Market, Jeppe, Kwa Mai-Mai, Faraday, Khwezi, and Yeoville) to enable planned maintenance kick-off in the new financial year. This has created the opportunity for conditional assessments to be done on an ongoing basis for budgetary planning purposes.

Picture 1 - Damaged by inferno

Picture 2 - Damaged stall

- JPC and other City officials visited ACSA to learn how they manage their properties in preparation for the operationalization of the Johannesburg International Transport Interchange. ACSA team made presentations, followed by questions and answer session. Information was shared on revenue and cost drivers, aeronautics and none, informatics, security systems, maintenance management, revenue collection, leasing, and outdoor advertising. There was a walkabout of the facilities, where information was shared on their ground transport. ACSA has requested to have a collaborative relationship and will be contacting the City in the future to formalize the relationship.

Section 2.6: Client Business Operation

Stakeholder Management

Effective, transformative stakeholder relations are critical for the organisation to operate optimally, and as such, we continually strive to improve relations with all our stakeholders and enhance service delivery. Our engagement processes play a critical role in the relationship between JPC and stakeholders. JPC collaborated with COJ departments and entities through strategic and operational clusters and committees. In addition, JPC participated and supported the A Re Sebetseng Mayoral Service Delivery Campaigns, Regional Visible Service Delivery Meetings, and Ward Councillor Forums across the Seven (7) regions.

Stakeholder Engagements to Enhance Service Delivery

Critical to stakeholder management is the identification of problem properties contributing to urban decay. The approach is to:

- interrogate the asset register, identify and communicate properties that are the responsibility of other departments and entities;
- ensure user agreements or permission to occupy and build are in place for those properties as this defines the agreement between COJ and the department;
- Implement a robust program to manage the residual properties which are the responsibility of JPC and ensure adequate systems, processes and personnel are in place;
- Ensure proactive renewal of leases; and
- Ensure effective facilities management.

Site inspections are conducted to ascertain occupancy, property state, habitability, and engagement with tenants and illegal occupiers. This promotes contract management, rental collection, the commencement of eviction processes where necessary, and the identification of properties contributing to urban decay. Circulations are periodically undertaken to determine if a property is not required to provide basic municipal services in section 14(2) of the MFMA. Circulations are part of a statutory requirement for the Council to determine if it would require a property for its use or basic municipal use prior to its lease or sale. This is an essential part of enabling the organisation to determine what can be released, factoring in the interests of the COJ and the public. Each circulation has 16 stakeholders. Therefore, each property is at a different administrative stage depending on the key department/MOE, Regional Director, and Ward Councillor's responses and engagements to address queries raised. Changes in the COJ cluster system resulted in removing the Economic Growth Sub-Mayoral, which was replaced by the Executive Management Team (EMT). This Committee recommends JPC reports to the Mayoral Committee. The initial implementation delayed the general progression of JPC transactional reports.

Ten transactional reports are awaiting sign-off by the MMC for submission to Mayoral Committee, contributing to delays in Council approvals and, ultimately, performance and revenue projections. One Mayoral matter arising and 42 Section 79 matters arising were submitted to MMC for signature but were not signed. The 42

	Core Service	Service Level Standard	Amended / Approved Service level Standard
KPI 1.6	Complete the sale or lease and registration of servitudes of Council owed land.	Within 6 months after Council Approval in terms of Section 14(2) of the Municipal Finance Management Act	Within 9 months after Council Approval in terms of Section 14(2) of the Municipal Finance Management Act
KPI 1.7	Tender placed after Council approval and CoJ Executive Adjudication Committee.	Within 4 months of CoJ Executive Adjudication Committee approval	Within 5 months of CoJ Executive Adjudication Committee approval
KPI 1.8	Internal allocation of land buildings to City Departments and Entities (PTOB: permission to occupy and build and lease office space from third parties)	Within 60 days of application and budget confirmation	Within 6 months of application and budget confirmation
KPI 1.10	Response to general enquiries at client services counter	Within 24 hours of logged call	Removed
KPI 1.11	Response to enquiries regarding transactions in pipeline	Within 24 hours of logged call	Removed

Section 79 matters arising were submitted to the committee officers without the MMC signature.

TABLE 29: SERVICE STANDARD AMENDMENTS

JPC Service Standards

JPC initially reported on 12 Service Level Standards as per the Service Standards Charter which was approved and adopted by the COJ on **9 May 2018**. All city departments and entities are required to provide monthly performance reports on the implementation of the Service Standards. On **24 February 2022** Council approved a deviation report on Service Level Standards

Service Level Standards are compiled and reported monthly and are audited in terms of the audit plans, however some queries are received from various platforms which are not captured on the system such as meetings, telephone calls, and emails to specific staff members therefore are not included in the Service Level Standards reporting. Currently, the entity is working on an integrated IT system that will enable capturing of all transactions across the organisation to ensure holistic reporting.

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3 SERVICE DELIVERY PERFORMANCE

TABLE 30: 12 SERVICE STANDARDS YTD

Core Service	Service Level Standard for January 2022	Quarter 1	Quarter 2	February 2022 SLS Deviation effective from 1 March 2022	Quarter 3	Quarter 4	YTD Total
SLS 1.1 Response in acknowledgement of requests, enquiries and complaints	Within 1 day of logged call	542	279	None	453	420	1694
SLS 1.2. Provision of answers and/or results related to the receipt of the requests and enquiries regarding properties	Within 3 days of logged call	290	220	None	332	236	1078
SLS 1.3. The performance of emergency work for JPC-managed facilities	Within 1 day of logged call	136	86	None	342	317	881
SLS 1.4. Performance of minor works on facilities managed by JPC	Within 2 days of logged call	58	27	None	126	119	330
SLS 1.5. Performance of major works on facilities managed by JPC	Within 5 days of logged call	27	14	None	48	78	167
SLS 1.6. Complete the sale or lease and registration of servitudes of Council owned land	Within 6 months after Council Approval in terms of Section 14(2) of the Municipal Finance Management Act	0	0	Within 9 months after Council Approval in terms of Section 14(2) of the Municipal Finance Management Act	0	1	1
SLS 1.7. Tender placed after Council approval and CoJ Executive Adjudication Committee	Within 4 months of CoJ Executive Adjudication Committee approval	0	0	Within 5 months of CoJ Executive Adjudication Committee approval	0	2	2
SLS 1.8. Internal allocation of land and buildings to City Departments and Entities (PTOB: Permission to occupy and build and lease office space from third parties)	Within 60 days of application and budget confirmation	0	0	Within 6 months of receipt of request of Permission to Occupy and build (PTOB) from Departments and Entities with confirmation of budget allocation	0	0	0
SLS 1.9. Performance of surveys on the condition of plant and equipment to allow the assessment of the required repairs and maintenance of facilities managed by JPC	Quarterly	30	15	None	40	15	100
SLS 1.10. Response to general enquiries at the client services counter	Within 24 hours of logged call	84	90	Removed	0	20 of 20 =100%	Removed
SLS 1.11. Response to enquiries regarding transactions the in pipeline	Within 24 hours of logged call	36	50	Removed	Removed	Removed	Removed
SLS 1.12. Response to applicants/interest to lease or acquire (formal applications) land and/or buildings	Within 30 days of application	39 of 43=90%	32 of 32 = 100%	71 of 75 = 96%	2 SLS removed therefore SLS 1.12 became SLS 1.10	100%	95%

Organisational Management

4 HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

Section 1: Highlights and Achievements for 2021/2022 Financial Year

Revised Human Resources Strategy

The Human Capital Management section provides a synopsis of the initiatives implemented as aligned to JPC's HR agenda and focuses on the organisation's strategic objectives as outlined in the HR Strategy.

The business success of any organisation is underpinned by the Human Capital Factor, and at JPC our return on investment is measured in terms of the following strategic focus areas:

- ✓ Aligning the HR strategy to the JPC Strategy, IDP, and the Mayoral Priorities by positioning JPC as an Employer of Choice.
- ✓ An HR Strategy that serves as a vehicle for facilitating transformation from a human capital perspective, and ensures that JPC has a workforce that is fit for purpose and productive.
- ✓ Aligning focus areas to contribute to the JPC mandate.

The envisaged success of the strategic objectives will be achieved by focusing on the following HR Strategic priorities:

JPC is laying a foundation for building a solid JPC, utilising its resources to build a sustainable and environmentally friendly future for our employees and generations to come.

Employee Engagement and Experience

The entity seeks to have high levels of employee engagement to ensure higher business performance, reduced staff turnover, and increased efficiency linked to healthy and engaged employees. The engagement of employees has proven to affect employees' attitudes, absence, and drive for excellent business results pointing to the high level of success of the organisation.

A Staff Engagement Session was held with employees and this created a conducive platform for the CEO to address and motivate employees.

The staff engagement addressed pertinent issues that affect employees, to drive a mind-set of refocusing, re-energize, and renewing to promote a conducive working environment with employees who advocate for excellent service delivery.

The CEO addressed employees on the state of the organisation and on what the new norm entails in terms renew, re-energizing, and refocusing for JPC. The etiquette and staff conduct were pivotal in how employees should behave in the work environment and the following themes were embedded:

- ✓ **Encouraging staff motivation**
- ✓ **Rebuilding the team spirit**
- ✓ **Getting to know each other**
- ✓ **Understanding the individuals' place within the JPC work environment.**

Staff engagement has played a pivotal role in the team's success and achievements. Staff morale has improved drastically as the positive attitude is contagious within the organisation. There are greater levels of commitment to take ownership of employees' respective areas of responsibility.

Employee Self Service (ESS)

The City of Johannesburg, has taken a strategic decision to leverage its investment in SAP solutions by implementing a consolidated and centralized Information, Communication & Technology (ICT) Strategy for the entire City of Johannesburg including JPC.

Human Capital Management has commenced with the rollout of electronic leave management through Employee Self Service (ESS) and Management Self Service (MSS) to enable employees to view their personal information and apply for leave online approval by the respective line managers. ESS training has been conducted to ensure that all employees are conversant with ESS.

Employment Equity Compliance

All employers are required to follow the Employment Equity Act and perform an analysis of their workforce for annual submissions to the Department of Labour. JPC has complied and submitted the Annual Employment Equity Report in January 2022.

Training and Development

- ✓ Enrolling 50 employees inclusive of maintenance and cleaning units in the artisanship program to improve service delivery and efficiency.
- ✓ Enrolling employees in short programs to create a platform for employees to learn new skills that will improve their competency levels.

Declaration of Interest

Declaration of Interests as set out in the Code of Conduct/Ethics, are required from all employees. This requires all employees to disclose any personal interest that may bring conflict or even perceived conflict between the organization's interest and that of an employee. The declaration of private interest is conducted at the beginning of each financial year. There was 100% compliance as all employees submitted their declarations and 24 declarations of interest were made.

Organisational Development

The organizational structure is reviewed as and when the business need arises to ensure that there is continuous performance improvement and increased productivity with accountability. The structure below is a reflection of the JPC structure including the cleaning services function

4 HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

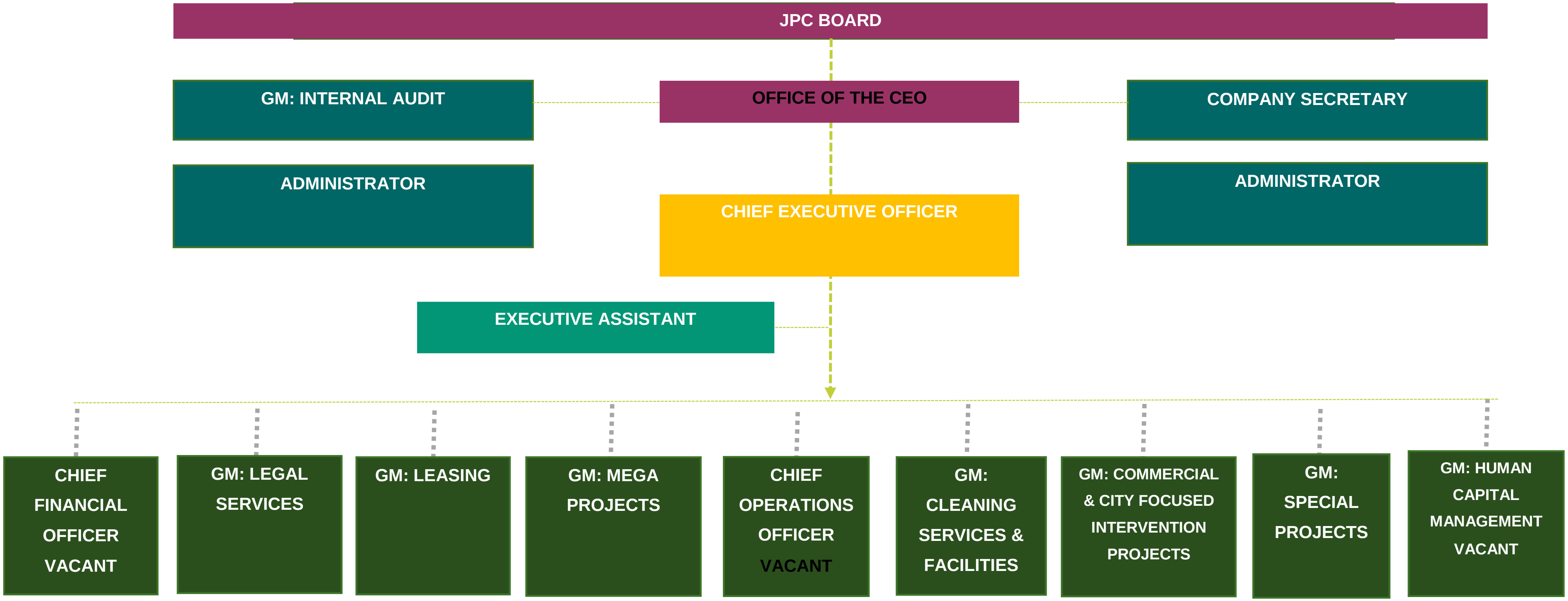


DIAGRAM 18: JPC HIGH LEVEL ORGANISATIONAL STRUCTURE

Section 2: Employee Remuneration and Cost

The total salary bill equates to **R466 386 418** for the 2021/2022 financial year. Salaries make up 52% of the expenditure budget.

TABLE 31: PROPERTIES ACQUIRED USING COJ BUDGET

	ACTUAL		VARIANCE	
Employee related costs	**30 June 2022**	**30 June 2021**	**%**	**Rand value**
	R466 386 418	**R484 481 031**	**23.08%**	**90 843 146**

The salary bill for the 2021/2022 financial year includes the following transactions that emerged:

- Cost of living increase for 2021/2022 implemented at 3.5%.
- Adjustment of all related employee benefits such as homeowners allowance and medical aid new limits.
- Payment of 13th cheques in November 2021.
- Payment of performance bonuses to qualifying Executive and Senior managers following the AGM.
- Uploading of new tax tables in March 2022 the beginning of the 2022/2023 tax year.
- Final payments of terminated employees.
- Appointment of new employees following a recruitment process.
- Payment of Acting Allowances for critical vacancies that are not been filled due to budget constraints as well as the CoJ moratorium on the appointment of personnel.

Executive and Senior Management Remuneration

The remuneration of the Executive and Senior Management is governed by the JPC remuneration policy, which is aligned with the City's policy. The policy is reviewed every two years and approved by Board. JPC policy allows employees to cash a maximum of eight leave days in a 12-month period provided the compulsory leave of sixteen days has been taken. JPC policy allows also for a once-off long-term service leave on the year the employee qualifies and no other non-financial benefits. JPC remuneration packages include variable pay (performance bonus) which is paid out in terms of the company's policies and processes.

Furthermore, the policy does not have provisions for pre-vesting forfeiture and post-vesting forfeiture (claw-back) of remuneration. JPC employees are not paid any commissions, and allowances are included as part of the total cost to the Company. The remuneration of Senior Management is relatively fixed, with an adjustment being an annual increase and performance-based payment. The policy does not detail any obligation, which could give rise to payment on termination, with the exception of leave pay-out and performance bonus, if applicable. JPC always compares itself to the 50th percentile. As indicated in the table below, there were no ex gratia payments during the period. The remuneration packages outlined in the table below reflect both fixed and variable remuneration. The variable Remuneration consists of the performance bonus, which is not guaranteed, but is subject to policy provisions.

EXECUTIVE SALARIES FROM JULY TO JUNE 2022									
Name	**BASIC SALARY**	**TRAVEL ALLOWANCE**	**HOUSING SUBSIDY /ALLOWANCE**	**LEAVE ENCASHMENT**	**ACTING ALLOWANCE**	**PERFORMANCE BONUS/13TH CHEQUE**	**FINAL LEAVE PAY**	**COMPANY CONTRIBUTIONS**	**TOTAL**
Helen Botes	R2 700 000.00	R 249 999.96				R 413 000.00		R 35 255.48	**R 3 398 255.44**
Fanis Sardianos	R 165 305.42						R 393 272.33	R 36 416.57	**R 594 994.32**
Sipho Mbethe	R1 385 066.21	R 69 456.62	R 8 386.07	R 51 970.56			R 212 241.89	R 262 440.99	**R 1 989 562.34**
Brenda Jacobs	R1 409 029.20		R 11 574.12		R 42 975.35	R 117 419.10		R 326 606.93	**R 1 907 604.70**
Sizeka Tshabalala	R1 517 592.00	R 120 000.00		R 57 275.20	R 82 175.48			R 353 295.75	**R 2 130 338.43**
Mduduzi Makhunga	R1 537 931.04	R 96 000.00		R 57 275.20	R 71 595.00			R 356 804.14	**R 2 119 605.38**
Sipho Mzobe	R1 508 360.04	R 120 000.00	R 10 893.24	R 57 275.20	R 171 343.78			R 352 287.72	**R 2 220 159.98**
Tshepo Mokataka	R1 627 298.40							R 362 196.11	**R 1 989 494.51**
Imraan Bhamjee	R1 879 376.06	R 91 130.43						R 425 834.71	**R 2 396 341.20**
Sifiso Mabizela	R 878 702.64		R 11 574.12		R 105 147.21	R 73 225.22		R 211 638.77	**R 1 280 287.96**
Phaqa Mhlongo	R1 695 790.96			R 57 275.20				R 293 479.28	**R 2 046 545.44**
Mathibela Kgatuke	R1 371 910.96	R 90 000.00	R 180 000.00	R 40 616.32				R 141 732.74	**R 1 824 260.02**
Gontse Dlamini	R 849 738.90			R 34 569.60		R 51 597.15		R 167 617.41	**R 1 103 523.06**
Total	**R18 526 101.83**	**R 836 587.01**	**R 222 427.55**	**R 356 257.28**	**R 473 236.82**	**R 655 241.47**	**R 605 514.22**	**R3 325 606.60**	**R 25 000 972.78**

TABLE 32: EXECUTIVE MANAGEMENT YTD SALARIES

*** The 6th column indicates 13th cheques paid to those that did not qualify for performance bonuses at the time and the table includes remuneration for EXCO members who resigned or passed on.**

Overtime Costs: 2021/2022 (July to June)

The Overtime expenditure for 2021/2022 amounts to **R6 625 620** and represents 1% of the Salary Bill.

The was a slight increase in overtime worked compared to the previous financial year because of the high standards set for clean work environments and public facilities post Covid-19 restrictions. The ultimate goal is to continue to reduce overtime costs by introducing shift and rational schedules to the cleaning and facilities management departments.

Section 3: Key Vacancies

JPC Vacancy Rate

The process of filling the critical positions is negatively affected due to budget constraints and critical positions were advertised during the year. Furthermore, this inability to fill vacant positions contributes to a high vacancy rate of 25% i.e. JPC has a total number of 545 vacant positions as of June 2022 which are not budgeted for

TABLE 33: VACANCY RATE COMPARISON

Job Level	2020/2021				2021/2022			
	Total no. of Positions	Total Filed positions	Vacancies (Full-time equivalent)	Vacancies (as a % of total posts)	Total no. of Positions	Total Filed positions	Vacancies (Full-time equivalent)	Vacancies (as a % of total posts)
	No.	No.	No.	%	No.	No.	No.	%
0-3	6	4	2	33%	6	1	5	83%
4-6	111	70	41	37%	111	57	54	49%
7-9	595	320	257	43%	597	284	313	52%
10-11 etc.	1437	1305	150	10%	1433	1260	173	12%
Total Permanent	2149	1695	448	21%	2147	1602	545	25%
Temps	N/A	N/A	N/A	N/A	1	1	0	N/A
Total	**2149**	**1697**	**450**	**21%**	**2148**	**1603**	**545**	**25%**

Staff Movements

Terminations

In this financial year (2021/2022), 95 terminations were actioned.

TABLE 34: STAFF MOVEMENTS

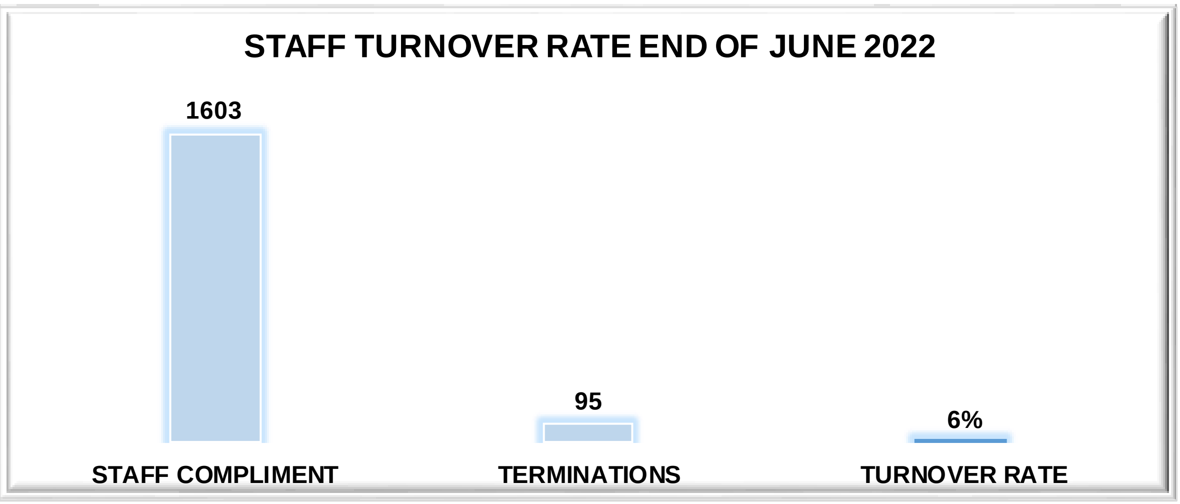
Occupational Levels	MALE				FEMALE				Foreign Nationals		TOTAL
	A	C	I	W	A	C	I	W	M	F	
Top Management	1	0	0	1	0	0	0	0	0	0	2
Senior Management	1	0	0	0	1	0	0	0	0	0	2
Professionally qualified and mid-management	4	0	0	0	3	0	0	1	0	0	8
Jun. Management, Superintendents, and Skilled Technical	4	0	0	1	1	1	1	1	0	0	9
Semi-skilled / Administration	17	1	0	1	4	1	0	0	0	0	24
Unskilled and defined decision making	14	1	0	0	35	0	0	0	0	0	50
Total Permanent Staff	41	2	0	3	44	2	1	2	0	0	95
Temporary Employees	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	**41**	**2**	**0**	**3**	**44**	**2**	**1**	**2**	**0**	**0**	**95**

The breakdown of the reasons for terminations:

- **Abscondment**: Three (3) employees absconded from work.
- **Deceased**: Sixteen (16) employees passed away in this financial year mostly through ill health.
- **Dismissal**: Thirteen (13) employees were dismissed due to misconduct.
- **Early Retirement**: Fourteen (14) Employees took early retirement stating ill health as their motivating factor.
- **Ill-Health Retirement**: Two (2) employees were terminated from the employment of JPC due to ill health.
- **Resignation:** Six (6) employees resigned from the organisation with prospects of better career opportunities
- **Retirement**: Thirty-Nine (39) employees went on retirement in this financial year.
- **Voluntary Severance Package**: Two (2) employees took voluntary severance packages.

The impact of terminations rate realised contributes to the under-capacitation within key business areas.

Staff Turnover for this period under review



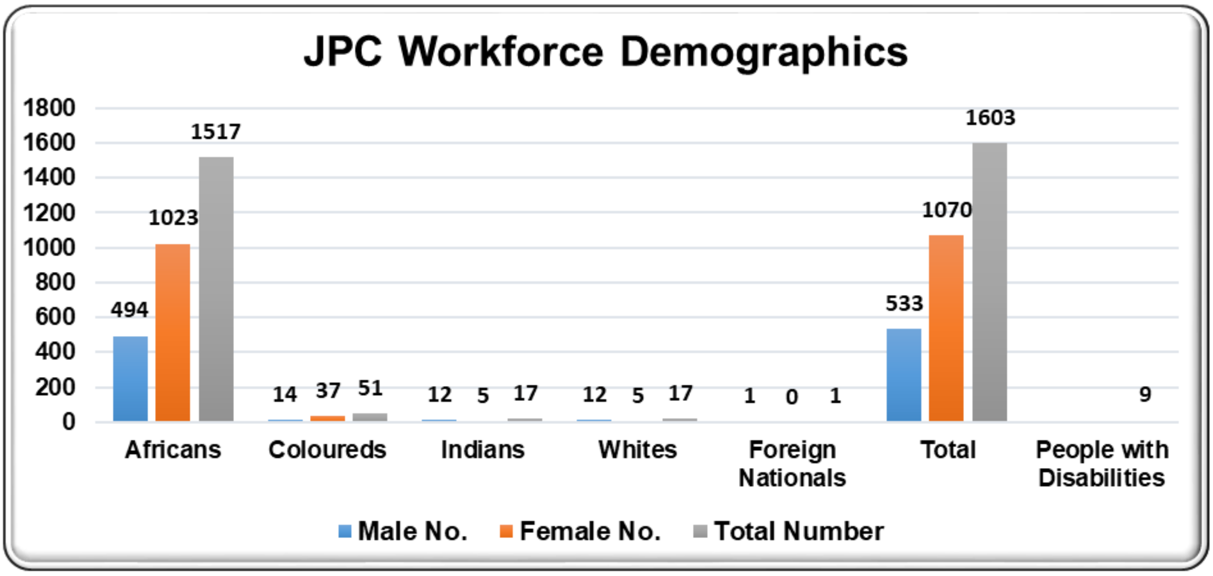
The graph above shows staff turnover of 6%, which is an acceptable level taking into consideration that a healthy turnover rate is between 5% and 10% in line with the best practice benchmark.

Section 4 Employment Equity

The total JPC EE demographics in the table below include permanent and temporal employees. The total workforce is 1603 as of 30 June 2022.

TABLE 33: EMPLOYEE EQUITY DEMOGRAPHICS

EE WORKFORCE ANALYSIS AS @ JUNE 2022											
Occupational Levels	MALE				FEMALE				Foreign Nationals		TOTAL
	A	C	I	W	A	C	I	W	M	F	
Top Management	0	0	0	0	0	1	0	0	0	0	1
Senior Management	5	0	1	0	1	0	0	0	0	0	7
Prof. qualified & experienced specialists and mid-management	15	1	4	4	21	2	3	5	0	0	55
Skilled & qual. workers, jnr mgt., supv, foremen, supt.	5	0	2	3	24	4	1	0	0	0	39
Semi-skilled and discretionary decision making	136	11	5	4	72	13	1	0	1	0	243
Unskilled and defined decision making	332	2	0	1	905	17	0	0	0	0	1257
Total Permanent Staff	493	14	12	12	1023	37	5	5	1	0	1602
Temporary Employees	1	0	0	0	0	0	0	0	0	0	1
GRAND TOTAL	**494**	**14**	**12**	**12**	**1023**	**37**	**5**	**5**	**1**	**0**	**1603**



In terms of racial representations, there are still improvements to be realised. The Employment Equity and Skills Development Committee members have been appointed to give support and ensure that affirmative action measures are implemented and monitored in the organisation. Measures initiated are to address the gaps in identifying positions to be filled by People living with Disabilities and to address gender disparities in certain occupational levels. Priority to be given to occupational areas where there are female, racial under-representation, and People Living with Disabilities through targeted talent acquisition as and when there are vacant positions to be filled.

Racial and Gender Split per population groups as well as the gap analysis against EAP targets as of June 2022.

JPC continues to put measures in place to improve gender equality and equal representation in terms of gender and race. The EE targets based on the Provincial Economic Active Demographics Population (EADP) are as follows:

TABLE 36: GENDER DEMOGRAPHICS

Demographics	Male %	Female %	Total %
Africans	45%	35.9%	80.9%
Coloureds	1.7%	1.6%	3.3%
Indians	2.1%	1.1%	3.2%
Whites	7%	5.7%	12.7%
People with Disabilities			2%

There is an under-representation of Indians and whites in relation to the racial split against the EAP targets and People living with Disabilities. The underrepresentation has not yet been addressed. To address these gaps, the two racial groups are to be prioritised as and when there are vacant positions to be filled.

Gender Split Analysis

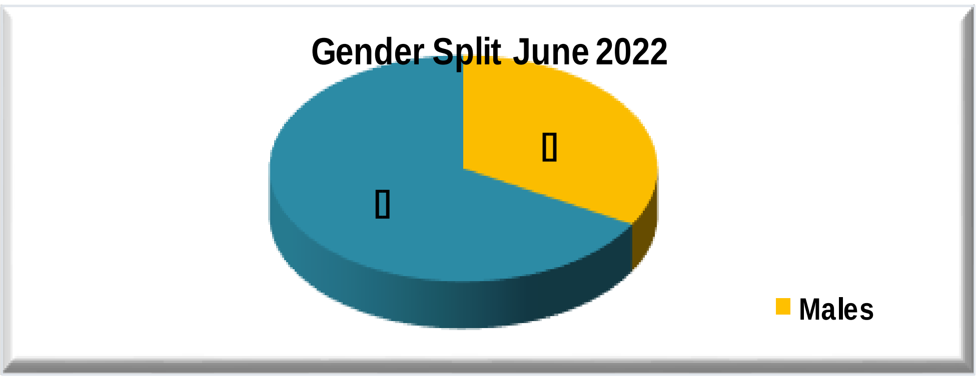


TABLE 37: GENDER DEMOGRAPHICS

Overall Racial Split	Racial Split - June 2022			
	A	C	I	W
Actual	95%	3%	1%	1%
Target	81%	3%	3%	14%
Racial Gaps	14%	1%	-2%	-12%

At the end of the 2021/2022 financial year, JPC recorded 67% female representation and 33% males in the gender split compared to 2020/2021 wherein the gender split was 69% females and 31 % males. Though there is a slight change, however, the majority of female representation is at the lower occupational levels. This provides JPC with an opportunity to put measures in a place that would create opportunities for female employees to improve their skills in growing towards supervisory levels and team-leading capabilities.

Section 5: Skills Development

Implementation of the 2021/2022 Workplace Skills Plan

The various in-house and external interventions were implemented successfully to capacitate employees from 01 July 2021 to 30 June 2022 utilising online/virtual platforms and a smaller group approach in adherence to health protocols and keeping the employees. Three hundred and forty-eight (348) employees have been trained to lead to training expenditure for 2021/2022 amounting to **R741 001.00**

The planned training programme was affected by the delay in the process of appointing a panel of service providers.

Section 6: Disciplinary Matters and Outcomes

Disciplinary Matters

TABLE 37: DISCIPLINARY MATTERS

Nature of internal case	Progress	Next steps
Nine (9) employees are subject to a disciplinary process.	Investigations are still underway.	The pending outcome of the investigation will point the employer in the direction of the final resolution.

External Disputes

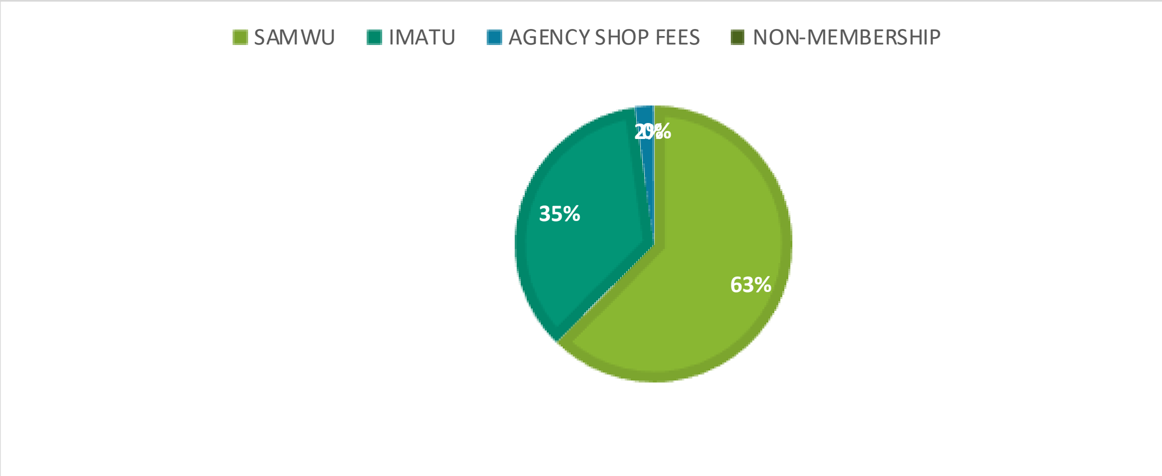
Thirteen (13) Matters referred for arbitration citing unfair dismissals:

TABLE 38: EXTERNAL DISPUTES

Nature of Disputes	Outcome
Unfair Dismissal	One (1) Award was granted in favour of JPC and the Commissioner has found the employer to be fair on the dismissal.
Unfair Dismissal	Three (3) Awards were granted.
Unfair Dismissal	Nine (9) Matters have been partly heard and awaiting conclusion and arbitration award

Union Representation

JPC is highly unionised and thus requires a structured, stabilised, and sound labour relationship with organised labour to ensure a harmonious working environment.



Union Representation Graph

The union representation and membership graph above shows that from a staff complement of 1602 permanent employees, 63% belong to SAMWU, 35% belong to IMATU, and 2% fall within the Agency shop fees.

Section 7: Leave and Productivity

Leave Liability: 2020/2021 (July to June)

The leave liability amount based on the annual leave balances as of the end of June 2022 amounts to **R31 597 039**. Leave Provision on a month-to-month basis fluctuates due to leave encashment and final leave paid out to terminated employees.

Section 8: Employee Wellness

JPC's main objective in relation to health and wellness is to improve the quality of life for all its employees through the provision of quality, sustainable Health, and Wellness Programmes. Health and Wellness Programmes play a pivotal role in promoting healthy lifestyles and the provision of preventive health care measures.

Healthy employees result in a more productive workforce with less absenteeism, fewer accidents, lower health care demands, and greater overall savings by reducing the incidence of diseases and disabilities. JPC's main objective in relation to health and wellness is to improve the quality of life for all its employees through the provision of quality, sustainable Health, and Wellness Programmes.

Health and Wellness Programmes play a pivotal role in promoting healthy lifestyles and the provision of preventive health care measures.

The first health awareness event of the year – the wellness awareness walk - was well received and attended by employees from depots and head offices to create awareness of the importance of the health and wellness of employees.

JPC also implemented measures of control in terms of limiting the spread of Covid-19 in the office space environment. This was a necessary requirement to safeguard our employees and adhere to the guidelines as laid out in the regulations. Workplace health and safety were under the microscope with the outbreak of the Corona Virus and various awareness communications and posters were distributed regarding hygiene and leave provisions.

JPC had a surge in the first week of December 2021 when we had more than 10 COVID-19 cases. In order to ensure that employees are encouraged to be safe and take care of themselves. This was done by wearing masks, social distancing, avoiding crowds, and vaccinating.

Employees who tested positive received regular telephonic counselling and health tips from qualified professional health nurses while recovering at home. The recovery rate was an indicator that the risk of the virus spread was well managed by the organisation through precautionary measures taken by employees and adherence to compliance regulations.

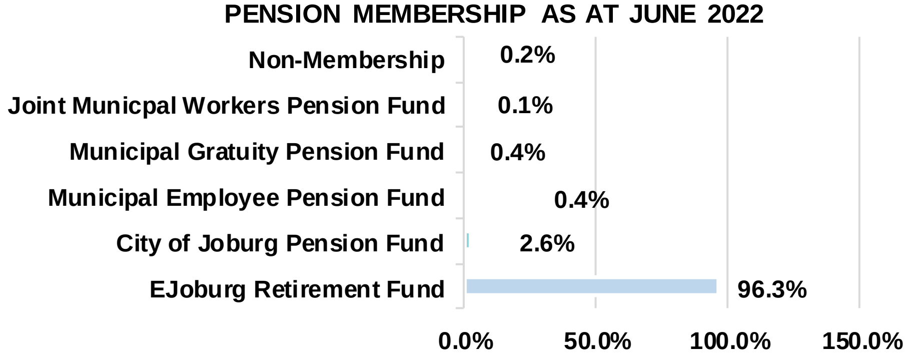
There were no health initiatives implemented in during the period under review, the EAP tender i closes on 10 August 2022 with the plan/intent to appoint the qualifying service provider for the Employee Assistance Programme.

HIV/AIDS

JPC's objective is to give employees access to treatment, reduce stigma and eliminate discrimination when it comes to focusing on HIV/AIDS. Employees infected or living with HIV/AIDS have access to the HIV/AIDS programme offered by COJ Group Occupational Health Clinics where they receive testing, treatment and counselling. The psychological well-being of employees is also taken care of by offering counselling through the City's EAP Programme and these services are being utilised for employees who have tested positive for COVID-19 and as part of the recovery process.

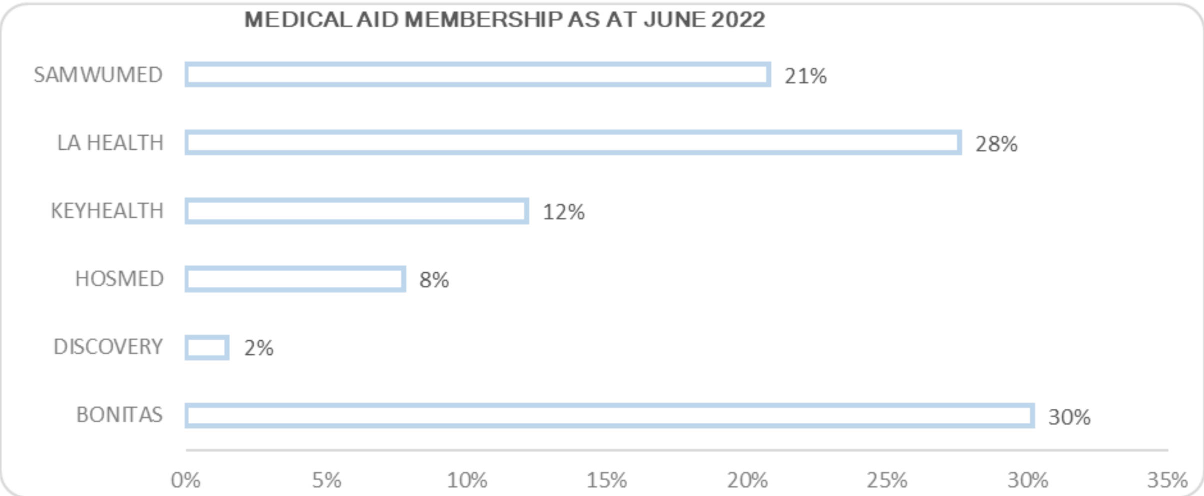
Section 9: Employee Benefits

The graph below indicates the pension funds membership distribution as of the end of June 2022.



The graph above demonstrates the membership distribution of JPC to accredited pension funds. This employment condition is compulsory to all JPC employees with the exception of the Chief Executive Officer, medically boarded, employees, and temporary employees. In terms of the salary and wage collective agreement, the pension fund condition ordinarily increases by virtue of the salary increase percentage and related linked benefits.

The Accredited Medical Aid Schemes membership distribution as at the end of June 2021 is as follows:



The graph above specifies the accredited medical aid schemes and membership distribution to each scheme as at the end of June 2022. The provision set out in relation to medical aid, states that for the duration of the salary and wage agreement, and based on the 60/40 principle set out in the Main Collective Agreement, the current maximum medical aid employer contribution rate to accredited medical schemes increased to R4 773.12 for 2021/2022, financial year.

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JOBURG PROPERTY COMPANY

Chapter 5: Financial Performance

Section 1: Statement of Financial Position and high-level notes

City of Joburg Property Company Statement of Financial Position as at 30 June 2022

				Year-on-year Variance	
	REF	30-Jun-22	30-Jun-21	%	R
Assets					
Current assets		**1 101 565 431**	**744 494 025**	**47.96%**	**357 071 406**
Cash and cash equivalents		2 000	2 000	0%	-
Receivables from exchange transactions	1	773 062 205	607 827 688	27.18%	165 234 517
Loans to shareholders	2	328 410 301	136 223 472	141.08%	192 186 829
Receivables from non-exchange transactions		90 925	146 328	-37.86%	-55 403
Prepayments		-	294 537	-100.00%	-294 537
Non-current assets		**71 012 829**	**55 561 553**	**27.81%**	**15 451 276**
Deposits		600 587	189 559	216.83%	411 028
Property, plant and equipment		22 189 444	19 651 976	12.91%	2 537 468
Intangible assets		13 544 214	13 558 751	-0.11%	-14 537
Current tax receivable	3	4 145 687	715	579716%	4 144 972
Deferred Tax Asset	4	30 532 897	22 160 552	37.78%	8 372 345
Total Assets		**1 172 578 260**	**800 055 578**		**372 522 682**
Liabilities					
Current Liabilities		**1 230 682 939**	**823 298 058**	**49.48%**	**407 384 881**
Payables from exchange transactions	5	178 411 286	235 412 168	-24.21%	-57 000 882
Finance lease obligation		-	547 121	-100.00%	-547 121
Current tax payable	6	-	8 817 159	-100.00%	-8 817 159
Loans from shareholders	7	1 024 501 919	570 718 381	79.51%	453 783 538
Provisions	8	27 569 601	1 565 576	1660.99%	26 004 025
Operating lease liability	9	200 133	6 237 653	100.00%	-6 037 520
Non-Current Liabilities		**714 000**	**774 000**	**-7.75%**	**-60 000**
Employee benefit obligation		714 000	774 000	9.20%	-60 000
Total liabilities		**1 231 396 939**	**824 072 058**		**407 324 881**
Net Assets		**-58 818 679**	**-24 016 480**		**-34 802 199**
Share Capital		5 142 721	5 142 721	0%	-
Accumulated Surplus/(Deficit)		-63 961 400	-29 159 201	119.35%	-34 802 199
Total Net Assets / Liabilities		**-58 818 679**	**-24 016 480**		**-34 802 199**

Notes to the Statement of Financial Position

1. Trade receivables from exchange transactions increased year-on-year as JPC billed in excess of R146.1 million for the recovery of cleaning services for the financial year. JPC did not receive any monies for R&M works related that were completed in previous and the current financial years due to an investigation being conducted by GFIS on R&M at the COJ. Due to no receipts being received for R&M the trade receivables has increased year-on-year.
2. The cash position of JPC improved year-on-year as payments for related party loans were suspended to maintain liquidity in the balance sheet of the entity by only servicing operational and commercial obligations. This was a necessary intervention as receipts from trade receivables had been suspended due to the GFIS investigation.
3. During the financial year JPC settled all its current tax obligations to SARS for the 2020 and 2021 financial years. The tax receivable relates to provisional taxes paid to SARS for the 2022 financial year.
4. A deferred tax asset on losses has been recognised for the 2022 financial year due to the operating loss of the entity. As a result of the recognition of the deferred tax on losses the deferred tax asset has increased year-on-year.
5. The major contributor to JPC's accruals are security services that are provided by JMPD of R78.7 million. The remaining accruals are comprised of repairs and maintenance, CAPEX and general expenditure. The accruals will be settled in the 2023 financial year.
6. Current tax liabilities for the 2020 and 2021 financial years have been settled. As JPC has incurred an accounting and tax loss for the financial year there is no current tax expense and liability for the 2022 financial year.
7. Loans from shareholders relating to employee costs have increased as JPC has not been in a financial position to settle the loan accounts. The loans bear no interest and have allowed JPC to conserve its liquidity by increasing the sweeping bank account balance; further generating interest income of R8 million. JPC will implement the repayment of these loans in 2023.
8. A provision related to the settlement for the 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 the 2023 financial year, 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.
9. The straight-lining of operating leases have decreased as lease contracts for office accommodation have come to the end of their respective terms. JPC is in the process of renewing and extending leases.

5 FINANCIAL PERFORMANCE

Section 2: Statement of Financial Performance and high-level notes

	REF	30-Jun-22	30-Jun-21	Year-on-year Variance %	Year-on-year Variance R
Revenue					
Revenue from exchange transactions		**227 495 027**	**213 084 226**	**6.76%**	**14 410 801**
Cellmast services		18 361 901	17 814 762	3.07%	547 139
Commissions and ad hoc fees	1	43 644 618	29 936 133	45.79%	13 708 485
Management fees	2	16 492 187	20 319 606	-18.84%	-3 827 419
Internal recoveries		2 348 500	2 212 815	6.13%	135 685
Cleaning service recoveries	3	146 147 821	141 300 910	3.43%	4 846 911
Facilitation fees		500 000	1 500 000	-66.67%	-1 000 000
Revenue from non-exchange transactions		**528 102 994**	**647 123 910**	**-**	**-118 126 006**
Medical boarding refunds	4	923 240	894 910	100%	923 240
SETA refunds	5	901 754	-	100%	901 754
COJ - Subsidies received	6	526 278 000	646 229 000	-18.56%	-119 951 000
Other income		**8 027 907**	**440 067**	**1724.25%**	**7 587 840**
Interest received	7	8 027 907	440 067	1724.25%	7 587 840
Total Revenue		**763 625 928**	**860 648 203**	**-11.17%**	**-96 127 365**
Expenditure					
Employee related costs	8	465 124 846	485 526 927	-4.20%	-20 402 081
Depreciation and amortisation	9	12 682 717	26 004 884	-51.23%	-13 322 167
General and operating expenses	10	184 320 643	226 042 479	-18.46%	-41 721 836
Interest and finance costs	11	243 134	3 723 006	-93.47%	-3 479 872
Debt impairment	12	4 096 058	-5 626 635	-172.80%	9 722 693
Lease rentals on operating leases	13	140 094 214	122 207 434	14.64%	17 886 780
Loss on disposal of fixed assets		238 862	1 053 213	-77.32%	-814 351
Total expenditure		**806 800 474**	**858 931 308**	**-6.07%**	**-52 130 834**
(Deficit)/surplus before taxation		**-43 174 546**	**1 716 895**	**-2614.7%**	**-44 891 441**
Taxation	14	**-8 372 346**	**6 487 112**	**29.06%**	**1 885 234**
(Deficit)/surplus for the year		**-34 802 200**	**-4 770 217**	**729.57%**	**-46 776 675**

Notes to the Statement of Financial Performance

1. Commissions increased year-on-year due to commissions received for facilitating property acquisitions. The revenue from rental commissions grew by 12.4% year-on-year but were below the budgeted revenue objective for the financial year.

2. Management fees for R&M projects and works declined year-on-year as JPC undertook fewer assignments from departments. The management fees will increase in the 2023 financial as JPC concluded its panels for quantity surveyors and contractors in quarter four of 2022. The panels will allow JPC to assess and undertake assignments for its stakeholders, thus generating revenue through its fixed management fee.

3. JPC recovers the salary costs of insourced cleaners through internal recoveries from COJ departments at corporate buildings. The recoveries are the means to fund the expenses related to cleaning, namely, employee costs and cleaning consumables. However, the recovery model is cumbersome and under review as it presents liquidity risks to the entity. The recovery of costs has been inadequate to cover the total expenses of the cleaning services. A subsidy model will be tabled at the 2023 midterm budget review to mitigate these risks.

4. JPC has three employees that have been placed under medical boarding through the COJ's processes and protocols. The employees are remunerated through payroll with a proportional amount being received from Old Mutual.

5. JPC received refunds from the Services SETA for staff training that was conducted during the financial year.

6. JPC's subsidy was reduced by R128 million during the 2022 midterm budget review. The OPEX and CAPEX budgets of all the COJ departments and entities were rebased and decreased during the midterm budget review with the intention of mitigating the COJ's liquidity and credit risks. The reduction in subsidy affected JPC's liquidity, solvency and ability to fund some of its core operations. Any surpluses in the subsidy would have allowed JPC to cross-subsidise the losses it incurred on cleaning services.

7. Interest received from the sweeping account increased year-on-year as the account has accumulated to a R320.5 million surplus by 30 June 2022. The increase in interest rates throughout the financial year have also been beneficial to the growth of the account balance.

8. Due to JPC being a service based business that is human capital intensive employee related costs represent 57.65% of JPC's expenditure. The expenditure has reduced year-on-year to align with the reductions in budget, however this has come at a disadvantage as the entity is not able to capacitate its critical vacancies.

9. Depreciation has declined year-on-year as tenant installations decreased from R17.7 million in 2021 to R7.2 million in 2022. The depreciation was aligned to the contract term of the office accommodation lease at JPC's head office.

10. General and operating expenses have decreased year-on-year as repairs and maintenance spend was delayed due to the lengthy conclusion of the panels of contractors. JPC also did not require a budget for occupational health and safety in the 2022 financial year as the prevalence of Covid-19 had nationally declined.

11. JPC incurred interest due to the arbitration of a legal matter. The arbitration award specified the amount of the interest that JPC was liable for as a result of the matter escalating to an arbitration proceeding.

12. Per GRAP 104, the provision for bad debts has been reviewed and revised to account for changes in third party debtors. Due to the timing difference in receipts across the financial year, the provision has been calculated as an increase for the 2022 financial year.

13. Lease rentals increased year-on-year as annual escalations on existing office accommodation leases came into effect. The expense is expected to increase as leases are renewed at current market rates in the 2023 financial year.

14. Due to the operating loss for the financial year JPC does not have a current tax expense. The deferred tax movement for the financial year is a gain in temporary differences of R8.7 million due to the recognition of an asset for the taxable loss.

Section 3: Cash Flow Statement

City of Joburg Property Company Statement of Cashflows as at 30 June 2022

	30-Jun-22	30-Jun-21
Cash flows from operating activities		
Rendering of services	64 151 935	263 209 680
Subsidies	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	-367 522 454	-464 441 363
Finance costs	-	-3 723 006
Taxation paid	-12 962 131	4 488 281
	-843 640 865	**-950 646 390**
Net cash flows from operating activities	**-245 205 079**	**-40 837 518**
Cash flows from investing activities		
Purchase of PPE	-15 157 475	-26 360 768
Purchase of Deposits	-400 000	-
Purchase of intangible assets	-287 035	-
Net cash flows from investing activities	**-15 844 510**	**-26 360 768**
Cash flows from financing activities		
Net movement of shareholders loan	261 596 709	71 381 388
Finance lease payments	-547 120	-4 183 102
Net cash flows from financing activities	**261 049 589**	**67 198 286**
Net increase/(decrease) in cash and cash equivalents	**-**	**-**
Cash and cash equivalents at 01 July 2021	**2 000**	**2 000**
Cash and cash equivalents at 30 June 2022	**2 000**	**2 000**

Overview

The statement of cashflows indicates how the entity has generated its cashflows and what it has done with its cash. Review JPC's statement of cashflows at 30 June 2022 indicate:

- A constrained inflow of monies from trade receivables and the subsidy
- As JPC is abides by the provisions of the MFMA to settle its suppliers within 30 days, the cash outflows to suppliers is greater than the inflows from the rendering of services
- Utilisation of CAPEX budgets to capacitate the IT infrastructure of JPC and the cleaning services of JPC
- A growing financial obligation for loans from shareholders as the funding of the entity is through its financing activities with the shareholder and not its operations. This is indicated by a R261 million inflow from financing activities and R245.2 million outflow from its operating activities

Section 4: Capital Projects & Expenditure

TABLE 40: CAPEX SPEND

Project Number	*Project Name*	*Budget 2021/22 R 000*	*YTD ACTUALS*	*VARIANCE*	*%*
23560	Acquisition of Cleaning Equipment	12 500 000	4 070 984	8 429 016	33%
2669	Computer Equipment - New Computer Upgrades	11 158 000	11 237 115	-79 115	101%
4142	Erf 43-46 Victoria Ext 3(Paterson Park Node) VICTORIA EXT.3 E Regional	100 000	92 500	7 500	93%
6309	Marlboro Station Project Land Preparation	1 400 000	277 184	1 122 816	20%
6358	Metromall Taxi Rank Shop Revitalisation and Waste Management Area Redesign	9 500 000	1 751 063	7 748 937	18%
4184	Office Space Optimisation Program New Precinct Redevelopment JOHANNESBURG F City Wide	7 000 000	-	7 000 000	0%
		41 658 000	***17 428 847***	***24 229 153***	***42%***

Section 5: Ratio Analysis

Table 41: Ratio analysis of the statement of financial performance

Ratio	**2022**	**2021**
Liquidity Ratio (1:1)	0.90	0.91
Solvency Ratio (1:1)	0.95	0.97
Trade receivables turnover		
- Related parties (30 Days)	375	244
Provision for bad debts	32 379 306	28 283 248
Trade receivables to Total Assets (%)	66%	76%
Cash coverage ratio (1:1)	5.05	1.85
Cash Position	320 716 726	128 597 724

Liquidity Ratio

JPC has a current ratio of 0.90:1 as compared to the City's norm of 1:1. The main contributors to this adverse ratio are the loan accounts with the shareholder and year-end accruals. Due to the GFIS investigation into R&M at the COJ, JPC has not received receipts for R&M performed for the COJ. Once resolved, increases in cashflows from related party receivables will allow JPC to settle its shareholder loans while maintaining a positive sweeping account. Until then, JPC will carefully manage its liquidity to ensure that adequate cash reserves are available to service its operational obligations.

The reduction in the subsidy by R128 million also plays a significant role in the liquidity of JPC as it's a major and consistent source of cashflow for the entity. The subsidy was rebased downwards during the 2022 midterm budget adjustment and the reduction in subsidy has been carried forward into the coming financial years.

Solvency Ratio

The City's solvency ratio benchmark is 2:1, as JPC is service oriented and does not control property and infrastructure assets a ratio of 1:1 is more applicable. JPC's ratio is 0.95:1, which indicates that the entity is on the border of solvency. The total liabilities exceed total assets by R58.8 million. Revenue generation is required to alleviate the solvency challenges the entity faces, however revenue from sources external to the COJ has become difficult in the current macroeconomic climate.

JPC is commercially solvent and able pay creditors as they fall due. The implementation of the business plan and strategy will result in the improvement of the solvency of JPC in 2023. JPC will be approaching the City to seek a surety letter regarding the going concern.

Cost Coverage Ratio

Due to positive cash flows of R320 million, the cost coverage ratio is 5.05:1. The ratio indicates that for every R1 of expenditure that JPC incurs there are sufficient cash reserves to cover the expenditure 5 times over.

Debtors Collection Period

Collection of third party debtors have declined due to related party debt being unsettled. The collection period now reflects as over a year for JPC to recover its monies from related parties. The decline in collections is due to the GFIS investigation into R&M as well as legal difficulties in concluding the service level agreements with departments for cleaning services being rendered. As trade receivables account for 66% of JPC's total assets the delays in receipts has a negative impact on the liquidity of the entity.

Provision for bad debts

JPC raised a provision for bad debts related to facilitation fees previously raised. The provision accounts for 81% of total external debtors. The facilitation fees are due and payable based on the stage of completion, however, the companies that were awarded the sites for development have not initiated their projects due to various delays. From an accounting perspective, JPC has raised a provision for bad debts against these facilitation fees at 100% of the value of the awards. Per GRAP 104, additional debtors have been added to the provision by discounting active third party debtors at amortised cost at an effective interest rate linked to the prime lending rate.

Creditors Payment Cycle

JPC currently pays service providers and creditors within 30 days, as defined by the MFMA.

Statement of Financial Performance

	2022	2021
EBITDA/(LBITDA)	(30 248 695)	27 721 779
Net Surplus/(Deficit)	(34 802 200)	(4 770 217)
Net Operating Margin (%)	-4.56%	-0.55%
Operating subsidy to Total revenue (%)	68.92%	75.13%
Exchange transactions to Total revenue (%)	29.72%	24.82%
Employee costs to Total expenditure (%)	57.65%	56.63%
R&M to Total expenditure (%)	5.45%	4.19%
Rental to Total expenditure (%)	17.36%	14.23%

Table 42 : Ratio analysis of the statement of financial performance

Surplus/ (Deficit)

The net deficit as at 30 June 2022 is R34.8 million and was at a deficit of R4.7 million when compared to restated figures for the period ended 30 June 2021. Major contributors to the deficit are as follows:

- JPC prepares a breakeven budget; estimated income is matched with estimated expenditures. Majority of JPC's expenses are fixed with the exception of repairs and maintenance; however, expenditure is managed to ensure that overspending does not occur.
- A R128 million reduction in the subsidy that JPC receives from the COJ to fund the operations of the entity. The subsidy comprised 68.92% of JPC's revenue for the financial year, due to this composition any negative fluctuations will impact the overall financial performance of the entity.
- Constrained revenue generation from commissions from rentals and outdoor advertising
- Inadequate funding of cleaning services as expenses exceed revenue recoveries by R35.9 million.

Had the budget remained unchanged from the original approved budget provided to JPC for the 2022 financial year, JPC would have been in a financial position to cover the shortfall in revenue from cleaning services, reverse its insolvency position and begin the repayment of its shareholder loans as the entity is looking to maintain a cash coverage ratio between 1.5-2:1.

Expenditure

Review of the expenditure of JPC indicate that the main drivers are employee costs, repairs and maintenance, security and leased office accommodation. Due to the under-spend on R&M for the financial year, the expense base upon which the ratios are determined are lower than the previous financial year. Even though actual employee costs are lower year-on-year the percentage representation of expenditure has increased resulting in a ratio of 57.65%. Despite the anticipated 4.9% cost of living adjustment to be applied on employee costs in the 2023 financial year the ratio is expected to return to a representation of mid-50% of total expenditure as repairs and maintenance budgets are utilised.

Rental expenditure is expected to increase even further in 2023 as office accommodation lease contracts have come to the end of their lease terms and undergoing the extension and renewal process. The supply chain processes for the extensions and renewals are activated and approved by the Executive Adjudication Committee of the COJ, undergoing this approval has resulted in delays in initiating the renewal process of the leases. Upon conclusion of the lease renewal process, expenditure is anticipated to increase in 2023 as the leases will be renewed at current market rates for office accommodation.

Section 6: Supply Chain Management and BBBEE

An SCM policy regulates JPC's Supply Chain Management (SCM) for goods and services that governs all SCM Practices. The approval of the policy by the board is subject to periodic review, every two years or more frequently if required to ensure that it remains relevant to changes and circumstances. The Policy implements the SCM practices as envisaged by the Act and its Regulations.

The SCM Policy ascribes to a procurement system which:

- Is fair, equitable, transparent, competitive and cost-effective in terms of section 217 of the Constitution of South Africa NO. 108 of 1996;
- Enhances uniformity in Supply Chain Management systems between organs of state in all spheres;
- Embraces the principles of efficient environmental management; and
- Is consistent with the Municipal Finance Management Act, Municipal Supply Chain Management Regulations, Broad-Based Black Economic Empowerment Act, Preferential Procurement Policy Framework Act and other Codes promulgated thereunder in the Government Gazette.

New tenders and Contract Awards

Overall Awards: The total overall awards for the year under review, including all commitments (i.e. new tenders, purchase orders via a request for quotation process, and appointments through panels), was **R67 332 678.78 (2021/22)**

Tenders Awards: For the year under review, 10 new tenders were awarded to the value of **R19 405 101.96 (2021/22).**

Quotation Awards: For the year under review, various quotations were issued to the value of **R27 424 131.12 (2021/22).**

Cancelled Tenders: The Entity experienced 18 non-awards in tenders for the year. The reasons vary widely from 6 non-responsive tenders received and 12 still in the procurement process. An action plan has been put in place to resolve all issues which have a negative impact on the supply chain management process.

Awards to B-BBEE Level One Companies: The total B-BBEE spend for level one (for black-owned businesses) was R65 669 118.28 for the financial year 2021/22.

Actual Procurement Expenditure: Overall Procurement Spend
The entity's procurement spend for all categories for the year was R67 332 678.78 with 97, 5% attributed to Level 1 B-BBEE.

Deviations: JPC does not have deviations for the period under review

Payment within 30 days: JPC currently pays service providers and creditors within 30 days as defined by the MFMA. This compliance with 30 days is one of the reasons why JPC has previously accounted for an overdraft, as the COJ departments have not settled the intercompany debts within 30 days.

Table 43: BBBEE

	Q1	Q2	Q3	Q4
BBBEE as % of OPEX	99%	99%	99%	100%
BBBEE as % of CAPEX	100%	100%	100%	100%

Section 7: Irregular and Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure refers to expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Table 44: Year-on-year fruitless and wasteful expenditure movement

Fruitless and wasteful expenditure	2022	2021
Opening balance	R47 938 553	R32 413 424
Current year additions	R22 737 335	R15 525 129
Closing balance	**R70 675 888**	**R47 938 553**

For the financial year ended fruitless and wasteful expenditure increased by R22 737 335. The incidents that gave rise the fruitless and wasteful expenditure are as follows:

Table 45: fruitless and wasteful expenditure movement

Item	Category	Description	Disciplinary Status	Amount
1	Vacant office accommodation	Office accommodation that was contracted for but left vacant resulting in no utilisation of the office space.	Under investigation by internal audit	21 929 158
2	Interest on arbitration judgement	Upon the conclusion of a matter taken to arbitration, JPC was required to pay interest on the arbitration award made against the entity.	Investigation to commence in 2023 financial year	220 796
3	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 deemed wrongful termination of employees. As well as R565 081 for legal costs related to arbitration for the lease at 222 Smith Street.	Investigation to commence in 2023 financial year	587 381

Treasury Guidelines on irregular expenditure provide that this is only recognised when payment pertaining to the non-compliance is actually made. Any irregular expenditure determined prior to a payment being made shall only be regarded as non-compliance until the payment is made; at which point the irregular expenditure shall be recorded.

Table 46: Year-on-year irregular expenditure movement

Irregular expenditure	**2022**	**2021**
Opening balance	63 137 568	20 446 894
Current year additions	40 058 822	42 690 674
Closing balance	**103 196 390**	**63 137 568**

For the financial year irregular expenditure increased by R40 058 822. The incidents that gave rise to the irregular expenditure are as follows:

Table 47: Irregular Expenditure

Item	**Category**	**Description**	**Disciplinary Status**	**Amount**
1	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.	Under review by COJ for write-off	15 357 642
2	SCM non-compliance	Failure to meet the minimum stipulated threshold for local production and content and non-compliance with Preferential Procurement Regulations 8(5).	Investigation to commence in 2023 financial year	158 000
3	Circular 62 of MFMA non-compliance	The expansion/variation of the contracts were more than the allowed 15% per Circular 62 on office accommodation leases.	Investigation to commence in 2023 financial year	14 387 504
4	Competitive bids not invited above the R200 000 threshold	JPC did not activate a competitive bidding process for the procurement of IT related services	Investigation to commence in 2023 financial year	10 155 676

Section 8: Pending Litigations & Possible Liabilities

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 the 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.

Section 9: Insurance Claims Against/to JPC

For the 2022 financial year JPC initiated the following insurance claims for theft/loss of company assets:

Table 48: Irregular Expenditure

Barcode	Description	Date Reported	Case Number	Status	Purchase Price
JPC10433	HP SPECTRE PRO X360 G2	19/07/2021	113/07/2021	Pending insurance investigation	31 415.13
JPC11009	HP PRO ONE 600 G3	05/07/2021	59/05/2021	Pending insurance investigation	21 440.07
JPC10488	HP PRO ONE 600 G2	05/07/2021	75/07/2021	Pending insurance investigation	21 398.63
JPC10535	HP PRO ONE 600 G2	19/07/2021	404/07/2021	Pending insurance investigation	21 398.63
JPC10444	HP PRO ONE 600 G2	10/08/2021	327/08/2021	Pending insurance investigation	21 398.63
JPC10446	HP PRO ONE 600	26/07/2021	400/08/2021	Pending insurance investigation	21 398.63
JPC10511	HP PRO ONE 600	12/08/2021	616/08/2021	Pending insurance investigation	21 398.63
JPC10293	HP PRO ONE 600	16/08/2021	400/08/2021	Pending insurance investigation	21 398.63
JPC10503	HP PRO ONE 600	23/08/2021	616/08/2021	Pending insurance investigation	21 398.63
JPC10477	HP PRO ONE 600	23/08/2021	616/08/2021	Pending insurance investigation	21 398.63
JPC10449	HP PRO ONE 600	23/08/2021	735/08/2021	Pending insurance investigation	21 398.63
JPC12202	Dell Laptop - Core I7 11th Generation	18/05/2022	467/5/2022	Pending insurance investigation	27 160.50
JPC12202	Dell Laptop - Core I7 11th Generation	18/05/2022	467/5/2022	Pending insurance investigation	27 160.50
JPC12440	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12441	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12442	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12443	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12444	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12445	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12446	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12447	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12448	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12449	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12450	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12451	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12452	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12453	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
JPC12454	iPad	18/05/2022	467/5/2022	Pending insurance investigation	9 399.99
					440 763.72

Section 10: Statement of Amount Owed to Government Departments and Public Entities

JPC does not have amounts owed to any government departments and public entities.

Chapter 6: Internal & External Audit

Section 1: Results of Internal Audits

The internal audit function of JPC subscribes to the definition of internal audit as defined by the International Standards for the Professional Practicing of Internal Auditing (ISPPIA), which defines internal audit as “an independent, objective, assurance and consulting activity designed to add value and improve an organisation’s operations.

JPC’s internal audit function conducted audits in line with the requirements of ISPPIA. The Audit and Risk Committee takes the issue of objectivity seriously and has requested that the internal audit function goes through an independent review after every three years instead of the five years prescribed by the ISPPIA.

The role of internal audit is to provide independent assurance that an organisation's risk management, governance, and internal control processes are operating effectively. The roles and responsibilities of the internal audit function are in the Audit Charter, which includes the following:

DIAGRAM 19: ROLES & RESPONSIBILITIES OF THE INTERNAL AUDIT

ROLES AND RESPONSIBILITIES OF THE INTERNAL AUDIT			
Prepare a rolling three-year strategic internal audit plan based on the assessment of key risk areas for JPC, considering its current operations, those proposed in the strategic plan and its risk management strategy.	Develop a flexible audit plan using a process-based approach linked to an appropriate risk based methodology for review and approval, as well as quarterly/periodic updates.	Implement the annual audit plan, as approved, including time as appropriate for any special consulting tasks or projects requested by Management and the Audit and Risk Committee.	Assist in the investigation of significant suspected fraudulent activities in the business unit, and notify Management and the Audit and Risk Committee of the results.

The three-year rolling internal audit plan was reviewed and approved by the Audit and Risk Committee on15 February 2022 after taking into account both strategic and operational risks of the entity.

JPC successfully established a panel of 15 service providers to assist the Internal Audit department to execute the full internal audit plan.

6 INTERNAL & EXTERNAL FINDINGS

PROGRESS MADE ON THE ANNUAL PLAN

TABLE 49: RATING TABLE

CONTROL ENVIRONMENT (CE) RATING	Preventative or detective controls are in place	
	The control environment requires improvement	
	Internal controls are not in place and intervention is required to design and implement appropriate controls	
	Not yet due	

The table below confirms the review and progress as per the Audit and Risk Committee approved coverage Audit plan for the 2021/22 financial year:

TABLE 50: IA REVIEW AND PROGRESS

INTERNAL AUDIT PLAN REF NO	AUDIT DESCRIPTION	STATUS	CONCLUSION ON CONTROL ENVIRONMENT
1.	Audit of Pre-determined Objectives Quarter (1, 2,3 & 4)	Complete	
2.	Contract Management	Complete	
3.	Service Level Standards	Complete	
4.	Annual Financial statement review	Complete	
5.	Supply Chain Management	In Progress	
6.	Related parties Transactions	Complete	
7.	Human Resources	Complete	
8.	Revenue Management and Assets Management	Complete	
9.	Compliance	Complete	
10.	Information Technology	Complete	
11.	OHASA	Complete	
12.	Stakeholder management	Complete	
13.	Record management	Complete	
14.	Risk Management	Complete	

Section 2: Progress on Resolution of Internal Audit Findings

ANNUAL AUDIT PLAN

On a quarterly basis, Internal Audit also conducts a follow-up on the implementation of External and Internal audit recommendations. These reports are presented to the Audit and Risk Committee (ARC) which monitors the progress made by management on the implementation of recommendations and action plans.

INTERNAL AUDIT FINDINGS

During the financial year ended 30 June 2022, the entity had thirty-seven (37) internal audit findings remaining unresolved, however, management has resolved some of the findings, which are still to be verified and confirmed by the auditors.

UNRESOLVED INTERNAL AUDIT FINDINGS

The breakdown of the unresolved findings is as follows:

TABLE 51: IA UNRESOLVED FINDINGS

Category	Total as of 30 June 2022	Resolved	Not Resolved
Very High	2	0	2
High	38	13	25
Medium	11	1	10
Total	51	14	37

Section 3: Progress on the resolution of external findings

The Auditor General of South Africa (AGSA) finalised the 2021/22 audit and issued their audit and management report letter on 25th November 2022. The entity received an unqualified audit opinion with material findings on non-compliance with legislation and annual financial statement which is similar to the prior year i.e. 2020/21.

The AGSA findings indicated that the financial statements presented were fair in all material respects, including the financial position of the City of Joburg Property Company (SOC) Ltd as at 30 June 2022 and its financial performance and cash flows for the specified year that ended.

The dashboard for unresolved external audit findings (2021/22) is as follows:

There were nine material findings reported that affect the audit report.

6 INTERNAL & EXTERNAL FINDINGS

TABLE 52: UNRESOLVED EXTERNAL AUDIT FINDINGS

CATEGORY	TOTAL AS AT 30 NOV 2022	RESOLVED AS AT NOV 2022		UNRESOLVED	
		#	%	#	%
Matters affecting the auditor's report	9	4	44%	5	56%
Other Important maters	7	3	43%	4	57%
Administrative matters	0	0	0%	0	0%
Total	16	7	**44%**	9	**56%**

TABLE 53: PREVIOUS YEARS FINDINGS

FINANCIAL YEAR	TOTAL FINDINGS	REPEAT FINDINGS	RESOLVED	IN PROGRESS	UNRESOLVED
2017/18	10	0	10	0	1
2018/19	10	0	10	0	1
2019/20	**40**	**0**	**40**	**0**	**3**
2020/21	**17**	**0**	**16**	**0**	**1**
Total number as at 30 Nov 2022	**16**	**0**	**7**	**0**	**9**
Percentage			**44%**		**56%**

Table 54: Unresolved External Audit Findings

#	FINDING HEADING	REPEAT FINDING	MANAGEMENT ACTION PLAN
1	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of provisions and disclosures identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	No	None, subsequently adjustment was made to the AFS
2	Contingent liability not disclosed in the financial statements Requirement In terms of Sec 95 (c) of the MFMA, the accounting officer of a municipal entity is responsible for managing the financial administration of the entity and must for this purpose take all reasonable steps to ensure • That the entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control.	No	None, subsequently adjustment was made to the AFS

6 INTERNAL & EXTERNAL FINDINGS

#	FINDING HEADING	REPEAT FINDING	MANAGEMENT ACTION PLAN
3	Failure to prevent fruitless and wasteful expenditure Requirement Per the MFMA section 95 - General financial management functions of accounting officers: 'The accounting officer of a municipal entity is responsible for managing the financial administration of the entity, and must for this purpose take all reasonable steps to ensure— (d) - that irregular and fruitless and wasteful expenditure and other losses are prevented;	Yes	The fruitless and wasteful expenditure will be investigated and correct internal control deficiencies identified to be implemented if any.
4	MFMA section 95(c) the accounting officer of a municipal entity is responsible for managing the financial administration of the entity; and must for this purpose take all reasonable steps to ensure that the entity has and maintains effective, efficient, economical and transparent systems of financial and risk management and internal control. Furthermore, MFMA section 105(c) states that each official of a municipal entity exercising financial management responsibilities must take all reasonable steps within that official's area of responsibility to ensure that any irregular expenditure, fruitless and wasteful expenditure and other losses are prevented	No	The matter will be investigated
5	Invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).	No	Management will arrange for further training to all officials who participates in SCM Committee Systems on how to deal with the local content requirements as per the Department of Trade and Industry.
6	Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5.	No	Management will review every lease contract currently in place to determine whether the requirements of MFMA section 116(3) and circular 62 have been complied with.
7	SCM reg 19(a) prescribes that a supply chain management policy must specify that goods and services with a transaction value of R 200 000 (VAT included) or long-term contracts may be procured by the municipality or municipal entity only through a competitive bidding process.	No	JPC will be going out in the market in December to close this matter as the services are required.
8	Sec 121(4) (d) of the MFMA states that the annual report of a municipal entity must include— an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality., with regards to timing and nature.	No	None, subsequently adjustment was made to the APR
9	Sec 121(4) (d) of the MFMA states that the annual report of a municipal entity must include— an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality., with regards to timing and nature.	No	None, subsequently adjustment was made to the APR

TABLE 55: COMPARATIVE AUDIT FINDINGS

Audit Opinion	2018/19	2019/20	2020/21	2021/22
	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings

Section 4: State of the Internal Controls

The Internal Audit Department evaluates the adequacy and effectiveness of the internal control systems, governance processes, and risk management processes. In assessing these, consideration of the above-mentioned internal control objectives and the audit evidence obtained during the execution of audits should be used as a basis for the opinion. Only completed assurance engagements or projects should be considered for the overall internal control opinion

The results of the internal audit support the organisation to achieve its goals in the short, medium, and long term. The risk-based approach ensures that the internal audit function focuses on the financial sustainability of the organisation as well as areas that are material for the stakeholder

Effectiveness of controls

27% of the control deficiencies have been satisfactorily resolved, and 37 (73%) are in the process of being resolved in respect of Internal Audit.

100% of the AGSA finding for 2020/21 have been satisfactory resolved.

Impact

To improve audit outcomes, management will continue to work together to strengthen daily, monthly and quarterly processing of financial and performance related internal controls. This will ensure that accurate and complete financial and performance reporting is supported by valid information.

Internal audit findings opinion – based on the above analysis, the system of internal control are partially adequate and effective to accomplish organisational goals and objective.

External Audit Findings Opinion – based on the above analysis, the system of internal controls is adequate and effective to accomplish organisational goals and objectives.

The internal controls systems as designed by management are effectively implemented to provide reasonable assurance that the objectives and goals may be achieved. Progress has been made on implementing preventative or detective controls but improvement is still required.

a world class African city

JOBURG PROPERTY COMPANY

Appendices

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 Ms V Gumede Ms X Lingani Mr S Mda Mr B Mgoza Ms B Mthimkhulu Ms K Ng'ambi Mr T Ngcobo 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

Board of Director’s Responsibilities and Approval

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 7, 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

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 audit and risk committee has considered the expertise and experience of the Chief Financial Officer and has reviewed the appointment and suitability of the Chief Financial Officer. The committee has reviewed and considered the experience and resources available to the company's finance function and is satisfied with the resources.

Audit and Risk Committee Report

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.

Chairperson of the Audit Committee

Date: 01/12/2022

Report of the auditor-general to the Gauteng Provincial Legislature and the council of the City of Johannesburg Metropolitan Municipality on City of Joburg Property Company (SOC) Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the City of Joburg Property Company (SOC) Limited set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2022, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of Joburg Property Company (SOC) Limited as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

7. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of errors in the financial statements of the municipal entity at, and for the year ended, 30 June 2022.

Other matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure note

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

Responsibilities of the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the Companies Act and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the financial statements, the accounting officer is responsible for assessing the municipal entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's or municipal entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality or municipal entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected priority presented in the municipality's or municipal entity's annual performance report for the year ended 30 June 2022:

Priorities	Pages in the annual performance report
Priority 3 – financial sustainability	x – x

17. I performed procedures to determine whether the reported performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. I did not identify any material findings on the usefulness and reliability of the reported performance information for this development priority:

- Priority 3 – financial sustainability

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

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

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of priority 3 – financial sustainability. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of provisions and disclosures identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

25. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R22 737 335, as disclosed in note 36 to the annual financial statements, in contravention of section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by renting office accommodation, which was subsequently not fully occupied.

Procurement and contract management

26. An invitation to tender for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).

27. Commodities designated for local content and production were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 preferential procurement regulation 8(5).

28. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.

29. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA.

Strategic planning and performance management

30. The annual performance objectives and indicators were not established by agreement with the parent municipality, as required by section 93B(a) of the Municipal Systems Act.

Other information

31. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected priority presented in the annual performance report that have been specifically reported in this auditor's report.

32. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

33. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

34. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

35. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

36. Management of the municipal entity did not have sufficient monitoring and reviewing controls to ensure that financial and performance reports submitted for auditing were accurate and complete and that action plans developed were adequately implemented.

37. Management did not adequately review and monitor compliance with applicable laws and regulations.

Other reports

38. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipal entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

39. Fourteen-one investigations were conducted by the group forensic and investigation services for allegations against employees of the municipal entity. These investigations included allegations of fraud and corruption. Reports on 16 investigations were completed during the year under review.

40. Twenty-five investigations conducted by the group forensic and investigation services were still in progress at year-end.

Auditor - General

Johannesburg

30 November 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Board of Director’s Report

The Directors have pleasure in submitting 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 the 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.

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
Mr J Letsapa	South African	Resigned 15 February 2022
Ms 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
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.

Board of Director's Report

Business address 33 Hoofd Street Forum 1, Braampark Building, Braamfontein, 2000

Postal 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

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.

Board of Director’s Report

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. Directors 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.

Board of Director's Report

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

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	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)**

Statement of Financial Position as at 30 June 2022

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)**

Statement of Changes in Net Assets

Figures in Rand	Share Capital/ Share Premium	Contributed Capital	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 Adjustments	1 000	5 141 721	5 142 721	(29 470 252)	(24 327 531)
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		

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
Suppliers		(367 522 006)	(464 441
Finance costs		-	(3 723 006)
Other cash item	17&11	(13 353 580)	4 488 281
		(843 640 866)	(950 646 3
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**

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
Commissions 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 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 %**

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	Accounting 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.

Accounting Policies

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

1.3 Property, plant and equipment (continued)

	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.

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.

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.

Accounting Policies

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.

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.

Accounting Policies

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

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.

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.

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.

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.

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.

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.

Accounting 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.

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.

Accounting Policies

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.

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.

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.

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.

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.

Notes to the Annual Financial Statements

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

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

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**

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

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**

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**

Figures in Rand	2022	2021

12. Payables from exchange transactions

	2022	2021
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

	2022	2021
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 the 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 approve for disbursements. The disbursement is weighted against achieved KPI’s for the 2021 financial year.

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	33 552 693	24 551 218
Total net deferred tax asset	**30 924 342**	**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.

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	2	2019/20	2018/19	2017/18
Present value	(774 000)	(	(824 000)	(775 000)	(846 863)
Net expense recognised	60 000	(	138 000	(49 000)	71 863
	(714 000)	**(**	**(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-retirement 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.

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 an 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**

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

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	**-**

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 Contribution	Leave Encashment	Acting Allowances	Housing Allowances
Ms HM Botes	2 700 000	413 000	250 000	35 256	-	-	-
Mr SG Mzobe	1 508 360	-	120 000	349 961	57 275	171 828	10 893
	4 208 360	**413 000**	**370 000**	**385 217**	**57 275**	**171 828**	**10 893**

2021

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

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**

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	**121 207 434**

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	(35 802 200)	(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 accommodation)

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**
City of Johannesburg Metropolitan Municipality - Group Finance	(596 068 444)	(304 296 745)
City of Johannesburg Metropolitan Municipality - Group Corporate and 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) 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	-	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

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**

31. Related parties (continued)

2021

Name	Basic Salary	Performance 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**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

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.

Figures in Rand	2022	2021

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

Notes to the Annual Financial Statements

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

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.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

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	234 412 168
Finance lease obligation	547 121	547 121
	806 677 670	**806 677 670**

Figures in Rand	2022	2021

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

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.

Notes to the Annual Financial Statements

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.

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	(34 802 200)	(4 770 217)
Adjusted for:		
Revenue	130 161 482	126 541 807
Operating expenses	(85 225 798)	(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	-	-

Figures in Rand	2022	2021

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

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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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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**

Figures in Rand	2022	2021

40. Accounting by principals and agents

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

Details of the arrangement(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:

	2022	2021
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)	