

**Metropolitan Trading Company (Proprietary) Limited**  
*(Registration Number 1999/011422/07)*

**Annual Financial Statements**  
*for the year ended 30 June 2005*

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Annual Financial Statements

Year ended 30 June 2005

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# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Corporate Governance Statement

Year ended 30 June 2005

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The Directors of Metropolitan Trading Company (Pty) Ltd (MTC) confirm their commitment to the principles of discipline, transparency, independence, accountability, responsibility and integrity, as advocated, in the King Report on Corporate Governance for South Africa 2002 (the “ King Report 2002). Through this the stakeholders may derive assurance that the MTC is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices.

The Directors of MTC regard Corporate Governance as vitally important to the success of the business of the MTC and are unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings in respect of its members and relevant stakeholders:

- all Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities;
- all Board members are responsible for MTC achieving the highest level of business conduct; and
- the Board is the focal point of the MTC’s Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the MTC.

Board charters, setting out the specific responsibilities to be discharged by the Board members collectively, and the individual roles expected of them are in the process of being adopted. The purpose of these Board Charters is to regulate how business is to be conducted by the Board in accordance with the principles of good Corporate Governance. The objective of these Board Charters are to ensure that all Board members acting on behalf of the company are aware of their duties and responsibilities as Board members and the various legislation and regulations affecting their conduct and to ensure that the principles of good Corporate Governance are applied in all their dealings in respect and on behalf of the MTC.

### 1. BOARD LEADERSHIP

There is a clear division of responsibilities to ensure a balance of power and authority, such that no one individual has unfettered powers of decisions making.

The Board provides leadership and vision to the MTC in a way that enhances member value and ensures long-term sustainable development and growth of the MTC.

The Chairperson and the Chief Executive provide leadership and guidance to the Board as a whole, and encourage proper deliberation of all matters requiring the Board’s attention, and obtain optimum input from the other Board Members.

#### 1.1 The Chairperson

1.1.1 The Chairperson has no executive functions.

1.1.2 Each year the Board and shareholder appoints from among their non-executive members a Chairperson who presides at meetings.

# Metropolitan Trading Company (Proprietary) Limited

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## Corporate Governance Statement

Year ended 30 June 2005 (continued)

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- 1.1.3 The Chairperson is responsible for representing the Board to the members and indirectly to the general public for performance and provides overall leadership to the Board without limiting the principle of collective responsibility for Board decisions.
- 1.1.4 The Chairperson is responsible for ensuring the integrity and effectiveness of the governance process of the Board.
- 1.2 The Chief Executive
  - 1.2.1 The Chief Executive and management's primary point of reference is to the board of the company.
  - 1.2.2 The Chief Executive attends meetings of the Finance Strategy and Economic Development Committee of the City of Joburg by invitation and reports on the activities of MTC.

## 2 COMPOSITION OF THE BOARD

- 2.1 MTC has a board, consisting of executive and non-executive directors who are elected nominated or co-opted to the Board in terms of the articles of association of MTC ('the articles of association').
- 2.2 A non-executive director is considered as an individual who:
  - 2.2.1 is not involved in the day-to-day management of the company ; and/or
  - 2.2.2 is not a full time salaried employee of the company .
- 2.3 Procedures for appointments to the Board are formal and transparent.
- 2.4 Reward system
  - 2.4.1 The Remuneration Committee of Joburg City Council reviews and considers the remuneration of the non-executive directors, Chief Executive and senior management and makes recommendations to the Board.
  - 2.4.2 Non-executive members receive no significant benefits, other than their directors' fees, as follows:
    - 2.4.2.1 Basic fee as ordinary remuneration;
    - 2.4.2.2 additional remuneration (an extra fee) – for services as Chairman and Deputy Chairman of a Board committee;

# Metropolitan Trading Company (Proprietary) Limited

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## Corporate Governance Statement

Year ended 30 June 2005 (continued)

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2.4.2.3 additional remuneration (an extra fee) – for services rendered as a member of a Board or Board committee.

2.4.3 No Board member or senior manager is involved in deciding his or her own remuneration.

### 3 ROLE OF THE BOARD

The Board is explicitly responsible for the stewardship of the MTC and having regard to its role; the Board is concerned with key elements of the governance processes underpinning the operation of the MTC.

### 4 BOARD GOVERNANCE

4.1 Board procedures

4.1.1 Directors responsibilities and limitations are primarily set out in the articles of association, the Companies Act (No.61 of 1973), and Board and/or members resolutions.

4.1.2 The Board members are entitled to have access, at reasonable times, to all relevant company information and to senior management to assist them in the discharge of their duties and responsibilities to enable them to take informed decisions.

4.1.3 There are procedures agreed by the Board for the furtherance of their duties to take independent professional advice, if necessary, at the MTC's expense.

### 5 BOARD COMMITTEES

5.1 The Board is authorised to form Board Committees as and when it is efficient or necessary to facilitate efficient decision-making to assist the Board in the execution of its duties, powers and authorities. Delegating authority to Board Committees or management does not in any way mitigate or dissipate the discharge by the Board of their duties and responsibilities.

5.2 There is transparency and full disclosure from the Board Committees to the Board.

### 6 BOARD MEETINGS

Board members use their best endeavors to attend Board meetings and to prepare thoroughly. Board members are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table.

# Metropolitan Trading Company (Proprietary) Limited

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## Corporate Governance Statement

Year ended 30 June 2005 (continued)

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### 7 COMPANY SECRETARY

- 7.1 The company Secretary has a key role to play in ensuring that Board procedures are both followed and reviewed regularly, and has the responsibility in law to ensure that Board members are made aware of and provided with guidance as to their duties, responsibilities and powers.
- 7.2 The Company Secretary is responsible for ensuring that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with its efficient operation.

### 8 RISK MANAGEMENT

Effective risk management is integral to the Board's objective of consistently adding value to the business. The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed – internally and externally. The Board appreciates the business risk issues and key performance indicators affecting the ability of the MTC to achieve its strategic purpose and objectives and ensures that appropriate systems are in place to manage the identified risks, measure their impact and to proactively manage them, so that the MTC's assets and reputation are suitably protected.

### 9 INTERNAL CONTROL SYSTEMS

To meet its responsibilities with respect to providing reliable financial information, the MTC maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately safeguarded against material loss of unauthorized acquisition, use, or disposal and that transaction are properly authorised and recorded.

There is no Internal Audit function. Management reviews the internal control processes on a continuous basis, any matters arising are addressed with the Board of directors. The Board provides oversight to the financial reporting process and internal controls.

MTC assessed its internal control systems in operation during the year. Based on the assessment, the MTC believes that, as at 30 June 2005, the systems of internal controls over financial reporting and over safeguarding of assets against unauthorized acquisitions, use, or disposal were adequate.

### 10 GENERAL MANAGEMENT

Being involved with day-to-day business activities, the Chief Executive and the General Management team are responsible for ensuring that decisions, strategies, and views of the Board are implemented.

# Metropolitan Trading Company (Proprietary) Limited

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## Corporate Governance Statement

Year ended 30 June 2005 (continued)

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### 11 COMPLIANCE OFFICER

The MTC has a compliance officer who is responsible for ensuring effective compliance with the relevant statutory, regulatory and supervisory requirements.

### 12 EMPLOYEES

The focus on empowerment in the MTC reinforces the operating autonomy of the company. It also provides additional opportunities for employees at all levels to influence the success of the MTC. Management is encouraged to enhance the motivation and commitment of all employees by providing opportunities for involvement in business performance improvement, on the basis of mutual information sharing. Employment policies are designed that are appropriate to the business and markets in which the MTC operates and that attract, retain, and motivate the quality of staff necessary to compete. These policies are required to provide equal employment opportunities, without discrimination.

### 13 EMPLOYMENT EQUITY

There is continual monitoring and enforcement of the Employment Equity Plan. This plan presents, prescribes, and outlines the basis upon which employment equity is embraced. An employment equity forum has been established to monitor, evaluate, implement, and manage the progress of this plan and to ensure that the legislative provisions are upheld.

### 14. THE ENVIRONMENT, HEALTH AND SAFETY

The MTC strives to conform to environmental, health and safety laws in its operations and seeks to add value to the quality of life of its employees through preventative health programmes. An HIV policy for staff is being attended to. Although the MTC's major activities do not pose a significant threat to the environment, the MTC's risk management activities continue to focus on compliance with key features of existing environmental, health and safety legislation and international standards.

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Statement of the directors responsibilities

Year ended 30 June 2005

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The directors are required by the Companies Act to maintain adequate accounting records and to prepare annual financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the profit or loss for that year, in conformity with South African Statements of Generally Accepted Accounting Practice. The annual financial statements are the responsibility of the directors and it is the responsibility of the external auditors to report thereon. Their report to the members of the company is set out on page 11 of this annual financial statements.

To enable the directors to meet these responsibilities, the board of directors sets standards and implements systems of internal control aimed at reducing the risk of error or loss in a cost-effective manner. These controls 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 company and all employees are required to maintain the highest ethical standards in ensuring that company's business practices are conducted in a manner which in all reasonable circumstances is above reproach. The directors are of the opinion, based on the information and explanations given by management and on comment by the independent external auditors on the result of their audit, that the internal accounting controls are adequate to ensure that financial records may be relied upon for preparing the annual financial statements and maintaining accountability for assets and liabilities.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In preparing the annual financial statements the Company has complied with South African Statements of Generally Accepted Accounting Practice and the Companies Act 61 of 1973 in South Africa. These are based on appropriate accounting policies, which have been consistently applied and which have been supported by reasonable and prudent judgments and estimates.

The directors are of the opinion that the annual financial statements fairly present the financial position of the Company as at 30 June 2005 and the results of the operations and cash flow information for the sixteen months then ended.

The financial statements have been prepared on a going concern basis and the directors have every reason to believe that the business will be a going concern in the year ahead.

### **DIRECTORS APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out on pages 3 to 26 have been approved by the board of directors on 31 August 2005 and are signed on its behalf by:

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**Mr Perry Parirenyatwa**  
*Chairman*

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**Mr Kgosientso Ramokgopa**  
*Chief Executive*

# **Metropolitan Trading Company (Proprietary) Limited**

*(Registration Number 1999/011422/07)*

## **Certificate by the company secretary**

*Year ended 30 June 2005*

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In terms of the Companies Act (No61 of 1973), we hereby confirm that for the twelve months ended 30 June 2004, Metropolitan Trading Company (Proprietary) Limited has lodged with the Registrar of companies all such returns as are required in terms of this Act and that all such returns are true, correct and up to date.

*Company Secretary*

24 August 2005

**Metropolitan Trading Company (Proprietary) Limited**  
*(Registration Number 1999/011422/07)*

**REPORT OF THE AUDITOR GENERAL TO THE MEMBERS OF METROPOLITAN TRADING  
COMPANY (PROPRIETARY) LIMITED**

**Auditor General .**

25 August 2004

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Directors' report

Year ended 30 June 2005

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Your directors have pleasure in presenting the report for the year ended 30 June 2005.

### 1. GENERAL REVIEW

The Metropolitan Trading Company is once again an wholly owned entity by the City of Joburg , responsible for the establishment and management of retail markets for formal and informal traders, ranking and holding facilities for taxis. The company also provides support to traders, ranking and holding facilities for taxis. The company also provides support to traders in the form of market promotions and business training.

### 2. REVIEW OF THE COMPANY'S AFFAIRS AND RESULTS OF OPERATIONS FOR THE YEAR.

The company incurred a loss of R 699 091 (2004 R 2 682 335) for the year end 30 June 2005. Losses in the current period were attributable to write down of all outstanding debt for informal traders at all Markets and the provision of R 280 613 for Taxi Associations Debt owing at The Park Central Taxi Rank. A rental review for informal traders was commissioned by company and is currently being discussed with various Trader Associations.

### 3. SHARE CAPITAL

The authorised share capital of the company remained unchanged during the year.

On the 31<sup>st</sup> of December 2004, Blue I.Q. Holdings (Proprietary) Limited disposed their investment in the Company to the City of Joburg. The Company is now once again a wholly owned subsidiary of the City of Joburg.

### 4. GOING CONCERN

Due to the company's insolvent situation the City of Joburg has subordinated it's loan to the company in favor of ordinary creditors.

The City of Joburg has provided an increased operating subsidy of R 19 million (2005 – 11 million) for the forthcoming financial year. A Capital Expenditure of R10 million (2005 – 14million) has been provided for the New Financial Year for trader stalls and the continued upkeep and renovation of all Markets owned and managed by the company..

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Directors' report

Year ended 30 June 2005 (continued)

### 5. DIRECTORS AND SECRETARY

The following Directors were in office at the date of this report.

		<b>Date appointed</b>
Mr. P. Parirenyatwa ( <i>Chairman</i> )	<b>R</b>	31 January 2005
Mr H. Mashele	<b>AC</b>	31 January 2005
Mrs B. Skenjana	<b>A</b>	31 January 2005
Mr. S. Bukula (Resigned) – 22 August 2005	<b>A</b>	31 January 2005
Mrs. A. Botha	<b>RC</b>	31 January 2005
Mr. Z. Moosa	<b>R</b>	31 January 2005
Mr. S. Mokoka	<b>R</b>	31 January 2005
Mr. E. Ratshikova (Resigned) – 13 May 2005		31 January 2005
Mr. K. Ramokgopa ( <i>Chief Executive Officer</i> )	<b>A</b>	31 January 2005

**A -Member of Audit committee / C - Chairperson of the committee**

**R – Remuneration committee / C – Chairperson of the committee**

Changes to the board of Directors during the period under review were as follows:

	<b>Date Resigned</b>
Mrs. K. Moloto	31 January 2005
Mr. G. Reid	31 January 2005
Ms. B Kalan	31 January 2005
Mr. K. B. Atkins	31 January 2005

The company secretary of the company with effect from 1 March 2003 has been :  
Hofmeyer Herbstein Ghiwala

Their business and postal address is:

<u>Business Address</u>	<u>Postal Address</u>
6 Sundown Valley Crescent	Private Bag X40
Sandown	Benmore
Sandton 2196	2010

The company's business and postal address is:

3 <sup>rd</sup> Floor Top Deck Metro Mall	P.O. Box 870
Cnr Bree and Sauer	Newtown
Johannesburg	Johannesburg
2113	2113

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Directors' report

Year ended 30 June 2005 (continued)

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### 6. SHAREHOLDERS

	<u>Number of shares</u>	
	<u>2005</u>	<u>2004</u>
City of Johannesburg Metropolitan Municipality	476	304
Gauteng Province		172
<b>Total</b>	<b>476</b>	<b>476</b>

### 7 . BANKERS

The company banker and the bank account details for the year under review is

<b>ABSA BANK</b>	
BRANCH:	GHANDI SQUARE
CURRENT ACCOUNT NO:	4050 839 158
CALL ACCOUNT NO:	9073 207 905

### 8 , POST BALANCE SHEET EVENTS

No circumstances have arisen , or events occurred, between the balance sheet date and the date of this report in respect of matters which would require adjustments to, or disclosure in, the annual financial statements ,or which should be disclosed through some other medium, except as disclosed elsewhere in the financial statements.

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Income statement

Year ended 30 June 2005

	Note	2005	For the sixteen months ended 30 June 2004
		R	R
Revenue		6 464 037	9 872 278
Direct expenses (cost of sales)		(16 506 456)	(18 626 476)
<b>Gross margin loss</b>		<b>(10 042 419)</b>	<b>(8 754 198)</b>
Other Operating Income		14 873 684	13 239 474
Administrative expenses		(4 753 379)	(6 037 013)
Finance cost		(17 776)	(146)
<b>Profit(Loss) from operations</b>	2	<b>60 110</b>	<b>(1 551 883)</b>
Financing income		979 910	1 385 448
<b>Profit (Loss) before depreciation</b>		<b>1 040 020</b>	<b>(166 435)</b>
Depreciation		(1 976 749)	(2 503 287)
Profit from Sale of Fixed Assets		673	
<b>Profit /(Loss) before taxation</b>		<b>(936 056)</b>	<b>(2 669 722)</b>
Taxation	3	236 750	(12 613)
<b>Net loss for the year</b>		<b>(699 306)</b>	<b>(2 682 335)</b>

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Balance sheet

as at 30 June 2005

	Note	2005 R	2004 R
<b>ASSETS</b>			
<b>Non- current assets</b>			
Property, plant and equipment	4	68 324 599	70 864 164
Deferred Taxation		224 137	
<b>Current assets</b>		<b>18 308 457</b>	11 965 075
Accounts receivable		1 661 869	785 960
Loan to Holding company		12 757 580	
Cash and cash equivalents		2 196 738	10 154 700
Receiver of Revenue – VAT		1 692 270	1 024 415
<b>Total Assets</b>		<b>86 857 193</b>	82 829 239
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary shares		476	476
Share premium	5	68 902 542	68 902 542
Accumulated Loss	5	(88 789 599)	(88 090 293)
<b>Non-current liabilities</b>		<b>(19 886 581)</b>	(19 187 275)
Long term liabilities	6	95 858 388	95 858 388
<b>Current liabilities</b>		<b>10 885 386</b>	6 158 126
Accounts payable		10 481 406	5 872 230
Provisions for liabilities and charges	7	403 980	273 283
Tax Liabilities		0	12 613
<b>Total equity and liabilities</b>		<b>86 857 193</b>	82 829 239

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Statement of changes in equity

Year ended 30 June 2005

	Ordinary share capital R	Share Premium R	Accumulated loss R	Total R
Balance at March 2001	476	68 902 542	(1 674 030)	67 228 988
Net loss attributable to ordinary shareholders	-	-	(518 611)	(518 611)
<b>Balance at 28 February 2002</b>	<b>476</b>	<b>68 902 542</b>	<b>(2 192 641)</b>	<b>66 710 377</b>
Balance at 1 March 2002	476	68 902 542	(2 192 641)	66 710 377
Net loss attributable to ordinary shareholders	-	-	(83 215 317)	(83 215 317)
<b>Balance at 28 February 2003</b>	<b>476</b>	<b>68 902 542</b>	<b>(85 407 958)</b>	<b>(16 504 940)</b>
Balance at 1 March 2003	476	68 902 542	(85 407 958)	(16 504 940)
Net loss attributable to to ordinary shareholders	-	-	(2 682 335)	(2 682 335)
<b>Balance at 30 June 2004</b>	<b>476</b>	<b>68 902 542</b>	<b>(88 090 293)</b>	<b>(19 187 275)</b>
Balance at 1 July 2004	<b>476</b>	<b>68 902 542</b>	<b>(88 090 293)</b>	<b>(19 187 275)</b>
Net loss attributable to to ordinary shareholders		-	(699 306)	(699 306)
<b>Balance at 30 June 2005</b>	<b>476</b>	<b>68 902 542</b>	<b>(88 789 599)</b>	<b>(19 886 581)</b>

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Cash flow statement

Year ended 30 June 2005

	<i>Note</i>	<b>30 June 2005</b>	For the sixteen months ended 30 June 2004
		<b>R</b>	<b>R</b>
<b>Cash generated by operations</b>	8	<b>(9 483 586)</b>	(1 473 092)
Interest received		<b>979 910</b>	1 385 448
Interest paid		<b>(17 776)</b>	(146)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(8 521 452)</b>	(87 790)
<b>Cash flows from investing activities</b>			
Additions to fixed assets	4	<b>(12 179 360)</b>	(8 356 478)
Transfer of Assets to the City of Joburg		<b>12 739 997</b>	0
Proceeds from Sale of Assets		<b>2 853</b>	
<b>Cash flows from financing activities</b>			
Long term liabilities raised (repaid)	6	<b>0</b>	9 773 505
<b>Net increase in cash and cash equivalents</b>		<b>(7 957 961)</b>	1 329 237
Cash and cash equivalents at beginning of year		<b>10 154 700</b>	8 825 463
<b>Cash and cash equivalents at end of year</b>		<b>2 196 738</b>	10 154 700

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Notes to the financial statement

Year ended 30 June 2005 (continued)

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### 1. BASIS OF PREPARATION

The financial statements are prepared on the historical cost basis. The following are the principle accounting policies used by the company, which are consistent with those of the previous years and comply with South African statements of Generally Accepted Accounting Practice and the Companies Act in South Africa.

#### 1.1 Property, plant and equipment

Property plant and equipment is stated at cost less accumulated depreciation and accumulated impairment costs. Costs include all costs directly attributable to bringing the assets to working condition for their intended use.

Leasehold land is amortised on the straight-line method over the period of the lease. Depreciation is calculated on a straight-line method to write off the cost of the assets over their expected useful lives. Land is not depreciated as it is deemed to have an indefinite life.

The expected useful lives are as follows:

Computer software	3 years
Office – and computer equipment	4 years
Motor vehicles	4 years
Furniture and fittings	5 years
Buildings	25 years
Leasehold improvements	25 years
Leasehold land	99 years
Plant and Machinery	6 years

#### 1.2 Revenue

Revenue represents the rental letting of tradable space at trader markets and ranking fees at taxi ranks.

#### 1.3 Financial Instruments

Financial Instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors and borrowings. The fair values of financial instruments are disclosed in the notes to the financial statements.

#### 1.4 Tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Notes to the financial statement

Year ended 30 June 2005 (continued)

### 1.5 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

### 1.6 Employee benefits

Remuneration to employees in respect of services during a reporting period is recognized as an expense in that reporting period. Provision is made for accumulated leave and other vested and non-vested short-term benefits expected to arise in the ordinary course of business.

### 1.7 Impairment Provision

Property, plant and equipment and other non current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recognized for the amount by which the carrying account of asset exceeds its recoverable amount, which is the higher of the asset's net selling price and value in use.

## 2. LOSS FROM OPERATIONS

The loss from operations is arrived at after taking into account the following:

	2005 R	2004 R
<b>Expenditure</b>		
Director's emoluments	932 826	794 902
- Executive	912 831	718 080
- Non Executive	164 326	76 822
Auditors remuneration		-
- Services Rendered	168 102	-
Interest paid	17 776	146
Bad Debts written off	797 895	44 735
Provision for Doubtful Bad Debts	-1 654 017	1 647 127

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Notes to the financial statement

Year ended 30 June 2005 (continued)

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Staff costs	5 174 044	4 790 149
<b>Other income</b>		
Operating Transfer – City of Joburg	14 873 684	13 239 474
	<hr/>	<hr/>
Profit on Sale of Assets	673	nil
<b>3. TAXATION</b>		
<b>South African normal tax</b>		
Current Tax	(12 613)	12 613
Deferred Tax	(224 137)	
	<hr/>	<hr/>
<b>Tax rate reconciliation</b>		
Loss before tax	(936 056)	(2 669 722)
	<hr/>	<hr/>
Tax calculated at a tax of <b>29%</b> (30%)	(271 645)	(800 917)
Non-deductible expenses	581 176	671 061
Deferred tax not provided for	(481 687)	335 688
Tax effect of utilization of tax losses not previously recognized	(51 981)	(193 219)
Prior year provision	(12 613)	
Deferred Tax	(236 750)	12 613
	<hr/>	<hr/>

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Notes to the financial statement

Year ended 30 June 2005 (continued)

### 4. PROPERTY, PLANT AND EQUIPMENT

2005	Land	Buildings	Leasehold Land	Leasehold Improvements	Furniture and Equipment	Total
Cost	R	R	R	R	R	R
At beginning of year	1 110 185	5 595 540	32 375 722	111 065 951	7 230 594	157 377 992
Additions		588 849		797 480	10 793 031	
<i>Yeoville</i>	-	-	-	-	-	-
<i>Metro Mall</i>	-	-	-	717 262	-	717 262
<i>Hillbrow</i>	-	-	-	80 218	-	80 218
<i>Head Office</i>	-	-	-	-	10 793 031	10 793 031
<i>Faraday</i>	-	-	-	-	-	-
<i>Other Markets</i>		588 849				588 849
Transfer Out		(588 849)			(12 151 148)	(12 739 997)
Disposals					(3 591)	(3 591)
At end of year	1 110 185	5 595 540	32 375 722	111 863 430	5 868 887	156 813 764
<b>Accumulated depreciation</b>						
At beginning of year	-	4326 207	1090 092	80 528 480	569 049	86 513 828
Charge for the year	-	56 000	327 027	1 316 111	277 611	1 976 749
<i>Yeoville</i>	-	56 000	-	-	-	56 000
<i>Metro Mall</i>	-	-	322 541	1 271 467	-	1 594 008
<i>Hillbrow</i>	-	-	4 486	44 644	-	49 130
<i>Head Office</i>	-	-	-	-	277 611	277 611
<i>Faraday</i>	-	-	-	-	-	-
Disposal					(1 410)	(1 410)
At end of year	-	4 382 207	1 417 119	81 844 590	845 249	88 489 165
Net book value at end of year	1 110 185	1213 333	30 958 603	30 018 840	5 023 638	68 324 599

On the 16<sup>th</sup> of July 2003 Balme, Van Wyk & Tugman (Pty) Ltd, sworn appraisers revalued all the companies building structures at their net realizable values on the basis open market value.

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Notes to the financial statement

Year ended 30 June 2005 (continued)

### 4. PROPERTY, PLANT AND EQUIPMENT

2004	Land	Buildings	Leasehold Land	Leasehold Improvements	Furniture and Equipment	Total
Cost	R	R	R	R	R	R
<b>At beginning of year</b>	1 110 185	5 595 540	32 375 722	109 123 452	816 615	149 021 514
Additions	-	-	-	1 942 499	6 413 979	8 356 478
<i>Yeoville</i>	-	-	-	-	-	-
<i>Metro Mall</i>	-	-	-	1 686 558	99 756	1 786 314
<i>Hillbrow</i>	-	-	-	255 941	-	255 940
<i>Head Office</i>	-	-	-	-	6 295 450	6 295 450
<i>Faraday</i>	-	-	-	-	18 773	18 773
<b>At end of year</b>	1 110 185	5 595 540	32 375 722	111 065 951	7 230 594	157 377 992
<b>Accumulated depreciation</b>						
<b>At beginning of year</b>	-	4 251 540	654 0555	78 855 452	249 494	84 010 541
Charge for the year	-	74 667	436 037	1 673 028	319 555	2 503 287
<i>Yeoville</i>	-	74 667	5 982	43 491	45 047	169 187
<i>Metro Mall</i>	-	-	430 055	1 629 537	5 882	2 065 474
<i>Hillbrow</i>	-	-	-	-	-	-
<i>Head Office</i>	-	-	-	-	266 871	266 871
<i>Faraday</i>	-	-	-	-	1 755	1 755
<b>At end of year</b>	-	4 326 207	1 090 092	80 528 480	569 049	86 513 828
<b>Net book value at end of year</b>	1 110 185	1 269 333	31 285 630	30 537 471	6 661 545	70 864 164

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Notes to the financial statement

Year ended 30 June 2005 (continued)

### 4.1 Impairment of Property, Plant and Equipment

An impairment loss has been recognised against the company's buildings and leasehold improvements due to the retail property market in the Johannesburg CBD, which caused the recoverable amount of the buildings to drop below its carrying amount.

### 5. SHARE CAPITAL

	2005 R	2004 R
<i>Authorised</i>		
10 000 ordinary shares of R1 each	<u>10 000</u>	<u>10 000</u>
<i>Issued</i>		
476 ordinary shares of R1 each	<u>476</u>	<u>476</u>
<i>Share premium</i>		
Share premium on ordinary shares	<u>68 902 542</u>	<u>68 902 542</u>

### 6. LONG TERM LIABILITIES

#### 6.1 Loan from shareholder

Gauteng Province

NIL

85 301 165

The loan has been transferred to the City of Joburg with the sale of the shares.

#### 6.2 Long term liabilities – grant

NIL

115 825

Following the sale of shares from Blue IQ to the City of Joburg. This grant has been transferred to City .

#### 6.3 Long term liabilities – City of Joburg

95 858 388

10 441 398

The loan is interest free and has no fixed repayment date.

A subordination agreement has been put in place in favor of ordinary creditors

95 858 388

95 858 388

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Notes to the financial statement

Year ended 30 June 2005 (continued)

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	2005 R	2004 R
<b>7. PROVISIONS FOR LIABILITIES AND CHARGES</b>		
<b>Provisions for Leave Pay</b>		
Balance at the beginning of Year	149 057	137 068
Charge to Income Statement	162 438	39 296
Utilized during the year	<u>(81 784)</u>	<u>(26 307)</u>
Balance at the end of the Year	<u>229 711</u>	<u>149 057</u>
<b>Provisions for Salary Bonus</b>		
Balance at the beginning of Year	124 226	nil
Charge to Income Statement	312 247	351 847
Utilized during the year	<u>(262 204)</u>	<u>(227 621)</u>
Balance at the end of the Year	<u>174 269</u>	<u>124 226</u>
<b>Total Provisions</b>	<b><u>403 980</u></b>	<b><u>273 283</u></b>
<b>8. CASH GENERATED FROM OPERATIONS</b>		
Loss before taxation	(936 056)	(2669 722)
Adjustments for:		
Interest received	(979 910)	(1 385 448)
Depreciation	1976 749	2 503 287
(Profit)/Loss on Sale of Fixed Assets	(673)	-
Interest Expense	<u>17 776</u>	<u>146</u>
Operating loss before working capital changes	77 886	( 1551 737)
Decrease/(Increase) in Accounts Receivable	( 875 909)	472 184
(Increase) in Loan to Holding Company	(12 757 581)	0
(Increase)/Decrease in Vat Refundable	(667 855)	(454 601)
Increase In Accounts Payable	4 739 873	61 062
	<b><u>(9 483 586)</u></b>	<b><u>( 1473 092)</u></b>

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Notes to the financial statement

Year ended 30 June 2005 (continued)

2005

2004

### 9. FAIR VALUE AND CREDIT RISK OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents approximates their fair value. The company minimizes its South African credit risk after evaluating the credit rating of the respective financial institutions. The company believes that no concentration of credit risk exists in respect of cash and cash equivalents.

### 10. COMMITMENTS

#### Capital commitments

Capital commitments at balance sheet date not in the financial statements were :

Authorised and contracted for	314 200	500 000
Committed but not contracted for	10 180 000	12 000 000

This capital expenditure is to be financed from Capital grants from the City of Joburg.

### 11. OPERATING LEASE COMMITMENTS

Due in One year or less	131 365	121 634
Due between one year and five years	202 870	334 234

### 12 RELATED PARTY TRANSACTIONS

The company during the year the company entered into various transactions with the following associated Utilities, Agencies and Corporatised Companies in the ordinary course of business. The transactions occurred under terms not more favourable than arranged with third parties.

2005	Debt/(Liability) at year end	Value of Transactions
City Power	( 556 774)	1 459 157
Pikitup Jhb Proprietary Ltd	(44 413)	213 327
Johannesburg Roads Agency	(155 000)	1 154 765
Johannesburg Development Agency	114 000	558 600
Johannesburg Water	(55 764)	231 935
City of Johannesburg - EDU	1 200 000	1200 000
Johannesburg Fresh Produce	( 331)	962

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

## Notes to the financial statement

Year ended 30 June 2005 (continued)

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<b>2004</b>	<b>O/DEBT</b>	<b>Value of Transactions</b>
City Power	<b>1 407 852</b>	1 625 805
Pikitup Jhb Proprietary Ltd	<b>346 120</b>	738 586
Johannesburg Roads Agency	<b>1154 764</b>	Nil
Johannesburg Development Agency	<b>2 063 879</b>	(50 000)
Johannesburg Water	<b>614 862</b>	584 687
City of Johannesburg - EDU	<b>1 052 631</b>	(14 700)

# Metropolitan Trading Company (Proprietary) Limited

(Registration Number 1999/011422/07)

<b>DETAIL INCOMESTATEMENT</b>	<b>2005</b>	<b>2004</b>
RENTAL INCOME	<b>-6,464</b>	<b>-9,872</b>
City of Johannesburg - Subsidy Received	<b>-14,874</b>	-13,239
Interest	<b>-980</b>	1,385
<b>TOTAL EXPENSES</b>	<b>23254</b>	27,167
Bad Debts	<b>798</b>	45
Depreciation	<b>1,977</b>	2,503
Sundry Income	<b>-1,081</b>	-181
Advertising & Promotions	<b>52</b>	84
Agency Fees	<b>17</b>	24
Audit Fees	<b>158</b>	23
Bank Charges	<b>33</b>	26
Cleaning	<b>1</b>	8
Computer Expenses	<b>84</b>	123
Compensation-For Damages	<b>-</b>	3
Conferences & Seminars	<b>82</b>	11
Consulting Fees	<b>640</b>	897
Directors Fees & Emoluments	<b>164</b>	77
Discount Allowed for Cash	<b>2</b>	3
Donations	<b>25</b>	7
Electricity & Water	<b>1,407</b>	1,769
Entertainment Expenses	<b>17</b>	24
Fraudulent Costs	<b>0</b>	7
Gases	<b>306</b>	-1
Insurance	<b>518</b>	664
Interest Paid	<b>18</b>	0
Legal Fees	<b>284</b>	318
Motor Vehicle Expenses	<b>32</b>	29
Office Equipment Rental	<b>143</b>	142
Printing & Stationery	<b>121</b>	198
Pest Control	<b>46</b>	32
Parking Costs	<b>9</b>	12
Rates & Sewerage	<b>1</b>	51
Reginal Services Council - RSC Levies	<b>28</b>	28
Rent Paid	<b>150</b>	188
Staff Training	<b>29</b>	93
Staff Welfare	<b>51</b>	55
Subscriptions	<b>12</b>	18
Taxi Comittee Fees	<b>348</b>	273
Telephone & Fax	<b>221</b>	332
Technical Books	<b>6</b>	5
Travel & Accommodation	<b>3</b>	50
Water	<b>615</b>	568
Cleaning contractors	<b>4,332</b>	3,919
Security costs	<b>6,630</b>	5,412
Bulk Refuse Removal	<b>487</b>	495
Repairs & Maintenance	<b>968</b>	483
Salaries & Wages	<b>5,174</b>	4,703

# Metropolitan Trading Company (Proprietary) Limited

*(Registration Number 1999/011422/07)*

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**NET LOSS**

**937**

**2,670**