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Johannesburg Development Agency (SOC) Ltd
(Registration number 2001/005101/07)
Annual Financial Statements
for the year ended 30 June 2016

These annual financial statements were prepared by:
Sherylee Moonsamy

Auditor-General of South Africa
Chartered Accountants (S.A.)
Registered Auditors

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Regenerating the City of Johannesburg through facilitating and/or investing in development projects.
DIRECTORS	C Coovadia (Chairperson) T Mendrew (Chief Executive Officer) Z Mafata (Chief Financial Officer) K Govender E Harvey P Mashiane P Masilo T Mukhuba N Selamolela W Thwala P Zagaretos
REGISTERED OFFICE	The Bus Factory 3 Helen Joseph Street Newtown Johannesburg 2000
BUSINESS ADDRESS	The Bus Factory 3 Helen Joseph Street Newtown Johannesburg 2000
POSTAL ADDRESS	P O Box 61877 Marshalltown Johannesburg 2001
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	Standard Bank of South Africa Limited
AUDITORS	Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
SECRETARY	R Shirinda
COMPANY REGISTRATION NUMBER	2001/005101/07

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CJMM	City of Johannesburg Metropolitan Municipality
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
JDA	Johannesburg Development Agency (SOC) Ltd
BRT	Rea Vaya Bus Rapid Transport System
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MMC	Member of the Mayoral Committee
BAC	Bid Adjudication Committee

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the JDA 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 were 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 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 JDA and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal controls 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 JDA and all employees are required to maintain the highest ethical standards in ensuring the JDA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the JDA is on identifying, assessing, managing and monitoring all known forms of risk across the JDA. While operating risk cannot be fully eliminated, the JDA 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 JDA's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, they are satisfied that the JDA has or has access to adequate resources to continue in operational existence for the foreseeable future.

The JDA is wholly dependent on the CJMM for continued funding of operations. The annual financial statements are prepared on the basis that the JDA is a going concern and that the CJMM has neither the intention nor the need to liquidate or curtail materially the scale of the JDA.

Although the directors are primarily responsible for the financial affairs of the JDA, they are supported by the JDA's internal auditors to independently appraise the appropriateness, adequacy and the efficiency of the internal control environment within the JDA.

The external auditors are responsible for independently reviewing and reporting on the JDA's annual financial statements. The annual financial statements have been examined by the JDA's external auditors and their report is presented on page 135.

The annual financial statements set out on pages 137 to 195, which have been prepared on the going concern basis, were approved by the directors on 31 August 2016 and were signed on its behalf by:

C Coovadia (Chairperson)

T Mendrew (Chief Executive Officer)

Newtown, Johannesburg

31 August 2016

Audit and Risk Committee Report

We are pleased to present the Audit and Risk Committee Report of the JDA for the financial year ended 30 June 2016; which is in compliance with the Companies Act and the requirements of the MFMA. The Committee has been appointed and has adopted terms of reference that comply with the Companies Act, King III and MFMA (where applicable to the JDA). These terms have been approved by the JDA Board of Directors, copies of which are available from the Compant Secretary on request.

Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet not less than 4 times per annum as per its approved terms of reference. During the current year 7 meetings were held.

Name of member	Number of meetings attended
Mr K Govender (Chairperson)	7/7
Ms N Selamolela	7/7
Dr T Mukhuba (Appointed 15 March 2016)	1/2
Mr Z Samsam (Independent Member)	6/7
Ms M Dolamo (Independent Member)	6/7
Ms K Onuoka (Independent Member) (Appointed 15 March 2016)	1/2
Ms B Kelly (Independent Member) (Resigned 28 February 2016)	3/4
Ms N Maila (Retired 15 March 2016)	4/5

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 and Risk 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 entity over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate, adequate and effective. 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 annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

Evaluation of the annual financial statements

The Audit and Risk committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the directors;
- 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; and
  considered appropriateness of accounting policies and any changes made.

The Audit and Risk Committee concurs with the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements fairly present the financial position of the JDA at the end of the financial year and the results of the operations and cashflows for the financial year.

Audit and Risk Committee Report

Internal audit

The Audit and Risk committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits. The Audit and Risk Committee has;

- Approved the annual internal audit plan and programme;
- Received and reviewed internal audit reports concerning the effectiveness and adequacy of the internal control environment, systems and processes;
- Reviewed the adequacy and appropriateness of management's corrective actions and implementation progress of such action plans; and
- Reviewed the internal audit function capacity and made recommendations.

Risk management and compliance

The Audit and Risk Committee has:

- Reviewed the compliance framework and the risk management framework;
- Reviewed the JDA's strategic, operational, fraud and IT risks;
- Determined the levels of risk tolerance and risk appetite and monitoring that risks are managed within the pre-determination levels; and
- Reviewed and monitored the risk management processes and ensured that management implements appropriate risk management mitigation strategies.

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K Govender
(Chairperson of the Audit and Risk Committee)

Date: ______________________

Report of the Auditor General

TO THE PROVINCIAL LEGISLATURE OF JOHANNESBURG DEVELOPMENT AGENCY (SOC) LTD

Report on the financial statements

I have audited the accompanying annual financial statements of the Johannesburg Development Agency (SOC) Ltd which comprise the statement of financial position as at 30 June 2016, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 137 to 195.

Responsibility of the directors for the annual financial statements

The directors is responsible for the preparation and fair presentation of these annual financial statements in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the [Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)] [Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)] [Auditor-General audit circular 1 of 2005] , and in the manner required by the Companies Act of South Africa [any applicable enabling legislation]. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)] [and section XX of any applicable legislation], my responsibility is to express an opinion on these annual financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

Opinion

In my opinion the annual financial statements present fairly, in all material respects, the financial position of Johannesburg Development Agency (SOC) Ltd as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the PFMA/MFMA (if the entity falls within the scope of the PFMA/MFMA) and Companies Act, 1973 (if the entity falls within the scope of the Companies Act) or section xx of the entity's enabling legislation (if the entity does not fall within the scope of the PFMA/MFMA)].

Auditor-General of South Africa
Registered Auditors

31 August 2016

Directors' Report

The directors submit their report for the year ended 30 June 2016.

1. INCORPORATION

The entity was incorporated in terms of the Companies Act 61 of 1973 on 07 March 2001 and obtained its certificate to commence business on the same day. The entity is a state-owned company as defined in the Companies Act No. 71 of 2008.

2. REVIEW OF ACTIVITIES

Main business and operations

The company is a Municipal Entity as contemplated in Local Government: Municipal Systems Act 32 of 2000. The principal objective of the company is to initiate, stimulate and support development projects that rejuvenate economic activity throughout the Johannesburg Metropolitan area. Its activities and interventions are directed at the urban and economic regeneration through large and small scale, multi-faceted capital infrastructure developments to achieve a spatially restructured city which promotes liveability, economic growth and an efficient and competitive, multi-use environments.

As an agency of the CJMM, the JDA obtains its mandate from the CJMM, acting through the Executive Mayor and Council. Acting through its Board of Directors, it is accountable to the Member of Mayoral Committee for Development Planning, who exercises political oversight and to whom the JDA undertakes service delivery and compliance reporting in respect of its scorecard. As an agency, JDA interacts closely with the CJMM's various departments and municipal entities in respect of their functional interests in development activities. The JDA operates in accordance with the Growth and Development Strategy principles of its parent municipality. Its overall functions are guided by the CJMM's existing plans, and spatial and economic frameworks.

The service delivery mandate is articulated in the Service Delivery Agreement (SDA) with the CJMM which serves as a shareholder compact with its parent municipality.

JDA manages its resources judiciously, adhering to the prescripts of its Supply Chain Management policies. To that end, the JDA follows best practice, balancing the need to support suppliers and ensure their continued survival and sustainability while simultaneously ensuring timeous delivery and execution of its activities, ensuring value for money is received.

Net surplus of the entity for the financial year is R2 753 601 (2015: surplus R16 286 296).

There has been a significant decrease in the net surplus of the entity as compared to the 2014/15 financial year. The major variance related to the under expenditure of the 2014/15 operating budget that had contributed to the overall surplus Only 84% of the operating budget was spent in the 2014/15 financial compared to 95% spent in the 2015/16 financial year. In the current year, although the expenditure had increased, the overall expenditure was within the overall approved budget.

Alexandra Renewal Programme

The Alexandra Renewal Programme (ARP) was integrated into the JDA with effect from 1 July 2014, in line with the Mayoral Committee resolution. Human resources and related matters were attended to in preparation for the integration. A transfer agreement to effect the transfer of the ARP from the City's department of Development Planning to the JDA was drafted in 2014. The Transfer Agreement is in the process of being finalised. The budget for all operational costs related to the ARP was transferred to the JDA. No assets or liabilities were transferred.

Fraud Hotline

As part of its endeavours to curb fraud and corruption in its activities, the entity maintains an anti-corruption Anonymous Tip-off Hotline which is manged by the City of Johannesburg Metropolitan Municipality. The JDA encourages all its stakeholders to use the Hotline to report incidents of fraud, corruption and maladministration. For the period under review the JDA received one tip-off from members of the public. The detail of the one case is as follows:

2016
An allegation was made to the fraud hotline regarding the awarding of a tender for one of the JDA’s projects to a bidder with issues of historic poor performance. The matter is still under investigation.

Directors' Report

2015
The first case was reported to the Office of the MMC Development Planning and brought to the attention of the JDA on the 26th January 2015. This case relates to a group of people who purport to be JDA officials and who solicited bribes and in exchange they guarantee service providers a winning bid. The matter was reported to the Commercial Crimes Unit and is currently being investigated.

The second case was reported to the Chief Audit Executive on the 24th March 2015 by a whistle-blower who is a member of the public and relates to a possible conflict of interest relating to a JDA official who works Alexandra Renewal Program department. The conflict of interest relates to a JDA official who is alleged to be doing business with the Gauteng Provincial Government. The preliminary investigation has been concluded and report has been forwarded to the JDA CEO with recommendations. Charges are currently being formulated so that a disciplinary process can be undertaken.

3. GOING CONCERN

The JDA is dependent on the CJMM to fund its operations as it earns revenue from management fees from CJMM's capital projects.

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 JDA to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to receive funding for the ongoing operations for the entity from its controlling entity, the CJMM.

4. EVENTS AFTER THE REPORTING DATE

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and the results of the entity's operations.

5. CONTINGENT LIABILITIES

The JDA is involved in several legal proceedings. The outcome of these legal proceedings cannot as yet be determined. Details of contingent liabilties are disclosed in note 31 .

Included in the contingencies is the matter regarding the Grayston Pedestrian Bridge scaffolding collapse. On 14 October 2015 the scaffolding work into the Grayston Drive Pedestrian and Cyclist structural bridge collapsed which resulted in the loss of life and other damages.

Due to the nature of the incident, the Department of Labour (DOL) has to conduct a formal inquiry in terms of section 32 of the Occupational Health and Safety Act 85 of 1993 to determine the causes for the collapse of the scaffolding works.

The inquiry commenced on 7 July 2015 and will be finalised in April 2017 when a report will be with the Commissioner appointed by the DOL.

6. FRUITLESS AND WASTEFUL EXPENDITURE

The organisation had incurred interest and penalties in the current year that is disclosed as fruitless and wasteful expenditure. Details of the fruitless and wasteful expenditure incurred in the prior year is disclosed in Note 38.

7. IRREGULAR EXPENDITURE

No irregular expenditure was incurred. Details of the irregular expenditure incurred in the prior year is disclosed in Note 39.

8. ACCOUNTING POLICIES

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Directors' Report

9. CONTRIBUTION FROM SHAREHOLDER

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

An operating subsidy was provided to the company by the shareholder during the year and except for this, no other contributions was received during the year.

10. DIRECTORS' PERSONAL FINANCIAL INTERESTS

All Directors have made the declarations of their business interest and signed their annual declarations of interests. No director is involved in any undertaking or entity which is in direct competition or whose activities are in conflict with the interests of the company. No director of the company declared any personal financial interest in any contracts considered and entered into by the company during the period under review.

11. DIRECTORS

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

Name	Nationality	Changes
C Coovadia (Chairperson)	South African	
T Mendrew (Chief Executive Officer)	South African	
Z Mafata (Chief Financial Officer)	South African	
K Govender	South African	
E Harvey	South African	
N Maila	South African	Resigned 15 March 2016
P Mashiane	South African	
P Masilo	South African	
T Mukhuba	South African	Appointed 15 March 2016
N Selamolela	South African	
W Thwala	South African	
P Zagaretos	South African	

12. SECRETARY

The company secretary of the entity is Rodney Shirinda of:

Business address

The Bus Factory
3 Helen Joseph street
Newtown
Johannesburg
2000

Postal address

P O Box 61877
Marshalltown
Johannesburg
2001

Directors' Report

13. CORPORATE GOVERNANCE

General

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

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa. The directors discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code, the Companies Act and MFMA on a quarterly basis.

The salient features of the entity's adoption of the Code is outlined below:

Board of directors

The Board:
- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - nine non-executive directors (2015: nine non-executive directors), all of whom are independent directors as defined in the Code. No director is a disqualified person in termss of Section 93F of the Municipal Systems Act; and
  - two executive directors (2015: two executive directors), the Chief Executive Officer and the Chief Financial Officer.
- has established a Board directorship training programme through the annual induction programme and attendance of applicable courses for directors with the Institute of Directors.

Board Chairperson and Chief Executive Officer

The Board Chairperson is a non-executive and independent director and is not in employment of the company, or its parent municipality (as defined by the Code and the Municipal Systems Act).

The roles of Chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The powers and duties of the Chief Executive Officer are properly delegated and are contained in a written delegation of duties document. Although functionally reporting to the Chief Executive Officer, the Chief Financial Officer is a full member of the Board and owes fiduciary duties to the entity and the entire Board in relation to the prudent financial management of the company.

HR and Remuneration Committee

The members of the HR and Remuneration Committee are Ms N Selamolela, Dr E Harvey, Mr P Masilo and Dr T Mukhuba. The Chairperson of the HR and Remuneration Committee is Ms N Selamolela who is a non-executive director. The HR and Remuneration Committee has met on six occassions during period under review to review matters necessary to fulfil their role. During the year under review the changes to the committee included the retirement of Ms N Maila and the appointment of Dr T Mukhuba.

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 CJMM, and the directors will determine the remuneration within the above mentioned limits.

Directors' Report

Development and Investment Committee

The members of the Development and Investment Committee are:Mr P Masilo, Mr C Coovadia, Mr K Govender, Ms P Mashiane, Prof W Thwala, Mr P Zagaretos, Mr T Mendrew and Ms Z Mafata. The Chairperson of the Development and Investment Committee is Mr P Zagaretos, who is a non-executive director. The Development and Investment Committee met on five occassions during period under review to review matters necessary to fulfill its role. During the year under review the changes in the committee included the appointment of Mr P Zagaretos as the chairperson of this committee.

Audit and Risk Committee

The members of the Audit and Risk Committee are: Mr K Govender, Ms N Selamolela, Ms M Dolamo, Dr T Mukhuba, Ms K Onuoka and Mr Z Samsam. The Chairperson of the Audit and Risk committee is Mr K Govender, who is a non-executive director. The committee has three independent members i.e: Ms K Onuoka, Ms M Dolamo and Mr Z Samsam. The Audit Committee has met on seven occassions during period under review to review matters necessary to fulfill its role including recommending the annual financial statements to the Board for approval. The Chief Executive Officer and Chief Financial Officer are not members of the Audit and Risk Committee but have a standing invitation to attend meetings. During the current year under review the changes in the committee included the appointment of Dr T Mukhuba and Ms K Onuoka and the rotation of Ms N Maila and the resignation of Ms B Kelly.

Social and Ethics Committee

The members of the Social and Ethics Committee are Ms P Mashiane, Mr P Masilo, Mr P Zagaretos, Dr E Harvey, Prof W Thwala, Mr Mendrew and Ms Z Mafata. The Chairperson of the Social and Ethics Committee is Ms P Mashiane who is a non-executive director. The Social and Ethics Committee met on three occassions during period under review to review matters necessary to fulfil their role. During the current year under review the changes in the committee included the appointment of Mr P Zagaretos.

14. CONTROLLING ENTITY

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

15. SPECIAL RESOLUTIONS

None.

16. BANKERS

The management of the treasury function within the Company is managed under the auspices of the CJMM's Treasury department and Assets and Liabilities Committee. The current bankers are Standard Bank of South Africa Limited.

17. AUDITORS

Auditor-General of South Africa, Johannesburg will continue in office in accordance with the Public Audit Act No 25, section 92 of the MFMA and section 90 of the Companies Act.

18. INTERNAL AUDIT

The entity has established an internal audit function which is headed by a Chief Audit Executive. This is as per Circular 65 of the MFMA.

19. FUNDS HELD BY THE CITY

During the 2008/2009 financial year, the JDA held money in the Attorney's Trust account for the purchase of land for road widening for the BRT. At the end of the 2008/09 financial year, these funds were transferred to the CJMM and then subsequently transferred back into the JDA's sweeping account. The company has a sweeping arrangement with the CJMM whereby all cash is swept on a daily basis to the CJMM's bank account. During the current financial year, the balance of the funds were transferred to projects funds payable, as BRT land was identified in the current financial year and will be purchased in the following year.

	BRT Land Acquisition	Northern Gateway BRT Troyeville	Bertrams Priority Block	Total
Balance as at 01 July 2015	34 951 712	2 789 472	15 004 385	52 745 569
Movement during the year (BRT Land and related costs)	(25 571 118)	(2 789 472)	-	(28 360 590)
Transfer to Project Funds payable	(9 380 594)	-	(15 004 385)	(24 384 979)
	-	-	-	-

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that 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.

R Shirinda
Company Secretary

Newtown, Johannesburg
31 August 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	3	638 330	6 160 261
Trade and other receivables from exchange transactions	4	873 681 388	877 216 326
		874 319 718	**883 376 587**
Non-Current Assets			
Property, plant and equipment	5	8 496 462	5 900 083
Intangible assets	6	6 776 984	296 753
		15 273 446	**6 196 836**
Total Assets		**889 593 164**	**889 573 423**
LIABILITIES			
Current Liabilities			
Loans from shareholders	8	141 042 337	123 254 021
Finance lease liability	9	573 034	-
Trade and other payables from exchange transactions	10	634 531 248	653 914 690
VAT payable	11	1 759 240	26 306 040
Provisions	12	3 282 653	3 207 417
Project funds payable	13	24 384 979	-
Bank overdraft	3	867	-
		805 574 358	**806 682 168**
Non-Current Liabilities			
Finance lease liability	9	483 510	-
Deferred tax	7	13 142 778	10 911 279
Project funds payable	13	-	4 341 058
		13 626 288	**15 252 337**
Total Liabilities		**819 200 646**	**821 934 505**
Net Assets		**70 392 518**	**67 638 918**
Contribution from shareholder	14	16 277 624	16 277 624
Accumulated surplus		54 114 894	51 361 294
Total Net Assets		**70 392 518**	**67 638 918**

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Rendering of services	15	70 740 593	69 796 690
Recovery of Diepsloot Sanitation Project	16	-	116 470
Tender fee income	16	1 190 392	1 173 473
Rental income	16	358 352	358 106
Sundry income	16	1 049 622	1 021 414
Interest received	17	35 817	65 629
Government grants and subsidies	18	22 382 000	26 739 000
Recovery of non-current and intangible assets expenditure	15	9 080 135	-
Total revenue		**104 836 911**	**99 270 782**
Expenditure			
Employee related costs	19	(61 754 144)	(47 040 364)
Administrative expenses	20	(2 183 911)	(607 568)
Depreciation and amortisation	21	(2 201 222)	(1 471 398)
Finance costs	22	(3 115 583)	(6 437 795)
Repairs and maintenance	23	(889 580)	(542 408)
General Expenses	24	(29 619 899)	(20 212 759)
Total expenditure		**(99 764 339)**	**(76 312 292)**
Operating surplus		**5 072 572**	**22 958 490**
Loss on disposal of assets	26	(87 471)	(90 713)
Surplus before taxation		**4 985 101**	**22 867 777**
Taxation	27	2 231 500	6 581 481
Surplus for the year		**2 753 601**	**16 286 296**

Statement of Changes in Net Assets

Figures in Rand	Contribution from shareholder	Share premium	Total share capital	Accumulated surplus	Total net assets
Balance at 01 July 2014	**60**	**16 277 564**	**16 277 624**	**35 074 998**	**51 352 622**
Changes in net assets					
Surplus for the year	-	-	-	16 286 296	16 286 296
Total changes	-	-	-	16 286 296	16 286 296
Balance at 01 July 2015	**60**	**16 277 564**	**16 277 624**	**51 361 293**	**67 638 917**
Changes in net assets					
Surplus for the year	-	-	-	2 753 601	2 753 601
Total changes	-	-	-	2 753 601	2 753 601
Balance at 30 June 2016	**60**	**16 277 564**	**16 277 624**	**54 114 894**	**70 392 518**
Note(s)	14	14	14		

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Grants		22 382 000	26 739 000
Interest received		35 817	59 567
Other receipts incl. Tender fee income, rental income and sundry income		2 108 709	2 669 463
Cash receipts from CAPEX funding		1 668 489 489	1 329 775 952
		1 693 016 015	1 359 243 982
Payments			
Employee costs		(62 179 942)	(45 307 906)
Suppliers		(1 660 668 793)	(1 362 919 447)
Finance costs		(3 115 583)	(6 437 794)
		(1 725 964 318)	(1 414 665 147)
Net cash flows from operating activities	28	**(32 948 303)**	**(55 421 165)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(3 157 061)	(426 880)
Purchase of other intangible assets	6	(6 945 342)	(285 198)
Net cash flows from investing activities		**(10 102 403)**	**(712 078)**
Cash flows from financing activities			
Movement in project funds payable		20 043 921	(7 085 843)
Proceeds of shareholders loan		17 991 469	59 702 833
Finance lease payments		(507 483)	(222 428)
Net cash flows from financing activities		**37 527 907**	**52 394 562**
Net increase/(decrease) in cash and cash equivalents		**(5 522 799)**	**(3 738 681)**
Cash and cash equivalents at the beginning of the year		6 160 261	9 898 943
Cash and cash equivalents at the end of the year	3	**637 462**	**6 160 262**

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						
Rendering of services	74 559 000	5 234 000	**79 793 000**	70 740 593	**(9 052 407)**	44
Tender fee income	550 000	-	**550 000**	1 190 392	**640 392**	44
Rental income	190 000	-	**190 000**	358 352	**168 352**	
Sundry income	270 000	2 000 000	**2 270 000**	1 049 622	**(1 220 378)**	44
Interest received	1 065 000	(1 065 000)	**-**	35 817	**35 817**	
Total revenue from exchange transactions	**76 634 000**	**6 169 000**	**82 803 000**	**73 374 776**	**(9 428 224)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	22 382 000	-	**22 382 000**	22 382 000	**-**	
Recovery of non-current and intangible assets expenditure	-	-	**-**	9 080 135	**9 080 135**	`44
Total revenue from non-exchange transactions	**22 382 000**	**-**	**22 382 000**	**31 462 135**	**9 080 135**	
Total revenue	**99 016 000**	**6 169 000**	**105 185 000**	**104 836 911**	**(348 089)**	
Expenditure						
Employee related costs	(63 495 000)	-	**(63 495 000)**	(61 754 144)	**1 740 856**	44
Administration expenses	(229 179)	(2 800 000)	**(3 029 179)**	(2 183 911)	**845 268**	
Depreciation and amortisation	(1 315 372)	-	**(1 315 372)**	(2 201 222)	**(885 850)**	44
Finance costs	(3 298 000)	(3 000 000)	**(6 298 000)**	(3 115 583)	**3 182 417**	
Repairs and maintenance	(1 723 000)	-	**(1 723 000)**	(889 580)	**833 420**	
General expenses	(28 934 449)	(369 000)	**(29 303 449)**	(29 619 899)	**(316 450)**	44
Total expenditure	**(98 995 000)**	**(6 169 000)**	**(105 164 000)**	**(99 764 339)**	**5 399 661**	
Operating surplus	**21 000**	**-**	**21 000**	**5 072 572**	**5 051 572**	
Loss on disposal of assets	(21 000)	-	**(21 000)**	(87 471)	**(66 471)**	
Surplus before taxation	**-**	**-**	**-**	**4 985 101**	**4 985 101**	
Taxation	-	-	**-**	2 231 500	**2 231 500**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**2 753 601**	**2 753 601**	

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 Position						
Assets						
Current Assets						
Trade and other receivables from exchange transactions	364 095 000	-	**364 095 000**	873 681 388	**509 586 388**	
Cash and cash equivalents	7 462 000	-	**7 462 000**	638 330	**(6 823 670)**	
	371 557 000	**-**	**371 557 000**	**874 319 718**	**502 762 718**	
Non-Current Assets						
Property, plant and equipment	6 460 000	-	**6 460 000**	8 496 462	**2 036 462**	
Intangible assets	332 000	-	**332 000**	6 776 984	**6 444 984**	
Deferred tax	835 000	-	**835 000**	-	**(835 000)**	
	7 627 000	**-**	**7 627 000**	**15 273 446**	**7 646 446**	
Total Assets	**379 184 000**	**-**	**379 184 000**	**889 593 164**	**510 409 164**	
Liabilities						
Current Liabilities						
Loans from shareholders	109 863 000	-	**109 863 000**	141 042 337	**31 179 337**	
Finance lease liability	-	-	**-**	573 034	**573 034**	
Trade and other payables from exchange transactions	200 227 376	-	**200 227 376**	634 531 248	**434 303 872**	
VAT payable	-	-	**-**	1 759 240	**1 759 240**	
Provisions	3 021 000	-	**3 021 000**	3 282 653	**261 653**	
Project funds payable	-	-	**-**	24 384 979	**24 384 979**	
Bank overdraft	-	-	**-**	867	**867**	
	313 111 376	**-**	**313 111 376**	**805 574 358**	**492 462 982**	
Non-Current Liabilities						
Finance lease liability	3 699 000	-	**3 699 000**	483 510	**(3 215 490)**	
Deferred tax	12 000 000	-	**12 000 000**	13 142 778	**1 142 778**	
Project funds payable	3 000 000	-	**3 000 000**	-	**(3 000 000)**	
	18 699 000	**-**	**18 699 000**	**13 626 288**	**(5 072 712)**	
Total Liabilities	**331 810 376**	**-**	**331 810 376**	**819 200 646**	**487 390 270**	
Net Assets	**47 373 624**	**-**	**47 373 624**	**70 392 518**	**23 018 894**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Contribution from shareholder	16 277 624	-	**16 277 624**	16 277 624	**-**	
Reserves						
Accumulated surplus	31 096 000	-	**31 096 000**	54 114 894	**23 018 894**	
Total Net Assets	**47 373 624**	**-**	**47 373 624**	**70 392 518**	**23 018 894**	

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	11 191 000	-	**11 191 000**	22 382 000	**11 191 000**	
Interest received	1 000 000	-	**1 000 000**	35 817	**(964 183)**	
CAPEX funding	365 075 000	-	**365 075 000**	1 668 489 489	**1 303 414 489**	
Other receipts	310 000	-	**310 000**	2 108 709	**1 798 709**	
	377 576 000	**-**	**377 576 000**	**1 693 016 015**	**1 315 440 015**	
Payments						
Employee costs & Supplier payments	(536 162 000)	-	**(536 162 000)**	(1 722 848 735)	**(1 186 686 735)**	
Finance costs	(1 648 000)	-	**(1 648 000)**	(3 115 583)	**(1 467 583)**	
	(537 810 000)	**-**	**(537 810 000)**	**(1 725 964 318)**	**(1 188 154 318)**	
Net cash flows from operating activities	**(160 234 000)**	**-**	**(160 234 000)**	**(32 948 303)**	**127 285 697**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(4 500 000)	-	**(4 500 000)**	(3 157 061)	**1 342 939**	
Purchase of other intangible assets	-	-	**-**	(6 945 342)	**(6 945 342)**	
Net cash flows from investing activities	**(4 500 000)**	**-**	**(4 500 000)**	**(10 102 403)**	**(5 602 403)**	
Cash flows from financing activities						
Proceeds from shareholders loan	151 851 000	-	**151 851 000**	17 991 469	**(133 859 531)**	
Finance lease payments	-	-	**-**	(507 483)	**(507 483)**	
Movement in Project Funds Payable	(66 000)	-	**(66 000)**	20 043 921	**20 109 921**	
Net cash flows from financing activities	**151 785 000**	**-**	**151 785 000**	**37 527 907**	**(114 257 093)**	
Net increase/(decrease) in cash and cash equivalents	(12 949 000)	-	**(12 949 000)**	(5 522 799)	**7 426 201**	
Cash and cash equivalents at the beginning of the year	8 651 000	-	**8 651 000**	6 160 261	**(2 490 739)**	
Cash and cash equivalents at the end of the year	**(4 298 000)**	**-**	**(4 298 000)**	**637 462**	**4 935 462**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 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:

a. Trade receivables and/or loans and receivables

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

b. Impairment testing

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

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

c. Performance bonus

Bonus provision was raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions. The estimate includes all employees that were still in the JDA's employ as at year end and is based on the current year salary packages and the last approved performance scores (i.e. prior years performance bonus scores approved). These estimates are apportioned for all new employees and where no approved scores are available, an average of 8% was used.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

d. Useful lives of property, plant and equipment and intangible assets

The entity's management determines the estimated useful lives and related depreciation charges for the property,plant and equipment and intangible assets. This estimate is based on an industry norm. Management will adjust the depreciation charge where useful lives are less than previously estimated useful lives.

e. Effective interest rate

The entity used the prime interest rate to discount future cash flows.

f. Allowance for impairment

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

g. Relationship with majority shareholder and classification as principal

The JDA is an agency of the CJMM as a municipal entity. The JDA implements capital projects as part of the City's infrastructure programme. The CJMM makes capital budget available for these projects. The JDA contracts with suppliers and delivers these projects. The JDA pays suppliers, and then claims the capital expenditure against the budget from the CJMM. The CJMM then reimburses the JDA including a pre-determined rate of management fees, after the invoices have been submitted and scrutinised as correct.

Since the JDA does not capitalise any of these assets in its financial statements and CJMM recognises these as either Work-in-Progress or completed assets, i.e. as invoices are sent for reimbursement, the JDA is of the view that this revenue, which is received in arrears, cannot be classified as 'grant revenue'. Furthermore, CJMM does not recognise this as an expense paid to the JDA or grant. CJMM benefits totally from all implementation work done by the JDA, as at the completion of each project they add yet another asset to their register. The JDA bears all the contractual risk with the suppliers and regardless of any defaults in claims received from the controlling entity, the JDA will be liable to the suppppliers for actual work performed. The only assets in the JDA's financials is a motor vehicle, computer equipment, furniture and fittings, office equipment and improvements to the office building. All these are paid from the operational funding and capitalised in the statement of financial position.

h. Project funds payable

2015
This represents funds received from CJMM and other funders. The funds are to be used for the identified projects. Although these amounts are payable on demand to CJMM and other funders, no agreement has been reached regarding the payment of these funds. Since these funds have been with the JDA for periods of more than a year, management has therefore made the judgement that these funds were classified as non-current liability as there was insignificant movement in these funds . Refer to note 13 for details.

2016
Funds held for the purchase of land was transferred to the project funds payable from the Funds Held by the City. BRT Land was indentified in the current financial year and these will be purchased in the following year. The current year project funds payable was then classified as current liabilities as these funds will be utilised in the next twelve months. Refer to note 13 for details.

1.3 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the supply of services.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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
Furniture and fixtures	Straight line	10-15
Motor vehicles	Straight line	8
Office equipment	Straight line	6-15
IT equipment	Straight line	5-15
Leasehold improvements	Straight line	20
Computer equipment - servers	Straight line	6-15
Leased assets - printers	Straight line	3

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

Accounting Policies

1.4 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 initially at cost 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.

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.

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

Item	Useful life
Licenses	1 year
Computer software, internally generated	8 years
Intangible assets under development	Nil years

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

Accounting Policies

1.4 Intangible assets (continued)

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Loans to/(from) shareholder	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Finance lease liabilities	Financial liability measured at amortised cost

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 entity recognises financial assets using initial cost accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following category:
- Financial instruments at amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using the initial cost 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.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.6 Tax

Current tax assets and liabilities

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

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

Accounting Policies

1.6 Tax (continued)

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.7 Leases (continued)

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

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

Income for leases is disclosed under revenue in statement of financial performance.

1.8 Impairment of non-cash-generating assets

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

The entity assess 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.

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

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 Contribution from shareholder

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

1.10 Employee benefits

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 measure 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.

1.11 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 the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

Provisions are not recognised for future operating deficits.

1.11 Provisions and contingencies (continued)

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Accounting Policies

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, which is disclosed in note 30.

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

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

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest 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.

Accounting Policies

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.

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.

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.

Recognition

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

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

Measurement

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

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

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Government grants

Government grants Government grants are recognised as revenue when:

-it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
-the amount of the revenue can be measured reliably; and
-to the extent that there has been compliance with any restrictions associated with the grant.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt.

When government remit grants on a re-imbursement basis, revenue, is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Capital grants are funds due from the CJMM for capital expenditure incurred on projects.

The monthly expenditure incurred for each project is accounted for as work in progress. The monthly equivalent of the work in progress is claimed from the CJMM.

Transfers

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind

Services received in kind are recognised as revenue and as an asset as and when incurred.

Accounting Policies

1.15 Related parties

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Relationships between parents and subsidiaries shall be disclosed irrespective of whether there have been transactions between those related parties. An entity shall disclose the name of the entity's parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

The JDA is a subsidiary of the CJMM and as a result is classified as a municipal entity. The JDA has identified the controlling entity and all fellow controlled entities as related parties and all related party transactions and balances are disclosed accordingly.

Employees identified as key personnel are all employees on the executive management committee of the JDA. Details of transactions with these individuals are included in the employee costs note.

1.16 Borrowing costs

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

The JDA has a sweeping arrangement with CJMM Treasury Department thus interest incurred on the sweeping account is accounted for as a finance cost.

1.17 Comparative figures

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

1.18 Unauthorised expenditure

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

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

Unauthorised expenditure that was incurred and identified during the current financial year and which was not condoned by the Council or the Board of Directors or the relevant authority must be recorded appropriately in the unauthorised expenditure register. If liability for the unauthorised expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The unauthorised expenditure register must also be updated accordingly. If the unauthorised expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the unauthorised expenditure register.

1.19 Fruitless and wasteful expenditure

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

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

Fruitless and wasteful expenditure excludes finance charges on the sweeping account and finance leases.

Accounting Policies

1.20 Irregular expenditure

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the CJMM, JDA Board of Directors or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.21 Accumulated Surplus

The accumulated surplus represents the net difference between the total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.22 Change in estimates and errors

The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in; the
-period of the change, if the change affects that period only, or
-the period of the change and future periods, if the change affects both.

All material prior period errors are corrected retrospectively in the first set of financial statements authorised for issue after the discovery by management by;
-restating the comparative amounts for the prior period(s) presented in which the error occurred; or
-if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

However, if it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity must restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

Further, if it is impracticable to determine the cumulative effect, the beginning of the current period, of an error on all prior periods, the entity must restate the comparative information to correct the error prospectively from the earliest date practicable.

1.23 Budget information

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

Accounting Policies

1.23 Budget information (continued)

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

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.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Loan to/(from) shareholder

These include loans to and from the controlling municipality (City of Johannesburg Metropolitan Municipality) and are recognized initially at fair value plus direct transaction costs.

Loans to controlling municipality are classified as loans and receivables.

Loans from controlling municipality are classified as financial liabilities measured at amortised cost.

1.26 VAT Receivable/(Payable)

VAT is an indirect tax based on the consumption in the economy. Vendors act as the agent of the government in collecting the VAT charged on taxable transactions. SARS is a goverment agency which administers the VAT Act and ensures that the tax is collected and that the tax law is properly enforced.

The generally accepted essential characteristics of a VAT type transaction are as follows:
-The tax applies generally to transactions related to goods and services.
-It is proportional to the price charged for the goods and services.
-It is charged at each stage of the production and distribution process.
-The taxable person (vendor) may deduct the tax paid during the preceding stages (i.e. the burden of the tax is on the final consumer)

VAT is only charged on taxable supplies made by a vendor. Taxable supplies include supplies for which VAT is charged at either the standard rate or zero rate, but does not include:
-salaries and wages;
-hobbies or any recreational pursuits (not conducted in the form of a business);
-exempt supplies (as defined in the VAT Act).

The South African VAT is destination based, which means that only the consumption of goods and services in South Africa is taxed. VAT is therefore paid on the supply of goods or services in South Africa as well as on the importation of goods into South Africa. VAT is currently levied at the standard rate of 14% on most supplies and importations, but there is a limited range of goods and services which are either exempt, or which are subject to tax at the zero rate (for example, exports are taxed at 0%). The importation of services is only subject to VAT where the importer is not a vendor, or where the services are imported for private, exempt or other non-taxable purposes. Certain imports of goods or services are exempt from VAT.

1.26 VAT Receivable/(Payable) (continued)

VAT is recognised on the earlier of receipt of payment or invoice. The vendor reports to SARS at the end of every tax period on a VAT 201 return, where the input tax incurred for the tax period is offset against the output tax collected for the tax period and the balance is paid to SARS. It sometimes occurs that the result of the calculation for the tax period is a refund, instead of an amount payable to SARS. Refunds must be paid by SARS within 21 working days of receiving the correctly completed refund return, otherwise interest at the prescribed rate is payable by SARS to the vendor. However, interest is not paid if certain conditions are not met.

The JDA accounts for VAT in the invoice basis.

At the end of each month the amount owing to or from SARS is recognised as the net effect of of output tax earned and input tax incurred.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

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 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2017	The impact of the amendment is not material.
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the amendment is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact of the amendment is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2016	2015
Cash on hand	1 196	3 448
Alexandra Heritage Project Funds	-	6 156 813
Standard Bank - Sweeping account	637 134	-
Alexandra Heritage Project funds - overdrawn balance	(867)	-
	637 463	**6 160 261**

	2016	2015
Current assets	638 330	6 160 261
Current liabilities	(867)	-
	637 463	**6 160 261**

Cash on hand consists of petty cash.

The funds held in the prior year for the Alexandra Heritage Project from the National Department of Tourism related to funds deposited into a separate bank account (Standard Bank) for exclusive use for this project. These funds were all utilised in the current year. However, after the funds were transferred which cleared out the account and additional bank charge was incurred of R867 which resulted in an overdrawn balance of R867.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

4. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits	55 000	55 000
Project Funds Receivable	14 395 540	-
Rental debtors	223 290	99 858
Prepaid expenses	81 175	32 342
Staff loans	110 375	-
Related party debtors	858 816 008	877 029 126
	873 681 388	**877 216 326**

Deposits paid relate to a utility deposit that is held by City Power for the Bus Factory electricity account.

Projects funds receivable relate to funds owing from the National Department of Tourism for the Alexandra Heritage Centre. The initial SLA indicated that payments will be effected based on different stages of the project. However, due to delays in the finalisation of the Business Plans at the National Department of Tourism, only part of the total value has been received. The balance included in the Project Funds Receivable related to capital expenditure that was incurred in the current year.

Rental debtors consist of the rental outstanding from the Bus Factory tenants.

Prepaid expenses relates to computer network costs that was paid in advance.

Related party debtors relate to funds owed by the CJMM and other municipal entities for expenditure incurred on capital projects.

Staff loans relate to staff development costs that were incurred on behalf of an employee that subsequently resigned.

Trade and other receivables pledged as security

No trade and other receivables were pledged as security for the period under review.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 77 692 529 (2015: R 97 931 705) were past due because the debtor is the CJMM and the possibility of default is remote.

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

+3 months past due	77 692 529	97 931 705

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

5. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 440 061	(1 282 856)	1 157 205	2 179 399	(1 086 166)	1 093 233
Motor vehicles	136 013	(136 013)	-	136 013	(132 124)	3 889
Office equipment	371 153	(100 533)	270 620	242 980	(66 962)	176 018
Computer Equipment	3 429 716	(1 610 111)	1 819 605	1 637 113	(901 443)	735 670
Leasehold improvements	5 489 305	(1 927 303)	3 562 002	5 177 883	(1 652 871)	3 525 012
Computer Equipment - Servers	1 446 455	(650 949)	795 506	876 927	(510 666)	366 261
Leased assets	1 262 900	(371 376)	891 524	63 629	(63 629)	-
Total	**14 575 603**	**(6 079 141)**	**8 496 462**	**10 313 944**	**(4 413 861)**	**5 900 083**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 093 233	260 828	-	(196 856)	1 157 205
Motor vehicles	3 889	-	-	(3 889)	-
Office equipment	176 018	128 105	-	(33 503)	270 620
Computer Equipment	735 670	1 887 179	(87 471)	(715 773)	1 819 605
Leasehold improvements	3 525 012	311 422	-	(274 432)	3 562 002
Computer Equipment - Servers	366 261	569 527	-	(140 282)	795 506
Leased assets	-	1 262 900	-	(371 376)	891 524
	5 900 083	**4 419 961**	**(87 471)**	**(1 736 111)**	**8 496 462**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 126 772	136 055	-	(169 594)	1 093 233
Motor vehicles	5 834	-	-	(1 945)	3 889
Office equipment	198 137	1 099	-	(23 218)	176 018
Computer Equipment	891 638	268 341	(81 372)	(342 937)	735 670
Leasehold improvements	3 778 582	-	-	(253 570)	3 525 012
Computer Equipment - Servers	461 909	21 385	(490)	(116 543)	366 261
Leased assets	157 109	-	(8 849)	(148 260)	-
	6 619 981	**426 880**	**(90 711)**	**(1 056 067)**	**5 900 083**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Pledged as security

None of the above property,plant and equipment have been pedged as security.

Assets subject to finance lease (Net carrying amount)

	2016	2015
Leasehold improvements	3 562 002	3 525 012
Printers and copiers	891 524	-
	4 453 526	**3 525 012**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Included in the above property, plant and equipment is a motor vehicle that is fully depreciated at year end. During the reassessment of useful lives the motor vehicle useful life was still assessed at 8 years with the intention of replacing the motor vehicle in the 2016/17 financial year.

6. INTANGIBLE ASSETS

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses	285 197	(241 561)	43 636	285 198	(190 132)	95 066
Computer software, internally generated	1 819 266	(1 387 954)	431 312	1 183 922	(982 235)	201 687
Computer software, other	1 022 268	-	1 022 268	-	-	-
Intangible assets under development	5 279 768	-	5 279 768	-	-	-
Total	**8 406 499**	**(1 629 515)**	**6 776 984**	**1 469 120**	**(1 172 367)**	**296 753**

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Licenses	95 066	285 216	(336 646)	43 636
Computer software, internally generated	201 687	358 090	(128 465)	431 312
Computer software - other	-	1 022 268	-	1 022 268
Intangible assets under development	-	5 279 768	-	5 279 768
	296 753	**6 945 342**	**(465 111)**	**6 776 984**

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Licenses	95 066	285 198	(285 198)	95 066
Computer software, internally generated	331 821	-	(130 134)	201 687
	426 887	**285 198**	**(415 332)**	**296 753**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

6. INTANGIBLE ASSETS (continued)

Other information

Intangible assets under construction SAP Phase 1	5 279 768	-

The JDA is currently on phase 1 of the SAP computer software implementation. Phase 1 includes project systems being project implementation and supply chain management. The system will go live in the first quarter of the 2016/17 financial year.

Computer software - other	1 022 268	-

Other computer software purchased during the year related to a General Risk Control software for Risk Management, Internal Audit and Compliance.

7. DEFERRED TAX

Deferred tax liability

Property, plant and equipment	(1 803 892)	(1 546 465)
Temporary difference - S24C Allowance	(13 247 554)	(10 756 768)
Total deferred tax liability	**(15 051 446)**	**(12 303 233)**

Deferred tax asset

Provisions	1 612 836	1 391 954
Leases	295 832	-
Deferred tax balance from temporary differences other than unused tax losses	1 908 668	1 391 954
Total deferred tax asset	**1 908 668**	**1 391 954**

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	(15 051 446)	(12 303 233)
Deferred tax asset	1 908 668	1 391 954
Total net deferred tax liability	**(13 142 778)**	**(10 911 279)**

Reconciliation of deferred tax asset \ (liability)

At beginning of year	(10 911 279)	(4 329 798)
Originating differences on tangible fixed assets	(257 428)	124 354
Originating differences on the S24C allowance	(2 490 785)	(6 819 721)
Originating differences arising from leases	295 832	(58 119)
Originating differences arising from provisions	220 882	172 005
	(13 142 778)	**(10 911 279)**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

8. LOANS FROM SHAREHOLDERS

Sweeping account	(141 042 337)	(70 508 452)
City of Johannesburg Metropolitan Municipality - BRT Land and Bertrams Priority Block Acquisition Fund	-	(52 745 569)
	(141 042 337)	**(123 254 021)**

The company has a sweeping arrangement with the CJMM whereby all cash is swept on a daily basis to the CJMM's bank account. Interest is paid and earned on this account at the CJMM Treasury rate.

During the 2008/2009 financial year, the JDA held money in the Attorney's Trust account for the purchase of land for road widening for the BRT. At the end of the 2008/09 financial year, these funds were transferred to the CJMM and then susequently transferred back into the JDA's sweeping account. The company has a sweeping arrangement with the CJMM whereby all cash is swept on a daily basis to the CJMM's bank account. During the cuurent financial year, the balance of the funds was transferred to projects funds payable, as BRT land was identified in the current financial year and will be purchased in the 2016/17 financial year.

9. FINANCE LEASE LIABILITY

Minimum lease payments due		
- within one year	573 034	-
- in second to fifth year inclusive	638 584	-
	1 211 618	-
less: future finance charges	(155 074)	-
Present value of minimum lease payments	**1 056 544**	**-**

Finance lease payable		
Opening balance	-	207 554
Lease obligation current year	1 564 027	14 874
Lease payments	(507 483)	(222 428)
	1 056 544	**-**

Non-current liabilities	483 510	-
Current liabilities	573 034	-
	1 056 544	**-**

The JDA has leased 20 printer machines from Dalitso Business Equipment (Pty) Ltd and 2 printer machines from Konica Minolta (Pty) Ltd for a period of 3 years. The lease agreement provides for monthly payments of R47,753 in advance and no residual value.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

10. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	493 283 151	547 055 104
Deposits received from tenants	44 835	44 835
Accrued leave pay	2 476 474	1 763 848
Accrued expenses	1 301 741	2 867 483
Retentions held on construction contracts	132 953 222	101 608 349
Related parties payables	4 471 825	575 071
	634 531 248	**653 914 690**

Accrued expenses relates to expenditure that was incurred but no invoices was received as yet.

Deposits received from tenants represents deposits held on the initial rental agreements with the Bus Factory tenants.

Accrued leave pay relates to days owed to staff members at the reporting date calculated based on the daily pay rate.

Related party payables relate to funds owed to the CJMM and other entities for expenditure incurred and services rendered by the CJMM and other municipal entities.

Trade payables relate to suppliers payable for work done in the normal course of business. The JDA continues to strive to pay its trade payables within 30 days. However, based on the nature of the implementation of capital projects, the bulk of the expenditure is incurred during the last quarter of the financial year with recognition of these trade payables at year end. This results in a higher than normal trade payables balance at year end and is not necessarily a consistant balance throughout the year.

11. VAT PAYABLE

VAT payable	1 759 240	26 306 040

12. PROVISIONS

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Provision - Performance bonus	3 207 417	2 146 327	(2 071 091)	3 282 653

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Provision - Performance bonus	3 020 869	2 522 805	(2 336 257)	3 207 417

The performance management system is designed to ensure that the JDA's business strategy is translated into measurable key performance areas and indicators for employees. At the beginning of each financial year each employee concludes a performance management contract with a scorecard. Although the performance review in respect of the 2015/16 financial year will be completed during August 2016, bonus payments to qualifying employees will only be made after the finalisation of the 2015/16 audit and upon receipt of a unqualified audit report from the Auditor General. In December 2015, a bonus payment was made in relation to the 2014/15 year for all qualifying employees excluding Executive and Senior Managers.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. PROJECT FUNDS PAYABLE

Projects Funds		
Balance at the beginning of the year	4 341 058	11 426 901
Funding received for the year	1 505 411 734	1 470 291 725
Expenditure for the year	(1 485 367 813)	(1 477 377 568)
	24 384 979	**4 341 058**

Funds Payable		
Johannesburg Water	-	1 558 673
Non-BRT Transportation	-	2 782 385
BRT Land funds held by the city transfer	24 384 979	-
	24 384 979	**4 341 058**

The project funds payable relates to funding that was previously received in advance from CJMM for the implementation of projects. The remaining balances represent the projects that were either implemented below the original estimated costs or recoveries that were received after the completion of the projects.

BRT Land transfer relates to land funds that were previously held in attorney trust accounts and was transfered based on BRT land that was identified in the current year and will be purchased in the following financial year. These costs include the purchase of the land and other related costs.

14. CONTRIBUTION FROM SHAREHOLDER

Authorised		
100 Ordinary Type A shares of R1 each	100	100

Issued		
60 Ordinary Type A shares of R1	60	60
Share premium	16 277 564	16 277 564
	16 277 624	**16 277 624**

All issued shares are fully paid up by CJMM. CJMM paid a share premium for these shares. The initial amount was issued in 2002 and was R3,489,664. The balance of this amount was paid to the JDA in 2003.

15. REVENUE

Rendering of services	70 740 593	69 796 690
Recovery of Diepsloot Sanitation Project	-	116 470
Tender fee income	1 190 392	1 173 473
Rental income	358 352	358 106
Sundry Income	1 049 622	1 021 414
Interest received	35 817	65 629
Government grants & subsidies	22 382 000	26 739 000
Recovery of non-current and intangible assets expenditure	9 080 135	-
	104 836 911	**99 270 782**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

15. REVENUE (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	70 740 593	69 796 690
Recovery of Diepsloot Sanitation Project	-	116 470
Tender fee income	1 190 392	1 173 473
Rental income	358 352	358 106
Sundry income	1 049 622	1 021 414
Interest received	35 817	65 629
	73 374 776	**72 531 782**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants & subsidies	22 382 000	26 739 000
Recovery of non-current and intangible assets expenditure	9 080 135	-
	31 462 135	**26 739 000**

Rendering of Services

Management fees are earned through the rendering of services by the JDA on projects funded by the CJMM and other funders. The JDA's Service Level Agreement with the CJMM and with each of the other funders stipulates the percentage fee to be claimed by the JDA for actual capital expenditure spent. The capital expenditure incurred and the management fees earned are claimed from CJMM on a monthly basis.

Recovery of non-current and intangible assets expenditure

Included in the current year approved capital budgets is a budget for the purchase of operational assets. This was not included as a capital grant and was included to be reimbursed from CJMM. Included in this expenditure is the initial implementation of SAP ERP system and other fixed assets. This expenditure was incurred during the current year and claimed from the CJMM Capital Asset Management department.

16. OTHER REVENUE

Fees earned	-	116 470
Tender fee income	1 190 392	1 173 473
Rental income - Bus Factory	358 352	358 106
Sundry Income	1 049 622	1 021 414
	2 598 366	**2 669 463**

17. INTEREST RECEIVED

Interest revenue		
Bank	-	58 972
Interest charged on rental debtors	35 817	6 657
	35 817	**65 629**

18. GOVERNMENT GRANTS AND SUBSIDIES

Operating grants		
Government grant (operating)	22 382 000	26 739 000

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

19. EMPLOYEE RELATED COSTS

	2016	2015
Basic	56 331 164	42 068 111
Bonus	2 427 405	2 611 743
UIF	281 752	272 132
COID	420 368	396 647
SDL	477 724	394 765
Other payroll levies	697 731	637 803
Leave pay accrual charge	1 118 000	659 163
	61 754 144	**47 040 364**

Included in the employee costs are non-executive director fees as shown in detail in note 29.

Included in the employee costs are the following key management positions:

Remuneration of executive managers	Earnings	Pension	Travel allowance	Total
T Mendrew (Chief Executive Officer)	1 703 610	-	-	1 703 610
Z Mafata (Chief Financial Officer)	1 407 953	-	-	1 407 953
B Mbewu (Chief Audit Executive) (Resigned 31 August 2015)	190 188	7 579	20 000	217 767
D Cohen (EM: Planning & Strategy)	1 078 037	52 554	-	1 130 591
B Magoso (EM: Corporate Services)	1 228 656	59 487	-	1 288 143
C Botes (EM: Development Facilitation)	988 468	-	30 000	1 018 468
Z Tshabalala (Chief Audit Executive) (Appointed 01 December 2015)	503 461	27 853	72 000	603 314
R Shirinda (Company Secretary)	1 228 197	46 290	-	1 274 487
A Noholoza (SDM: Portfolio A) (Resigned 01 November 2015)	878 759	16 324	-	895 083
L Visagie (SDM: Portfolio B) (Resigned 30 June 2016)	1 324 765	53 967	75 000	1 453 732
S Genu (SDM: Portfolio C)	1 205 491	48 973	-	1 254 464
	11 737 585	**313 027**	**197 000**	**12 247 612**

20. ADMINISTRATIVE EXPENDITURE

	2016	2015
Administration expenses	2 183 911	607 568

Administrative expenditure includes archiving costs and monthly fees paid to Ditlodi Community Co-operative liason officers.

21. DEPRECIATION AND AMORTISATION

	2016	2015
Property, plant and equipment	1 736 111	1 056 067
Intangible assets	465 111	415 331
	2 201 222	**1 471 398**

22. FINANCE COSTS

	2016	2015
Trade and other payables - Telkom	1	662
Sweeping account	-	6 419 276
The South African Revenue Service	2 991 261	-
Finance leases	124 321	17 857
	3 115 583	**6 437 795**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

23. REPAIRS AND MAINTENANCE

Repairs & Maintenance - Bus Factory	782 600	514 521
Repairs & Maint Office Equipment - IT	31 180	27 887
Repair and Maintenance Office Equipment	75 800	-
	889 580	**542 408**

24. GENERAL EXPENSES

Advertising	839 818	1 588 083
Auditors remuneration	1 736 379	1 700 619
Bank charges	22 178	25 958
CEO's Special Projects	9 910	15 000
Cellphone Expenses	504 301	367 029
Computer expenses	4 428 070	2 229 788
Consulting and professional fees	2 949 344	1 332 590
Development Facilitation Fees	3 370 168	682 991
Diepsloot Sanitation Project costs	-	116 470
Hygiene and other services	171 302	206 128
Insurance	555 730	662 593
Internal Audit Fees	651 262	1 490 843
Marketing	3 493 838	2 788 051
Meetings and Entertainment	307 165	219 391
Motor vehicle expenses	18 180	22 605
Placement fees	1 769 691	1 281 975
Planning and Strategy	1 668 607	523 508
Postage costs	149	-
Printing and stationery	839 712	929 008
Project Maintenance Costs	156 989	355 148
Security (Guarding of municipal property)	2 075 636	1 569 123
Space planning costs	255 850	-
Staff welfare	1 411 107	781 638
Telephone and fax	410 282	309 693
Training	979 579	604 793
Travel - local	227 370	60 527
Utilities	767 282	349 207
	29 619 899	**20 212 759**

25. AUDITORS' REMUNERATION

External audit fees	1 736 379	1 700 619

26. LOSS ON DISPOSAL OF ASSETS

Loss on disposal of assets	87 471	90 713

The loss on disposal of assets relates to assets that were written off. Included in the assets writted off is five laptops that were stolen during the financial year as well as any assets that were obsolete or damaged.

Figures in Rand	2016	2015

27. TAXATION

Major components of the tax expense

	2016	2015
Deferred		
Originating and reversing temporary differences	2 231 500	6 581 481

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2016	2015
Applicable tax rate	28,00 %	28,00 %
Tax effect on permanent differences	(0,53)%	0,11 %
Add: Tax effect of timing differences	17,29 %	0,13 %
	44,76 %	**28,24 %**

28. CASH USED IN OPERATIONS

	2016	2015
Surplus	2 753 601	16 286 296
Adjustments for:		
Depreciation and amortisation	2 201 222	1 471 398
Loss on disposal of assets	87 471	90 713
Movements in provisions	75 236	186 549
Annual charge for deferred tax	2 231 500	6 581 481
Movement in expenditure - non-cash items	(26 343)	14 875
Interest from finance leases	124 321	-
Changes in working capital:		
Trade and other receivables from exchange transactions	3 534 938	(381 207 310)
Trade and other payables from exchange transactions	(19 383 449)	289 001 313
VAT	(24 546 800)	12 153 520
	(32 948 303)	**(55 421 165)**

29. DIRECTORS' EMOLUMENTS

Executive

2016

	Emoluments	Bonuses	Total
T Mendrew (Chief Executive Officer)	1 703 610	-	1 703 610
Z Mafata (Chief Financial Officer)	1 407 953	-	1 407 953
	3 111 563	**-**	**3 111 563**

2015

	Emoluments	Annual Bonus	Total
T Mendrew (Chief Executive Officer)	1 617 864	-	1 617 864
Z Mafata (Chief Financial Officer)	1 275 828	184 147	1 459 975
	2 893 692	**184 147**	**3 077 839**

29. DIRECTORS' EMOLUMENTS (continued)

Non-executive

2016

	Directors' fees	Retainer Fees	Total
C Coovadia (Chairperson)	127 778	45 626	173 404
K Govender	183 680	22 816	206 496
E Harvey	101 543	22 816	124 359
N Maila (Retired 15 March 2016)	73 014	22 816	95 830
P Mashiane	86 710	22 816	109 526
P Masilo	94 706	22 816	117 522
T Mukhuba (Appointed 15 March 2016)	21 678	-	21 678
N Selamolela	128 919	22 816	151 735
W Thwala	102 736	22 816	125 552
P Zagaretos	78 680	22 816	101 496
M Dolamo (Independant Audit and Risk Committee Member)	20 088	22 816	42 904
B Kelly (Independant Audit and Risk Committee Member) (Resigned 28 February 2016)	17 112	22 816	39 928
K Onuoka (Independant Audit and Risk Committee Member) (Appointed 15 March 2016)	11 408	-	11 408
Z Samsam (Independent Audit and Risk Committee Member)	34 224	22 816	57 040
	1 082 276	**296 602**	**1 378 878**

2015

	Directors' fees	Retainer fees	Total
C Coovadia (Chairperson)	141 564	39 675	181 239
J Vergotine (Independent Audit and Risk Committee Member) (Retired 03 February 2015)	24 800	19 840	44 640
K Govender	267 058	19 840	286 898
E Harvey	140 327	19 840	160 167
N Maila (Appointed 21 October 2014)	41 272	4 960	46 232
N Selamolela	100 650	19 840	120 490
W Thwala	122 572	19 840	142 412
M Dolamo (Independent Audit and Risk Committee Member)	17 112	-	17 112
B Kelly (Independent Audit and Risk Committee Member)	22 816	-	22 816
Z Samsam (Independent Audit and Risk Committee Member)	63 240	19 840	83 080
P Masilo	93 713	19 840	113 553
P Zagaretos (Appointed 21 October 2014)	61 270	4 960	66 230
P Mashiane	66 225	19 840	86 065
	1 162 619	**208 315**	**1 370 934**

Figures in Rand	2016	2015

30. COMMITMENTS

Authorised capital expenditure

	2016	2015
Approved and not yet contracted for		
• Jabulani	17 000 000	18 500 000
• Kliptown Renewal Project	50 000 000	30 000 000
• Rotunda Park	25 330 000	15 000 000
• Westbury Renewal Precinct	15 000 000	11 200 000
• Alexandra Renewal Programme	48 300 000	69 800 000
• Westbury Pedestrian Bridge	-	10 000 000
• Balfour Park Transit	1 500 000	-
• Orlando East Station Precinct	10 000 000	25 000 000
• Nancefield Station Precinct	5 000 000	30 000 000
• Randburg Precinct Upgrade	7 500 000	30 000 000
• Auckland Park	100 000 000	45 000 000
• Louis Botha	10 000 000	-
• Perth Corridor	65 000 000	-
• Turffontein corridor	70 500 000	-
• Diepsloot Development	2 000 000	-
• Operational CAPEX	10 000 000	15 000 000
	437 130 000	**299 500 000**
Approved and contracted for		
• Contractual costs committed for multi-year contracts	1 439 503 531	1 074 333 945
Total capital commitments		
Approved and not yet contracted for	437 130 000	299 500 000
Approved and contracted for	1 439 503 531	1 074 333 945
	1 876 633 531	**1 373 833 945**

The contractual costs committed arise from the related construction work as well as professional services which was contracted for but not yet incurred. This will be funded through capital budget allocations from various departments.

The approved and not yet contracted for commitments arise from the approved capital budget allocated to the JDA in the 2016/17 financial year.

The approved and contracted for commitments consist of the following:

	2016	2015
Portfolio A:		
Randburg Precinct	8 376 567	24 459 602
Hillbrow Tower Precinct	194 000	30 311 605
Inner City Core	1 240 976	13 761 368
Kaserne Redevelopment	228 603 788	1 991 229
Community Development Corridors of Freedom	32 633 978	12 956 919
Cosmo City Fire Station	13 169 062	2 667 943
Brixton Social Cluster	4 574 624	-
Inner City Commuter Links	127 952 922	7 569 715
IOC	-	10 008 906
Westgate Station Precinct	-	6 871 726
	416 745 917	**110 599 013**
Portfolio B:		
Orchards Clinic_ Corridors of Freedom	10 800 038	40 842 194
Noordgesig Clinic _Corridors of Freedom	5 897 196	660 964
Golden Harvest	1 091 526	1 442 949
Kliptown Development	24 927 667	3 933 646
Alexandra Heritage Centre	2 110 546	12 299 918

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
30. COMMITMENTS (continued)		
Alex Marlboro Automotive	7 938 757	34 573 965
Westbury TDC	2 501 497	2 796 731
Langlaagte Pharmacy	22 118 791	1 051 979
Claremont Clinic	685 944	1 373 324
Parkhurst Clinic	1 604 766	1 494 766
Zandspruit Clinic	2 276 879	2 198 879
Florida Clinic	1 500 207	-
Nancefield TOD	30 182 244	22 307 897
Jabulani TOD	11 831 542	5 781 086
Noordgesig Social Cluster	4 508 381	-
Ebony Park Clinic	1 058 091	-
Orlando East TOD	22 600 000	23 809 585
Rotunda Park	7 298 435	11 476 187
Esselen Clinic	-	13 205 202
Westbury Clinic	-	15 996 161
Diepsloot	-	6 556 328
Sol Plaatjie	-	233 861
Bambanani Automotive	-	852 800
River Park Clinic	-	4 422 269
Ennerdale Clinic	-	5 190 562
	160 932 507	**212 501 253**
Portfolio C:		
Cycle Lanes_ Corridors of Freedom	3 661 923	2 557 322
Non-motorised Transport (NMT)	15 691 510	147 771 559
BRT Various	761 546 781	572 390 479
Community Development Libraries	20 723 974	3 984 874
Community Development Community Centres	22 602 245	8 037 697
	824 226 433	**734 741 931**
Portfolio D:		
Thoko Mngoma Clinic	8 575 941	1 127 724
4th Avenue Clinic	13 456 050	1 430 250
Old Ikage Housing Project	4 984 920	2 104 894
Jukskei River Rehabilitation	580 000	580 000
Open Spaces Development	2 522 759	199 487
Vincent Tshabalala Bridge	2 522 800	1 165 750
Linear Markets: Ivory Park/Alex	3 599 719	3 242 894
	36 242 189	**9 850 999**
Other projects		
Naming and branding_Corridors of Freedom	1 356 489	6 640 750
Total Approved and Contracted	1 439 263 993	1 074 333 945

31. CONTINGENCIES

Bertrams Priority Block

The JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. Eviction proceedings have been instituted in the South Gauteng High Court. Negotiations are underway with illegal occupants to settle the matter out of court. Progress made since 2012 - Some of the illegal occupants have agreed to be reallocated to properties operated by the Johannesburg Social Housing Company. The few that would be left because of inability to meet monthly rental payments will be accomodated by the Department of Housing. Since this, no progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accomodation is found by the JDA and CJMM. The parties are working together to reach agreement without a protracted litigation processes.

Ubuntu Kraal (Pty) Ltd vs JDA & CJMM

The JDA has been served with summons for loss of income and damages to property by the operators of the establishment known as Ubuntu Kraal in Soweto, Johannesburg. The damages were alleged to have been caused by flooding due to the JDA activities in the construction of the Rea Vaya BRT infrastructure along Klipspruit Valley Road. The amount of damages claimed by the plaintiffs is R23.5 million. The matter is now being handled by CJMM insurer attorneys.

Achusim Chijoike vs JDA and Skymark Security (Pty) Ltd

The JDA was incorrectly cited as a party to the proceedings. The JDA disputed the matter and indicated to the Plaintiff that it was incorrectly cited as a party.

Despite follow up letters to the Plaintiff attorneys in this regard, there has been no activity in the matter since it was reported last year and the matter will accordingly be withdrawn from list of contingent liability matters

BRT - Thembu Convenience Store

The CJMM and the JDA were served with a summons by Tembu Convenience Centre CC, trading as a convenience store and Engen Fuel dealership, for loss of income amounting to more than R17 million, as a result of BRT construction works. The City has filed its papers defending the matter in the South Gauteng High Court. The matter has still not been put on a trial roll and the plaintiffs have applied for a set-down. The matter was set down for trial on 02 March 2016. However the parties agreed to remove the matter from the roll in order to allow the defendants to amend their pleadings.

Dark Fibre Africa vs JDA and Easyway Tarmac Pave and Projects CC

The matter relates to the fibre optic cable that was damaged by opening a trench in the road reserve with a TLB Machine along the road carriage way of Orlando east, near Sefa Sonke street around 22 June 2013. The plaintiff, Dark Fibre Africa (Pty) Ltd is suing the JDA (2nd Defendant) on the basis that JDA used the services of Easyway Tarmac Pave and Projects CC to manage and control the execution of the water pipeline project and to do the drilling and excavation along the road carriage way of Orlando east near the intersection with sefa sonke street. The matter is being defended by the lawyers appointed by the JDA’s insurers (AON).

Grayston Pedestrian Bridge scaffolding collapse

On 14 October 2015 the scaffolding work into the Grayston Drive Pedestrian and Cyclist structural bridge collapsed which resulted in the loss of life and other damages.

Due to the nature of the incident, the Department of Labour (DOL) has to conduct a formal inquiry in terms of section 32 of the Occupational Health and Safety Act 85 of 1993 to determine the causes for the collapse of the scaffolding works.

The inquiry commenced on 7 July 2015 and will be finalised in April 2017 when a report will be with the Commissioner appointed by the DOL.

Figures in Rand	2016	2015

32. RELATED PARTIES

Relationships	
Controlling entity	City of Johannesburg Metropolitan Municipality
Other members of the group	Johannesburg Social Housing Company (SOC) Ltd
	City of Johannesburg Property Company (SOC) Ltd
	City Power Johannesburg (SOC) Ltd
	Johannesburg City Parks and Zoo NPC
	Johannesburg Metropolitan Bus Services (SOC) Ltd
	Johannesburg Roads Agency (SOC) Ltd
	The Johannesburg Tourism Company NPC
	Johannesburg Water (SOC) Ltd
	Pikitup JOhannesburg (SOC) Ltd
	Joburg City Theatres (SOC) Ltd
	The Johannesburg Fresh Produce Market (SOC) Ltd
Members of key management	Refer to note 19

Related party balances

	2016	2015
Amounts included in Trade Receivables regarding related parties		
CJMM - Projects	76 872 771	68 608 656
Department of Transportation, Planning and Management - Projects	641 848 399	646 501 355
Department of Social Development - Projects	23 044 034	7 253 745
City of Johannesburg Housing - Trade	-	741 011
Department of Social Development - Trade	-	391 897
Department of Health - Trade	-	1 560 091
Department of Transportation, Planning and Management - Trade	-	26 420 580
Department of Emergency Management services	-	3 980 605
Department of Health - Projects	37 654 819	28 316 084
Economic Development - Projects	14 468 046	1 778 970
City of Johannesburg Housing - Projects	19 204 613	9 076 641
CJMM - Trade	-	3 406 491
Economic Development - Trade	18 147 876	88 949
Group Strategy	3 184 824	17 440 818
Community Development - Projects	12 113 919	28 933 205
Community Development - Trade	-	1 912 143
Johannesburg Roads Agency (SOC) Ltd	2 697 045	8 200 913
Department of Environment Management Services - Trade	-	1 444 671
Department of Environment Management Services - Projects	9 579 661	20 972 301
Amounts included in Trade Payable regarding related parties		
CJMM	(379 689)	345 962
CJMM-Treasury	(141 042 337)	70 508 352
Johannesburg Metropolitan Bus Services (SOC) Ltd	(6 320)	-
Pikitup Johannesburg (SOC) Ltd	(180 592)	229 106
CJMM - Department of Planning	(1 977 416)	-
City Power Johannesburg (SOC) Ltd	(1 927 808)	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

32. RELATED PARTIES (continued)

Related party transactions

	2016	2015
Purchases from (sales to) related parties		
CJMM - Corporate Services	753 069	400 791
Johannesburg Metropolitan Bus Services (SOC) Ltd	16 220	26 520
CJMM - Interest paid	-	6 149 276
City Power (SOC) Ltd	707 281	349 207
CJMM - Risk services	555 730	-
CJMM - Department of Planning ARP	7 543 896	-
Income from related parties		
CJMM - Grant	22 382 000	26 739 000
DP - Facilitation income	-	116 470
Payments to related parties		
CJMM	7 292 735	1 118 629

Purchases from related parties are listed above.

These services were supplied by the related parties and the CJMM in terms of Section 45 of the Municipal Supply Chain Management of 2005.

Awards to spouses and close family members - Refer to note 43

Terms and conditions There are no terms and conditions and no interest is due or payable to any related parties listed above. All related party transactions are on an arm's length basis.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified.

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.

The effects of the reclassification are as follows:

Statement of financial position - extract

	Comparative figures previously reported	Reclassificatio n	After reclassification
Deferred tax asset	1 391 954	(1 391 954)	-
Deferred tax liability	(12 303 233)	1 391 954	(10 911 279)
Total	**(10 911 279)**	**-**	**(10 911 279)**

34. RISK MANAGEMENT

The JDA has a risk management strategy, which follows an enterprise-wide risk management system in which all identified risk areas are managed systematically and continuously at departmental level, and a risk register. The register is treated as a working risk management document because risks are constantly recorded and managed. Management monitors and evaluates the implementation and efficiency of controls and actions to improve current controls in the risk register.

34. RISK MANAGEMENT (continued)

Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to meet the principle objectives of the organisation for the controlling entity and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of debt, which includes the borrowings disclosed in notes 8 and 10, cash and cash equivalents disclosed in note 3, and equity as disclosed in the statement of financial position.

As stated in the note regarding going concern, the entity's existence is dependant on the continued support from the controlling entity CJMM.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

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

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	634 531 248	-	-	-

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	653 914 690	-	-	-

Credit risk

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

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

Financial instrument		
Loans from shareholders - refer to note 8	(141 042 337)	(123 254 021)
Trade and other receivables - refer to note 4	873 681 388	877 216 326

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 JDA is dependent on the CJMM to fund its operations as it earns revenue from management fees from CJMM's capital projects.

The ability of the JDA to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to receive funding for the ongoing operations for the entity from its controlling entity, the CJMM.

Notes to the Annual Financial Statements

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36. EVENTS AFTER THE REPORTING DATE

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and the results of the entity's operations.

37. UNAUTHORISED EXPENDITURE

Opening balance	-	377 223
Recovery of unauthorised expenditure	-	(377 223)
	-	**-**

38. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	878 886	379 803
Fruitless and wasteful expenditure current year	2 991 261	860 468
Sweeping interest reclassified as finance charges	-	(361 385)
Reported to and condoned by the Board	(878 886)	-
	2 991 261	**878 886**

Prior year fruitless and wasteful expenditure was reported and condoned by the JDA Board of Directors.

Detail of expenditure - 2016	**Interest and penalties to SARS**	**Total**
Fruitless and wasteful expenditure identified	2 991 261	2 991 261

Interest and penalties paid to SARS was charged based on the late payment and submission of the December 2015 VAT return. At the time of submission, the VAT return on the efiling system was completed however due to some system errors the VAT return was not allowing the return to be submitted and for a payment to be generated. This was then communicated to SARS and when the matter was finally resolved, it was after the Standard Bank shut-down restricted time. This was then objected to and no respose has yet been received from SARS.

Detail of expenditure - 2015	**Abortive costs - African Food Hub**	**Interest on Telkom payments**	**Total**
Fruitless and wasteful expenditure identified	859 806	662	860 468

The African Food Hub Project incurred standing costs that was paid to the contractor for standing time. The JDA Development Manager delayed to provide the project's professional team with the approval of the application for road closure for the African Food Hub Project. Consequently, the engineers could not obtain the final approval for the construction drawings. This resulted in the contractor charging and claiming standing time due to delays experienced. A disciplinary process pertaining to the responsible JDA employee has been concluded and the matter was reported to and condoned by the Board.

Interest relating to late receipt of Telkom invoices - R662.

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39. IRREGULAR EXPENDITURE

Opening balance	355 316	329 753
Movement for the year	-	68 585
Reported to and condoned by the Board	(355 316)	(43 022)
	-	**355 316**

Details of irregular expenditure – current year

-

No irregular expenditure was incurred in the current year.

Details of irregular expenditure-2015

Broll Property Management	10 692
Makro Crown Mines	43 980
Torque Technical Computer Training	6 150
PM Ideas	7 763
	68 585

Broll Property Management

The supplier's contract with the JDA has expired and is currently on a month-to-month basis. Broll Property Management manages the Bus Factory tenants and the collection of rental. The expenditure above relates to the management fee charged by and paid to Broll for the period July 2014 until March 2015. The management of tenants is now done internally.

Makro Crown Mines

Office groceries were purchased from Makro without obtaining three quotations. The expenditure above relates to payments to Makro for the period July 2014 to November 2014. Office groceries are now procured through requests for quotations.

Torque Technical Computer Training

Training for IT staff as per approved individual Learning Plans (ILP's). Only one quotation was sourced instead of the required three from the supplier database.

PM Ideas

Training for development implementation staff as per approved individual Learning Plans (ILP's). Only one quotation was sourced instead of the required three from the supplier database.

Prior year irregular expenditure was reported and condoned by the JDA Board of Directors.

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40. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Audit fees

Current year subscription / fee	1 736 379	1 700 619
Amount paid - current year	(1 736 379)	(1 700 619)
	-	-

PAYE and UIF

Current year subscription / fee	11 692 254	10 920 862
Amount paid - current year	(11 692 254)	(10 920 862)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	4 367 454	2 672 834
Amount paid - current year	(4 367 454)	(2 672 834)
	-	-

VAT

VAT payable	1 759 240	26 306 040

All VAT returns except for the December 2015 VAT return was submitted by the due date throughout the year. Refer to Fruitless and wasteful expenditure note for more details.

41. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

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

African Graphix	13 200	-
Ascret of David Initiative Projects and Construction	3 450	-
Koketso Growth (Pty) Ltd	-	5 974 551
GVK Siya Zama (Pty) Ltd	-	126 095 085
MBP Earthworks	-	9 340
Ditlodi Community Development	-	968 604
Britehouse	25 378	-
The Creative Axis	256 740	-
	298 768	**133 047 580**

Categories of deviation as per Regulation 36 of the MFMA		
Services required in an emergency	16 650	9 340
Any other exceptional case where it is impractical or impossible to follow official procurement processes	-	133 038 240
Ratified minor breaches of SCM processes	282 118	-
	298 768	**133 047 580**

Deviations - 2016
The deviations from normal supply chain management regulations in the current year are as follows:

African Graphix

Service required for the Great Walk Bridge collapse cleansing ceremony. Sole supplier appointed by CoJ to place and manage CoJ related branding material. The deviation from the normal JDA Supply Chain Management processes was approved by the CEO.

Ascret of David

Due to a water leak from the downstairs kitchen overflowing into Portfolio A offices, emergency repairs had to be effected. The water pipes had to be replaced to avoid flooding. In order to minimise further damage to the property and goods only one quotation was sourced from a plumber Asecret of David Initiative Projects and Construction form the JDA panel of plumbers to carry out the emergency repairs. The total cost of the repairs amounted to R 3 450.00. The deviation from the normal JDA Supply Chain Management processes was approved by the CEO.

Ratification - Appointment of a service provider for a compubrand software - Britehouse

The Accounting Officer ratified a minor breach in supply chain processes for the appointment of Britehouse. An RFQ was advertised on the JDA website for seven days, on receipt of the RFQ the bid was evaluated and the service provider was appointed with a value that exceeds the threshold of R200 000 by R 25,378. The minor breach of the procurement process was ratified by the Accounting Officer.

Ratification - Extension of an appointment from two years to three years - The Creative Axis

The Accounting Officer ratified a minor breach in supply chain processes for the continued appointment of The Creative Axis. The team was erroneously appointed for two years (2013/14 and 2014/15) instead of three years i.e. including the 2015/16 financial year. The tender document advertised had stated a three year appointment of a service provider. The minor breach of the procurement process was ratified by the Accounting Officer.

41. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

Deviations - 2015

Design, manufacture and erection of a monumental bronze statue of the late former President Nelson Mandela for the City of Ramallah in Palestine.

The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(v) for the appointment of a service provider to design, manufacture and erect a monumental bronze statue of former President Nelson Mandela for the City of Ramallah in Palestine. The deviation was to shorten the tender advertising period from 14 days to 7 days. The reason for shortening the tender advertising period was due to the stringent time frames to deliver the project.

Appointment of a contractor for the construction of the Inner City Commuter Links Phases 5 and 6

The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(v) for the appointment of a contractor for the construction of the Inner City Commuter Links Phases 5 and 6. The deviation was to shorten the tender advertising period from 30 days to 21 days. The tender was initially advertised publicly for 30 days however all submissions were found to be non-compliant by the Bid Evaluation Committee. The tender was then re-advertised and due to the stringent timeframes the tender advertising period was shortened.

Emergency repairs to burst geyser in tenant's office space at the Bus Factory

The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(i) for the appointment of a service provider to undertake repairs to a burst geyser. The deviation was to request a quotation from one service provider instead of three quotations from three service providers in the JDA database. This was done to minimise further damage to property and goods as a result of the burst geyser.

Appointment of service provider for Community Liaison services in Alexandra

The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(v) for the appointment of a service provider to manage Community Liaison Officers (CLOs) based in Alexandra. Since the beginning of the Alexandra Renewal Programme in 2001 the project has had the services of a group of CLOs. These CLO's were appointed by the Gauteng Department of Human Settlements through an independent service provider. The contract between the Gauteng Department of Human Settlements and the service provider came to an end on 31 March 2015. Replacing the group of CLOs through an open tender process would pose a serious threat to the delivery of projects in Alexandra. The deviation from normal supply chain processes was to enter into direct negotiations with the Cooperative formed by the CLOs with a view of appointing them to provide community liaison services for the Alexandra Renewal Programme.

42. OPERATING LEASE INCOME

Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	88 800	88 800
- in second to fifth year	244 200	333 000
	333 000	**421 800**

The operating lease income relates to rental of the Bus Factory offices to tenants. The lease agreements general period is three years and is based on a rental fee per square metre of rental space.

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43. AWARDS MADE TO A PERSON WHOSE CLOSE FAMILY MEMBERS ARE IN THE SERVICE OF THE STATE

Name of the person (Service of the State)	Name of the person/company award	Name of the person/company award	Amount in Rands
Nyiko Gudlhuza	Gudlhuza Development Solutions	Spouse works for Eskom but of not a member of the CC	1 232 636
Nyiko Gudlhuza	Gudlhuza development Solutions	Spouse works for Eskom but of not a member of the CC	35 300
Clive September	GIBB (Pty) Ltd	Daughter employed by Health Infrastructure PWGWC as a State Accountant and another Daughter employed by the City of Cape town as a Project Administrator	623 754
Darren Pillay		Parent employed by the Dept of Education KZN as a data capture and Another parent employed by the Dept of Education as an Educator	
Jenny Moon		Spouse works for the City of Cape Town as Head: Business Continuity	
Jo-Anne Stolworthy		Spouse works for the City of Cape Town as Principle Professional officer	
Lize de Beer		Spouse works for Eskom as Chief Engineer	
Mthokozisi Selby Mkhize		Spouse works for the National Department of water Affairs and Forestry as an Accounting Clerk	
Neville Randall		Department of Education as a Senior Educator	
Nomasithini Mzayiya		Spouse works for the Dept of Correctional Services as Correctional Officer	
Penny Smith		Partner works for the Department of transport and Public Works as DDG	
Rorisang Lekonyana		Spouse work for Department of National Treasury as Deputy Director	
Douglas Kiewiet		Parent works for Department of Water Affairs and Forestry	
Vinnie Naidoo		Spouse works for the Gauteng Dept of Education as an HOD for Math's	
Pravanya Pillay		Spouse works for the City of Cape Town as senior Professional Officer and Mother works for the Dept of Education KZN as HoD: Languages,Father works for the Dept of Transport KZN as Mechanical Engineer	
Zafar Haq		Brother works for City Engineers as Architect/town Planner	
CAJ van Coillie	CSM Consulting Services	Son, Andre van Coillie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	1 700 425
CAJ van Coillie	CSM Consulting Services	Son, Andre van Coillie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2 053 480

Notes to the Annual Financial Statements

44. BUDGET DIFFERENCES

Material differences between budget and actual amounts

Rendering of services - Management fees are raised on CAPEX budget and only 92% of the overall CAPEX budget was spent for the current financial year. The under expenditure in the CAPEX budget has resulted in an under recovery of management fees from the relevant departments.

Tender fee income - The overall tender fees are budgeted for based on prior year trends. The overall tender fee income is dependant on the number of bidders that purchase the proposal documents. During the current year a higher than expected number of tender documents were purchased.

Sundry income - Included in the budgeted amounts are SDL refunds that were expected to be received by year end. Althoug these returns were filed, no refunds were received by year end.

Recovery of non-current and intangible assets expenditure - Included in the current year CAPEX budget was R 11 million for the purchase of operational assets. This included the implementation of Phase 1 of the SAP ERP system and other fixed assets. For the year under review, R9 million of this budget was utilised and claimed from the CJMM Capital Asset Management department.

Employee related costs - The variance is mainly as a result of vacant positions that are still currently under recruitment process. These positions include EM: Development Implementation, HR Manager, SDM: Portfolio A and SDM: Portfolio B.

Depreciation and amortisation - The variance is mainly due to the increase in the property, plant and equipment and the intangible assets in the current year.

Finance costs - Included in the finance costs is interest and penalties charged by SARS on the late submission of a VAT return. This is currently under objection however no feedback has been received as yet.

General expenses - The major contributor to the over expenditure is the staff recruitment costs. This was mainly due to the number of vacant positions during the current year and the additional costs for advertising of vacant positions.