EKURHULENI DEVELOPMENT COMPANY (SOC) LTD

(REGISTRATION NUMBER 2000/007936/07)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Version: 05.08.2015 V1

These annual financial statements were prepared by:
Dumisani Dlamini
Chief Finance Officer
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Published 30 June 2016

GENERAL INFORMATION

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Providing management services to Social Housing Companies
DIRECTORS	F Segole (Non-Executive Director) L Netshitenzhe (Non-Executive Director) A Makhado (Non-Executive Director) K Maithufi (Non-Executive Director) M Ngobeni (Non-Executive Director) T Limako (Non-Executive Director) L Vutula (Non-Executive Director) Z Nkamana (Non-Executive Director) D Dlamini (Executive Director) A Pillay (Executive Director)
REGISTERED OFFICE	Shop no. 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
BUSINESS ADDRESS	Shop no. 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
POSTAL ADDRESS	P O Box 1245 Germiston 1400
CONTROLLING ENTITY	Ekurhuleni Metropolitan Municipality incorporated in South Africa
BANKERS	ABSA Bank Limited
AUDITORS	Auditor General South Africa
SECRETARY	Adv K Sebola
COMPANY REGISTRATION NUMBER	2000/007936/07

INDEX

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

Contents **Page**

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SHRA	Social Housing Regulatory Authority

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

I am the chief executive officer and in terms of the Municipal Finance Management Act (Act 56 of 2003), the designated accounting officer responsible for the preparation of these annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The annual financial statements set out on pages 5 to 41, which have been prepared on the basis approved by the board on 30 June 2016 and were signed on its behalf by:

L Vutula (Non-Executive Director)
Chairperson-Board of Directors

A Pillay (Executive Director)
Chief Executive Officer

Thursday, 30 June 2016

DIRECTOR'S REPORT

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

1. INCORPORATION

The entity was incorporated on 26 April 2000 and obtained its certificate to commence business on the same day.

The entity's main business is property development, investment and management.

2. GOING CONCERN

We draw attention to note 26 in the Annual Financial Statements, Going Concern and Consolidation of Companies.

As reported in the 2015 Annual Financial Statements, the Board passed a resolution on 30 June 2015 to proceed with the amalgamation of the following related parties into a single company, namely:

• Ekurhuleni Development Company (SOC) Ltd, (“EDC”)

• Pharoe Park Housing Company (SOC) Ltd, (“Pharoe Park”)

• Germiston Phase II Housing Company (SOC) Ltd ("Germiston Phase II Housing Company") and

• Lethabong Housing Institute (SOC) NPC. (“Lethabong Housing Institute”)

On 28 January 2016 the Company’s Shareholder, Ekurhuleni Metropolitan Municipality, approved the transfer of Ekurhuleni Development Company (SOC) Ltd functions to Germiston Phase II Housing Company (SOC) Ltd in accordance with GRAP 105.

This transfer of functions, with an effective date of 30 June 2016, resulted in the transfer of all EDC’s business, staff, assets, liabilities and operations to Phase II Housing Company.

The operations, assets and liabilities of EDC were transferred to Phase II Housing Company as a going concern and as a result all assets and liabilities were transferred at their carrying amounts. Please refer to note 26 for more information on this transfer of functions.

The transfer of the assets and liabilities to Germiston Phase II Housing Company resulted in a net profit of R751 848.

The transfer was done at a nominal value of R1-00.

The registration of all assets, such as immovable property, cessation of creditors, etc. in the name of Germiston Phase II Housing Company (SOC) Limited is expected to be completed within 3-6 months after the transfer date recognized in the annual financial statements. All control, rights and obligations to all of the business, staff, assets and liabilities were however transferred to Germiston Phase II Housing Company on 30 June 2016, which assumed ownership of the business, staff, assets and liabilities of Ekurhuleni Development Company from that date.

The board has already engaged in the process of winding up the EDC statutory company, which will be completed before 30 June 2017.

Resultantly, Ekurhuleni Development Company (SOC) Ltd is considered not to be a going concern as from 30 June 2016 going forward.

3. SUBSEQUENT EVENTS

The directors are not aware of any material matter or circumstance arising since 30 June 2016 and the date of issue of this report which would have an effect on the report.

4. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP).

DIRECTOR'S REPORT

5. SHARE CAPITAL / CONTRIBUTED CAPITAL

The entity was incorporated with an authorised share capital or 1,000 ordinary shares of R1 each of which 100 were issued at par value.

There were no changes in the authorised or issued share capital of the entity during the year under review. Ekurhuleni Metropolitan Municipality held 100% of the ordinary share capital of the entity as at year end.

Unissued ordinary shares are under the control of Ekurhuleni Metropolitan Municipality.

6. NON-CURRENT ASSETS

There were no major changes in the nature of the non-current assets of the entity, nor to its policy regarding its use during the year under review.

7. DISTRIBUTIONS TO OWNERS

No dividends were declared or paid to shareholder during the year.

8. DIRECTORS

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

Name	Nationality	Appointment date (Resignation Date)
F Segole (Non-Executive Director)	South African	01 May 2015
L Netshitenzhe (Non-Executive Director)	South African	01 May 2015
A Makhado (Non-Executive Director)	South African	01 July 2015
C Lehoka (Non-Executive Director)	South African	01 May 2015 (Resigned 04 November 2015)
K Maithufi (Non-Executive Director)	South African	01 May 2015
M Ngobeni (Non-Executive Director)	South African	01 July 2015
T Limako (Non-Executive Director)	South African	01 July 2015
L Vutula (Non-Executive Director)	South African	01 July 2015
Z Nkamana (Non-Executive Director)	South African	01 July 2015
D Dlamini (Executive Director)	South African	01 October 2014
A Pillay (Executive Director)	South African	01 October 2014

9. SECRETARY

The secretary of the entity is Adv K Sebola

Business address

Shop no. 9 Pharoe Park
Cnr Jack & Queen Street
Germiston
1400

Postal address

P O Box 1245
Germiston
1400

DIRECTOR'S REPORT

10. CORPORATE GOVERNANCE

GENERAL

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

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

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

BOARD OF DIRECTORS

The Board:

- ensures that the entity complies with its mandate and responsibilities, its plans and strategy;
- acknowledge its responsibilities as 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:
  - 8 non-executive directors, all of whom are independent directors as defined in the Code.

CHAIRPERSON AND CHIEF EXECUTIVE

The Chairperson is a non-executive and independent director.

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

REMUNERATION

The remuneration of the Executive Directors is determined by the shareholder. The remuneration of key management and directors are disclosed in a note of the annual financial statements. The chairperson of the Remuneration Committee is Mr Z Nkamana.

BOARD MEETINGS

The Board has met on 6 separate occasions during the year ending 30 June 2016. The Board is scheduled to meet at least 4 times per annum.

AUDIT COMMITTEE

In terms of Section 166(6)(b) of the MFMA, a municipality may establish a single Audit Committee for itself and municipal entities under its control.

The entity does not have its own audit committee. The audit committee of the Ekurhuleni Metropolitan Municipality is responsible for the audit committee function. This is in compliance with the MFMA.

INTERNAL AUDIT

The internal audit department of Ekurhuleni Metropolitan Municipality provided the internal audit function to the entity This is in compliance with the Municipal Finance Management Act, 2003.

11. CONTROLLING ENTITY

The entity's controlling entity is Ekurhuleni Metropolitan Municipality.

12. BANKERS

ABSA Bank Limited.

DIRECTOR'S REPORT

13. AUDITORS

In accordance with Section 92 of the MFMA the Auditor General South Africa remains the auditor of the entity. Auditor-General of South Africa will continue as the company's external auditors.

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 Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

Adv K Sebola
Company Secretary

Johannesburg

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Loans to economic entities	3	-	12 591 415
Current tax receivable	9	-	572
Receivables from exchange transactions	4	-	218 835
Cash and cash equivalents	5	-	386 028
		-	**13 196 850**
Non-Current Assets			
Property, plant and equipment	6	-	606 135
Intangible assets	7	-	4 960
Deferred tax	8	-	83 780
		-	**694 875**
Total Assets		**-**	**13 891 725**
Liabilities			
Current Liabilities			
Loans from economic entities	3	-	11 778 125
Finance lease obligation	10	-	38 913
Payables from exchange transactions	11	-	538 884
VAT payable		-	321 477
Provisions	12	-	732 812
		-	**13 410 211**
Non-Current Liabilities			
Finance lease obligation	10	-	46 581
Total Liabilities		**-**	**13 456 792**
Net Assets		**-**	**434 933**
Share capital / contributed capital	13	100	100
Reserves			
Accumulated surplus - Recognised gain on transfer of functions		751 848	-
Accumulated surplus		(751 948)	434 833
Total Net Assets		**-**	**434 933**

* See Note 31

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue - Discontinued operations			
Rendering of services		20 839 000	14 375 067
Recoveries		-	19 074
Other income	15	65 351	92 599
Interest received	16	6 808	3 100
Government grants & subsidies		559 040	-
Total revenue		**21 470 199**	**14 489 840**
Expenditure - Discontinued operations			
Employee related costs	17	(12 917 032)	(9 145 343)
Remuneration of non-executive directors	18	(1 200 000)	(712 000)
Depreciation and amortisation		(159 860)	(102 928)
Finance costs	19	(11 770)	(18 688)
Debt Impairment		(4 980)	(8 539)
Repairs and maintenance		(70 207)	(53 473)
General Expenses	20	(8 549 711)	(4 232 035)
Total expenditure		**(22 913 560)**	**(14 273 006)**
Operating (deficit) surplus		**(1 443 361)**	**216 834**
Loss on disposal of assets and liabilities		(18 267)	(15 023)
(Deficit) surplus before taxation		**(1 461 628)**	**201 811**
Taxation	21	(274 848)	45 842
(Deficit) surplus for the year		**(1 186 780)**	**155 969**

* See Note 31

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities - Discontinued operations			
Receipts			
Sale of goods and services		20 790 132	14 350 181
Grants		559 040	-
Interest received		6 808	3 100
Other cash receipts		65 351	111 673
		21 421 331	14 464 954
Payments			
Employee costs		(13 569 029)	(9 593 268)
Finance costs		(11 770)	(18 688)
Other payments		(8 559 822)	(4 052 281)
Taxation	9	(619 082)	(89 346)
		(22 759 703)	(13 753 583)
Net cash flows from operating activities	22	**(1 338 372)**	**711 371**
Cash flows from investing activities - Discontinued operations			
Purchase of property, plant and equipment	6	(369 789)	(129 720)
Purchase of other intangible assets	7	(162 478)	-
Loans to economic entities (decrease) / Increase		-	(429 909)
Net cash flows from investing activities		**1 407 029**	**(559 629)**
Cash flows from financing activities - Discontinued operations			
Finance lease payments		(39 501)	(32 996)
Net increase/(decrease) in cash and cash equivalents		**29 156**	**118 746**
Cash and cash equivalents at the beginning of the year		386 028	267 282
Transfer of functions out		(415 184)	-
Cash and cash equivalents at the end of the year	5	**-**	**386 028**

* See Note 31

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Share capital / contributed capital	Recognise gain on transfer of functions in accumulated surplus	Accumulated surplus	Total net assets
Opening balance as previously reported	100	-	294 005	294 105
Adjustments				
Correction of prior year error (Note 31)	-	-	(15 141)	(15 141)
Balance at 01 July 2014 as restated*	**100**	**-**	**278 864**	**278 964**
Changes in net assets				
Surplus for the period	-	-	155 969	155 969
Total changes	-	-	155 969	155 969
Opening balance as previously reported	100	-	439 827	439 927
Adjustments				
Correction of prior year error (Note 31)	-	-	(4 995)	(4 995)
Restated* Balance at 01 July 2015	**100**	**-**	**434 832**	**434 932**
Changes in net assets				
Surplus for the period	-	-	(1 186 780)	(1 186 780)
Gains (losses) from mergers or transfer of functions between entities under common control	-	751 848	-	751 848
Total changes	-	751 848	(1 186 780)	(434 932)
Balance at 30 June 2016	**100**	**751 848**	**(751 948)**	**-**
Note(s)	13			

* See Note 31

Statement Of Comparison Between Budget And Actual

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
30 June 2016											
Financial Performance											
Investment revenue	3 000	-	3 000	-		3 000	6 808		3 808	227 %	227 %
Transfers recognised - operational	559 040	-	559 040	-		559 040	559 040		-	100 %	100 %
Other own revenue	20 959 000	-	20 959 000	-		20 959 000	20 904 351		(54 649)	100 %	100 %
Total revenue (excluding capital transfers and contributions)	**21 521 040**	**-**	**21 521 040**	**-**		**21 521 040**	**21 470 199**		**(50 841)**	**100 %**	**100 %**
Employee costs	(13 393 000)	-	(13 393 000)	-	-	(13 393 000)	(12 917 032)	-	475 968	96 %	96 %
Remuneration-non executive directors	(935 000)	-	(935 000)	-	-	(935 000)	(1 200 000)	-	(265 000)	128 %	128 %
Debt impairment	-	-	-			-	(4 980)	-	(4 980)	100 %	100 %
Depreciation and asset impairment	(116 000)	-	(116 000)			(116 000)	(159 860)	-	(43 860)	138 %	138 %
Finance charges	(1 000)	-	(1 000)	-	-	(1 000)	(11 770)	-	(10 770)	1 177 %	1 177 %
Other expenditure	(6 167 000)	-	(6 167 000)	-	-	(6 167 000)	(8 638 185)	-	(2 471 185)	140 %	140 %
Total expenditure	**(20 612 000)**	**-**	**(20 612 000)**	**-**	**-**	**(20 612 000)**	**(22 931 827)**	**-**	**(2 319 827)**	**111 %**	**111 %**
Surplus/(Deficit)	**909 040**	**-**	**909 040**	**-**		**909 040**	**(1 461 628)**		**(2 370 668)**	**(161)%**	**(161)%**
Taxation	559 040	-	559 040	-		559 040	(136 491)		(695 531)	(24)%	(24)%
Surplus/(Deficit) for the year	**350 000**	**-**	**350 000**	**-**		**350 000**	**(1 325 137)**		**(1 675 137)**	**(379)%**	**(379)%**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome

1. Remuneration of non executive directors

The shareholder appointed more board members than budgeted by the entity, furthermore apart from the 4 quarterly meetings, special sub-committee and board meetings were held in the last month of the second quarter to review the financial statement and the annual report

2. Employee cost
Lower than budget by 14% due to vacant position which were filled in the third quarter.

3.Depreciation

Depreciation is more than anticipated and exceeds the budget by 38%, this is due to addiditonal assets bought during the year and the useful life of certain assets was revised.

4. Other expenditure

The actual spending on other expenditure is 40% above the budget mainly due to an amount of R2 million in settlement of a contingent liability settled in June 2016, which was not budgeted by EDC.

Accounting Policies

1. Presentation of Annual Financial Statements

Basis of Preparation

On 28 January 2016 the Company's Shareholder, Ekurhuleni Metropolitan Municipality, approved the transfer of Ekurhuleni Development Company (SOC) Ltd (EDC) functions to Phase II Housing Company (SOC) Ltd (Phase II Housing Company) in accordance with GRAP 105. This transfer of functions, with an effective date of 30 June 2016, resulted in the transfer of all EDC's assets, liabilities and operations to Phase II Housing Company. The operations, assets and liabilities of EDC were transferred to Phase II Housing Company as a going concern and as a result all assets and liabilities were transferred at their carrying amounts. Please refer to note 26 for more information on this transfer of functions. These financial statements have been prepared on this basis.

These annual financial statements were prepared in accordance with 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 No 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

1.1 Significant judgements and sources of estimation uncertainty

In the process of applying the entity's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

• **Trade receivables and loans and receivables**

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

The entity assesses where evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

Impairment for trade receivables and loans and receivables is calculated based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

• **Impairment of receivables**

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This was performed per service-identifiable categories across all debtor classes.

• **Impairment of Intangible assets, property, plant and equipment**

The calculation in respect of the impairment of Intangible assets, property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

• **Provisions, contingent liabilities**

Accounting Policies

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material, using cost of capital.

• **Useful lives of property, plant and equipment held at cost**

The useful lives of Intangible assets and property, plant and equipment, are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the useful-life expectation, where appropriate. The estimated residual values of assets is also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

• Budget information

A difference of 5% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements.

1.2 Presentation currency

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

Amounts in the financial statements are rounded to the nearest South African Rand.

1.3 Property, plant and equipment

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

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.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is no longer in use in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.3 Property, plant and equipment (continued)

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

The depreciation rates are based on the following estimated useful lives:

Item	Average useful life
• Furniture and fittings	10 years
• Motor vehicles	5 – 11 years
• Office equipment	5 years
• IT equipment	5 – 9 years

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 on the prospective basis.

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 at the date of sale.

1.4 Intangible assets

An intangible asset is recognised when:

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

An intangible asset is an identifiable non-monetary asset without physical substance.

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 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.

Accounting Policies

1.4 Intangible assets (continued)

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

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

Internally generated goodwill is not capitalized as an intangible asset.

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

Item	Useful life
Computer software	5-11 years

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

1.5 Financial instruments

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

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
Loans to economic entities	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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
Loans from economic entities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	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 trade date 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.

Subsequent measurement of financial assets and financial liabilities

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

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

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

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.

a) 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.

Accounting Policies

1.5 Financial instruments (continued)

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.

Derecognition
a) Financial assets

The entity derecognises financial assets (or part of a financial asset) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the entity has transferred all of the significant risks and rewards of ownership using trade date accounting.

On derecognition of a financial asset (or part of a financial asset), the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

b) 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 (when the obligation specified in the contract is discharged, cancelled, expires or waived).

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).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Employee benefits

Short-term employee benefits

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

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

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

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

Accounting Policies

1.7 Provisions and contingencies

A provision is recognised when the entity has a present obligation (legal or constructive) as a result of a past event and 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 amount of the obligation.

The entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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 discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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.

a) Leave provision
Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

b) Performance bonus provision
The provision is made for Senior Management performance bonuses, where applicable.

1.8 Revenue from exchange transactions

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

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:
• The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
• A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Interest revenue is recognised on a time proportion basis.

Accounting Policies

1.9 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Transfers, including Grants and Receipts
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.

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.

1.10 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 interest on the remaining balance of the liability.

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

1.11 Comparative figures

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understandibility and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are reclassified. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Accounting Policies

1.12 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 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 entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Budget information

The approved budget is prepared in accordance with GRAP standards on an accrual basis, and are consistent with accounting policies as adopted by the Council for the preparation of this financial statements, and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30. These figures are those approved by Council both at the beginning and during the year, following a period of consultation with the public as part of the Integrated Development Plan (IDP). The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments to material differences are provided in the notes to the annual financial statements.

1.15 Related parties

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

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed, except for transactions with controlled entities, which are disclosed in full.

1.16 Events after reporting date

Events after the 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).

Reporting date means the date of the last day of the reporting period to which the financial statements relate. The entity adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

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

Accounting Policies

1.17 Commitments

The entity discloses each class of capital assets (PPE, Investment properties and Intangible assets) recognized in the financial statements as well as future minimum lease payments under non-cancellable operating leases for each of the following periods:
- Not later than one year,
- Later than one year and not later than five years, and
- Later than five years.

1.18 Going concern and consolidation (transfer of functions)

As referred to in note 26, all of the company's business, staff, assets and liabilities were transferred to Germiston Phase II Housing Company (SOC) LTD on 30 June 2016 in line with GRAP 105.

The entity is therefore considered not to be a going concern as from 30 June 2016 going forward.

Transfers of functions between entities under common control are accounted for by the acquirer by recognising assets acquired and liabilities assumed at their carrying amounts at the date of transfer.

Any difference between the assets and liabilities recognised and consideration paid, if any, is recognised in accumulated surplus or deficit. Transfers of functions between entities under common control are accounted for by the transferor by derecognising assets and liabilities at their carrying amounts at the date of transfer. Any difference between the assets and liabilities derecognised and consideration paid, if any, is recognised in accumulated surplus or deficit.

1.19 Taxes

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

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

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

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

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 18: Segment Reporting	No effective date has yet been determined by the Minister of Finance	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2017	The impact of the amendment is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP 108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No effective date has yet been determined by the Minister of Finance	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.

3. LOANS TO (FROM) ECONOMIC ENTITIES

RELATED PARTIES

	2016	2015
Pharoe Park Housing Company SOC Limited	-	7 984 294
Lethabong Housing Institution SOC NPC	-	4 607 121
	-	**12 591 415**
Germiston Phase II Housing Company SOC Limited	-	(11 778 125)
	-	-
	-	**(11 778 125)**

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2016	2015
Staff debtors	-	100 582
Other Debtors	-	30 000
Prepaid expenses	-	88 253
	-	**218 835**

TRADE AND OTHER RECEIVABLES PAST DUE BUT NOT IMPAIRED

Trade and other receivables which are more than 3 months past due are considered not to be impaired. At 30 June 2016, R- (30 June 2015 restated: R 218 835) were past due but not impaired.

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

	2016	2015
1 month past due	-	188 835
3 months past due	-	30 000

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2016	2015
Cash on hand	-	1 102
Bank balances	-	384 926
	-	**386 028**

5. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents earn interest at floating rates based on the daily bank deposit rates. The carrying value of cash and short term deposits approximates its fair value.

The entity banks with the Amalgamated Bank of South Africa Limited.

THE ENTITY HAD THE FOLLOWING BANK ACCOUNTS

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA-Current Account-405 591 949 2	-	384 926	267 282	-	384 926	267 282

The control over EDC bank accounts were relinquished to Germiston Phase II in terms of the consolidation agreement (refer note 26 Going Concern and Consolidation of Companies).

Notes to the Annual Financial Statements

Figures in Rand

6. 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	-	-	-	406 982	(164 865)	242 117
Motor vehicles	-	-	-	250 790	(141 687)	109 103
Office equipment	-	-	-	138 605	(30 711)	107 894
IT equipment	-	-	-	294 706	(147 685)	147 021
Total	**-**	**-**	**-**	**1 091 083**	**(484 948)**	**606 135**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2016

	Opening balance	Additions	Transfer of functions	Disposals	Depreciation	Total
Furniture and fixtures	242 117	83 968	(285 857)	-	(40 228)	-
Motor vehicles	109 103	-	(92 336)	-	(16 767)	-
Office equipment	107 894	33 227	(110 943)	-	(30 178)	-
IT equipment	147 021	252 594	(317 065)	(26 268)	(56 282)	-
	606 135	**369 789**	**(806 201)**	**(26 268)**	**(143 455)**	**-**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	190 542	78 464	-	(26 889)	242 117
Motor vehicles	124 257	-	-	(15 154)	109 103
Office equipment	131 300	3 350	-	(26 756)	107 894
IT equipment	143 308	47 906	(15 023)	(29 170)	147 021
	589 407	**129 720**	**(15 023)**	**(97 969)**	**606 135**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

6. PROPERTY, PLANT AND EQUIPMENT (continued)

ASSETS SUBJECT TO FINANCE LEASE (NET CARRYING AMOUNT)

Figures in Rand	2016	2015
Office equipment	-	92 137

There were no impairments of property, plant and equipment during the financial year under review (30 June 2015 - R0).

Notes to the Annual Financial Statements

Figures in Rand

7. INTANGIBLE ASSETS

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	-	-	-	133 284	(128 324)	4 960

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2016

	Opening balance	Additions	Transfer of functions	Amortisation	Total
Computer software, other	4 960	162 478	(151 033)	(16 405)	-

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2015

	Opening balance	Amortisation	Total
Computer software, other	9 920	(4 960)	4 960

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

8. DEFERRED TAX

DEFERRED TAX ASSET

Tax losses available for set off against future taxable income	-	83 780

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:

RECONCILIATION OF DEFERRED TAX ASSET

At beginning of year	83 780	42 632
Property plant and equipment, Intangibles, provisions and finance leases	274 848	41 148
Transfer of functions out	(358 628)	-
Balance at end of the year	**-**	**83 780**

9. CURRENT YEAR TAX RECEIVABLE

Balance at beginning of the year	572	(2 263)
Current tax recognised in surplus or deficit	-	(86 989)
Interest accrued-SARS	-	478
Tax paid	619 082	89 346
Transfer of functions out	(619 654)	-
Balance at end of the year	**-**	**572**

TAX RATE RECONCILIATION	30 June 2016	%	30 June 2015	%
(Loss)/Profit before tax	(1 461 628)	-	199 679	-
Tax on profit before tax at standard rate	-	-	55 910	28
Adjust for:	-	-	-	-
Permanent differences	-	-	1 648	1
Origination of temporary differences	(274 848)	9	(11 716)	(6)
Taxation per Income Statement	**(274 848)**	**9**	**45 842**	**23**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

10. FINANCE LEASE OBLIGATION

MINIMUM LEASE PAYMENTS DUE		
- within one year	50 516	50 516
- in second to fifth year inclusive	-	50 516
less: future finance charges	(3 935)	-
	46 581	101 032
Transfer of functions	(46 581)	(15 538)
Present value of minimum lease payments	**-**	**85 494**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS DUE		
- within one year	50 516	38 913
- in second to fifth year inclusive	-	46 581
Transfer of functions	(50 516)	-
	-	**85 494**

Non-current liabilities	-	46 581
Current liabilities	-	38 913
	-	**85 494**

It is the entity policy to lease certain equipment under finance leases.

The average lease term was 1-3 years and the average effective borrowing rate was 18% (30 June 2015: 18%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments .

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 6.

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	-	113 025
Payroll creditors	-	18 559
Accrued 13th cheque bonus	-	259 496
Accrued expense: Suppliers	-	109 072
Other Creditors	-	38 732
	-	**538 884**

Trade payables are non-interest bearing and are normally settled on 30 days terms. All other payables are non-interest bearing and have an average term of three months.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

12. PROVISIONS

RECONCILIATION OF PROVISIONS - 30 JUNE 2016

	Opening Balance	Additions	Utilised during the year	Transfer to accrual	Transfer of functions	Total
Leave Pay Provision	451 891	284 760	(181 094)	(28 233)	(527 324)	-
Performance Bonus Provision	280 921	766 472	(293 902)	-	(753 491)	-
	732 812	**1 051 232**	**(474 996)**	**(28 233)**	**(1 280 815)**	**-**

RECONCILIATION OF PROVISIONS - 30 JUNE 2015

	Opening Balance	Additions	Utilised during the year	Transfer to Accruals	Total
Leave Provision	362 376	365 691	(276 176)	-	451 891
Performance Bonus Provision	106 360	280 921	-	(106 360)	280 921
	468 736	**646 612**	**(276 176)**	**(106 360)**	**732 812**

A provision for leave is recognised for leave due to employees at year end. The provision for leave is calculated by multiplying the number of leave days due to each employee by a daily rate based on the total cost to company. The provision is expected to realise within the following financial year when employees request leave to be paid out or is used.

Performance bonus provision is recognised based on management incentives, past practice, current market related benchmarks, as well as entity specific goals. The provision is expected to realise within the following financial year upon finalisation of the performance review of managerial staff.

13. SHARE CAPITAL / CONTRIBUTED CAPITAL

	2016	2015
AUTHORISED		
1000 Ordinary shares of R1 each	1 000	1 000
ISSUED		
Ordinary	100	100

14. REVENUE

	2016	2015
Rendering of services	20 839 000	14 375 067
Recoveries: Fines and Insurance	-	19 074
Other Income	65 351	92 599
Interest received	6 808	3 100
Conditional Government Grants- Consolidation of companies	559 040	-
	21 470 199	**14 489 840**

THE AMOUNT INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:

	2016	2015
Rendering of services	20 839 000	14 375 067
Recoveries: Insurance	-	19 074
Other income	65 351	92 599
Interest received	6 808	3 100
	20 911 159	**14 489 840**

THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:

	2016	2015
Government grants & subsidies (conditional)	559 040	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

14. REVENUE (continued)

CONDITIONAL GRANTS

The grant received during the year of R559 040 was conditional upon EDC using it for the consolidation of the company with Germiston Phase II.

15. OTHER INCOME

Mandela day donations received from AMMM Attorneys	-	7 000
Tender administration fees	65 351	84 849
Sundry	-	750
	65 351	**92 599**

16. INVESTMENT REVENUE

INTEREST REVENUE

Interest earned on investments	6 808	3 100

17. EMPLOYEE RELATED COSTS

Basic	10 647 580	7 606 004
Performance bonus	766 472	280 921
Medical aid - company contributions	475 958	352 720
UIF	50 061	45 049
SDL	110 651	85 247
Leave pay provision charge	284 760	365 691
Post-employment benefits	580 798	409 361
Other wages	752	350
	12 917 032	**9 145 343**

REMUNERATION OF CHIEF EXECUTIVE OFFICER

Annual Remuneration	1 000 000	-
Acting Allowance	40 526	88 101
Performance Bonuses	105 062	-
Contributions to UIF, Medical and Pension Funds	72 450	442
Other	14 072	-
	1 232 110	**88 543**

REMUNERATION OF CHIEF FINANCE OFFICER

Annual Remuneration	1 009 696	668 054
Car Allowance	120 000	90 000
Performance Bonuses	100 515	-
Contributions to UIF, Medical and Pension Funds	107 636	67 549
Acting allowance	23 804	-
Other	39 073	9 200
	1 400 724	**834 803**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

18. REMUNERATION OF NON EXECUTIVE DIRECTORS

Board fees	1 200 000	712 000

REMUNERATION OF NON EXECUTIVE DIRECTORS

L Vutula	88 000	56 000
S Ndobe	-	80 000
T Matsho	-	96 000
F Segole	184 000	104 000
C Choene	-	40 000
Z Fihlani	-	16 000
P Masilo	-	72 000
W Huma	-	40 000
C Lehoko	80 000	24 000
J Lekgetha	-	40 000
K Maithufi	152 000	24 000
M Mankakane	-	40 000
P Mzizi	-	32 000
N Nchabeleng	-	24 000
L Netshifhefhe	144 000	24 000
Z Nkamana	128 000	-
M Ngobeni	152 000	-
T Limako	144 000	-
A Makhado	128 000	-
	1 200 000	**712 000**

19. FINANCE COSTS

Finance leases	11 603	18 009
Bank	167	344
Other interest paid	-	335
	11 770	**18 688**

20. GENERAL EXPENSES

Advertising	369 589	211 597
Auditors remuneration	611 197	503 696
Bank charges	30 050	27 817
Cleaning	2 080	995
Computer expenses	42 636	110 573
Conferences and seminars	104 591	72 004
Consulting and professional fees	4 213 446	1 252 879
Electricity	60 233	49 954
Fleet	38 179	62 542
Fuel and oil	64 640	80 685
Insurance	11 864	19 890
Rental of offices	439 579	427 218
Magazines, books and periodicals	64 846	65 872
Penalties - SARS	-	5 408
Pest control	13 266	13 266
Security (Guarding of municipal property)	14 697	17 329
Software expenses	128 370	98 039
Staff welfare	148 985	116 009
Stationery & printing	334 163	228 288
Telephone and fax	307 538	256 463
Tenant development	11 732	2 136
Training	921 552	304 869
Travel - local	616 478	304 506
	8 549 711	**4 232 035**

Figures in Rand	2016	2015

21. TAXATION

MAJOR COMPONENTS OF THE TAX (INCOME) EXPENSE

CURRENT		
Local income tax - current period	-	57 558
Deferred tax	(274 848)	(11 716)
	(274 848)	**45 842**

22. CASH (USED IN) GENERATED FROM OPERATIONS

(Deficit) surplus	(1 186 780)	155 969
ADJUSTMENTS FOR:		
Depreciation	159 860	102 928
Loss on sale of assets	18 267	15 023
Debt impairment	4 980	8 539
Movements in provisions	548 003	264 076
Movement in tax receivable and payable	(619 082)	(2 835)
Movement in deferred tax	(274 848)	(41 148)
CHANGES IN WORKING CAPITAL:		
Receivables from exchange transactions	(48 868)	(24 889)
Payables from exchange transactions	51 405	76 259
VAT	8 691	157 449
	(1 338 372)	**711 371**

23. RELATED PARTIES

Relationships	
Directors	Refer to Accounting Officer's report
Controlling entity	Ekurhuleni Metropolitan Municipality
Other entities of the group	Pharoe Park Housing Company (SOC) Limited Germiston Phase II Housing Company (SOC) Limited Lethabong Housing Institute (SOC) NPC Brakpan Bus Company (SOC) Limited East Rand Water Care Company (SOC) Limited
Members of key management	M Pillay (Chief Executive Officer) Dumisani Dlamini (Chief Financial Officer)

During the year the entity entered in to various related party transactions with its controlling entity and other entities in the EMM group. All transactions are concluded at arm's length.

RELATED PARTY BALANCES

LOAN ACCOUNTS - OWING (TO) BY RELATED PARTIES		
Pharoe Park Housing Company (SOC) Limited	-	7 984 294
Germiston Phase II Housing Company (SOC) Limited	-	(11 778 125)
Lethabong Housing Institute (SOC) NPC	-	4 607 121

RELATED PARTY TRANSACTIONS

PURCHASES FROM (SALES TO) RELATED PARTIES		
Ekurhuleni Metropolitan Municipality	60 233	49 954
RENT PAID TO (RECEIVED FROM) RELATED PARTIES		
Pharoe Park Housing Company (SOC) Limited	434 431	386 481
ADMINISTRATION FEES PAID TO (RECEIVED FROM) RELATED PARTIES		
Pharoe Park Housing Company (SOC) Limited	(9 281 000)	(6 505 548)
Germiston Phase II Housing Company (SOC) Limited	(11 558 000)	(7 869 519)

24. CONTINGENCIES

CONTINGENT LIABILITIES

M Ramanna and Associates CC instituted legal action in respect of a claim for compensation for work done as part of the SHRA regularisation plan for the amount of R2 334 520.The matter was settled in June 2016 with a payment of R2 000 000.00. The expense is included in Cosulting and Professional fees in note 20.

25. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

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

The entity's risk to liquidity is determined by the level of funds available to cover future commitments. The entity manages liquidity risk through an ongoing -review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

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	12 638 486	-	-	-
Provisions	732 812	-	-	-
Finance lease obligation	38 913	46 581	-	-

INTEREST RATE RISK

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

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates, and the entity is therefore not exposed to interest rate risk.

CREDIT RISK

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

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

Trade receivables comprise mainly receivables from related parties for management fees rendered. Management evaluated credit risk relating to customers on an ongoing basis. Risk ratings are done taking into account debtors financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

26. GOING CONCERN AND CONSOLIDATION OF COMPANIES (TRANSFER OF FUNCTIONS)

As reported in the 2015 Annual Financial Statements, the Board passed a resolution on 30 June 2015 to proceed with the amalgamation of the following related parties into a single company, namely:

• Ekurhuleni Development Company (SOC) Ltd, ("EDC")

• Pharoe Park Housing Company (SOC) Ltd, ("Pharoe Park")

• Germiston Phase II Housing Company (SOC) Ltd ("Germiston Phase II Housing Company") and

• Lethabong Housing Institute (SOC) NPC. ("Lethabong Housing Institute")

26. GOING CONCERN AND CONSOLIDATION OF COMPANIES (TRANSFER OF FUNCTIONS) (continued)

On 28 January 2016 the Company's Shareholder, Ekurhuleni Metropolitan Municipality, by Council Resolution approved the consolidation of EDC, Pharoe Park and Germiston Phase II Housing Company.

It was however resolved not to consolidate Lethabong Housing Institute, but rather to transfer the properties back to the Ekurhuleni Municipality and wind up the company.

Management has implemented the Shareholder's Special Resolution and it was resolved to transfer the complete businesses (including all staff, assets and liabilities), of EDC and Pharoe Park to Germiston Phase II Housing Company, which was completed on the effective transaction date of 30 June 2016.

The Board has already approved and management is engaged in the process of winding up EDC and Pharoe Park statutory companies, which will be completed before 30 June 2017.

It should however be noted that the key operations of the legacy entities will continue to function normally in the single entity of Phase II Housing Company.

The consolidation will prevent a duplication of functions and result in alignment with SHRA funding requirements. It will also increase the solvency of Phase II Housing Company.

Resultantly, Ekurhuleni Development Company (SOC) Ltd is considered not to be a going concern as from 30 June 2016 going forward.

The entity transferred all of its business, assets and liabilities to Germiston Phase II Housing Company (SOC) Ltd, registration number 2000/007937/07 on 30 June 2016 as required by the Special Resolution taken by its sole shareholder, Ekurhuleni Metropolitan Municipality.

The transfer was done at a nominal value of R1-00.

The registration of all assets, such as immovable property, cessation of creditors, etc. in the name of Germiston Phase II Housing Company (SOC) Limited is in process and is expected to be completed within 3-6 months after the transfer date recognized in the annual financial statements.

All control, rights and obligations to all the business' staff, assets and liabilities were however transferred to Germiston Phase II Housing Company on 30 June 2016, which assumed ownership of the business, staff, assets and liabilities of Ekurhuleni Development Company from that date.

The transfer of the assets and liabilities to Germiston Phase II Housing Company resulted in a net profit of R 751 848.

The consolidation of the companies represents a transfer of functions of entities under common control. All of the company's assets and liabilities were transferred at carrying values in terms of GRAP 105.

The full financial effect of the transfer of functions to Germiston Phase II Housing Company (SOC) LTD in the annual financial statements of Ekurhuleni Development Company is summarised as follows:

26. GOING CONCERN AND CONSOLIDATION OF COMPANIES (TRANSFER OF FUNCTIONS) (continued)

ASSETS	Closing Balance as at 30 June 2016 before transfer of functions	Balance transferred out	Total
Loans to economic entities	15 639 582	(15 639 582)	-
Current tax receivable	619 654	(619 654)	-
Receivable from exchange transactions	271 311	(271 311)	-
Cash and cash equivalents	415 184	(415 184)	-
Property, plant and equipment	806 201	(806 201)	-
Intangible assets	151 033	(151 033)	-
Deferred tax	358 628	(358 628)	-
	18 261 593	**(18 261 593)**	**-**

LIABILITIES	Closing Balance as at 30 June 2016 before transfer of functions	Balance transferred out	Total
Loans from economic entities	(16 765 588)	16 765 588	-
Finance lease obligation	(46 581)	46 581	-
Payables from exchange transactions	(590 289)	590 289	-
VAT payable	(330 168)	330 168	-
Provisions	(1 280 815)	1 280 815	-
	(19 013 441)	**19 013 441**	**-**

NET ASSETS	Accumulated surplus	Total
Net transfer through accumulated surplus	751 848	751 848

27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure- Opening balance	6 276	533
SARS interest-income tax	-	5 408
Interest-Telkom	-	335
	6 276	**6 276**

The SARS penalties and interest have been incurred between July 2014 and June 2015.

The above amounts are unlikely to be recovered and will be presented to the council and National Treasury for condonation after year end.

The accounting officer has started investigating the above items and depending the outcome of the investigations the accounting officer will institute the necessary disciplinary actions.

28. IRREGULAR EXPENDITURE

Opening balance	1 419 676	1 391 762
Add: Irregular Expenditure - current year	-	27 914
	1 419 676	**1 419 676**

28. IRREGULAR EXPENDITURE (continued)

ANALYSIS OF EXPENDITURE AWAITING CONDONATION PER AGE CLASSIFICATION

Current year	-	27 914
Prior years	1 419 676	1 391 762
	1 419 676	**1 419 676**

DETAILS OF IRREGULAR EXPENDITURE – CURRENT YEAR

	Disciplinary steps taken/criminal proceedings	
Talent Guru International (Pty) Ltd -Contract period exceeded		27 914

29. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

AUDIT FEES

Opening balance	-	56 971
Current year subscription / fee	611 197	467 236
Amount paid - current year	(611 197)	(524 207)
	-	**-**

PAYE AND UIF

Opening balance	3 991	3 109
Current year subscription / fee	3 124 021	1 952 536
Amount paid - current year	(3 128 012)	(1 951 654)
	-	**3 991**

PENSION AND MEDICAL AID DEDUCTIONS

Opening balance	83 888	70 121
Current year subscription / fee	2 029 846	1 529 438
Amount paid - current year	(2 113 734)	(1 515 671)
	-	**83 888**

30. FINANCIAL INSTRUMENTS DISCLOSURE

CATEGORIES OF FINANCIAL INSTRUMENTS

30 JUNE 2015

FINANCIAL ASSETS

	At amortised cost
Loans to economic entities	12 591 415
Current tax receivable	572
Trade and other receivables from exchange transactions	218 835
Cash and cash equivalents	386 028
	13 196 850

FINANCIAL LIABILITIES

	At amortised cost
Loans from economic entities	11 778 125
Current finance lease liability	38 913

. FINANCIAL INSTRUMENTS DISCLOSURE (continued)

Trade and other payables from exchange transactions	538 884
Non current finance lease liability	46 581
	12 402 503

FINANCIAL INSTRUMENTS IN STATEMENT OF FINANCIAL PERFORMANCE

30 JUNE 2016

	At amortised cost
Interest income (calculated using effective interest method) for financial instruments at amortised cost	6 808
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(11 770)
	(4 962)

30 JUNE 2015

	At amortised cost
Interest income (calculated using effective interest method) for financial instruments at amortised cost	3 100
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(18 688)
	(15 588)

31. PRIOR PERIOD ERRORS

1. Restatement of accumulated surplus and debtors was as a result of an amount of R15 140 for insurance claim which was incorrectly recorded as a debtor. The insurance paid the service provider a full claim amount of R40 140 and the service provider refunded EDC an amount of R25 000, which was recorded as income. The balance of R15 140 should have been reversed in 2013/14 financial year.

2. Debtors balance as at 30 June 2015 has been restated by an amount of 10 921. This relates to insurance premiums that should have been expensed but were incorrectly raised as a debtor.

3. Depreciation expense for 2014/15 has been restated by an amount of R21 293. The adjustment is due to assets that were fully depreciated in 2014/15 financial year and their useful life was not revised.

4. Computer equipment with a net book value of R5 688 were disposed as at June 2015. These assets should have been disposed last financial year as they were lost in the 2014/15 financial year. The restatement reduced the computer equipment cost by R13 822 and the accumulated depreciation by R8134.

5.Leave provision is restated for an amount of R 5461 which was over provided for the IT consultant - not entitled to leave days.

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

STATEMENT OF FINANCIAL POSITION	Balance as Previously reported	Restated balance	Adjustment
Property Plant and Equipment	598 544	606 135	(7 591)
Receivables from exchange transactions	244 896	218 835	26 061
Provisions	738 273	732 812	(5 461)
Total changes in net assets	-	-	(13 009)
	-	-	-
Statement of Financial Performance	-	-	-
Employee related costs	9 150 805	9 145 343	(5 461)
Depreciation and amortisation	116 207	102 928	(13 279)
General Expense	4 221 114	4 232 035	10 921
Loss on disposal of fixed assets	9 335	15 023	5 688
Opening accumulated surplus - Insurance income	-	-	15 140
Total change in Accumulated surplus	-	-	13 009
	-	-	-