



**Johannesburg Development Agency (SOC) Ltd**  
**(Registration number 2001/005101/07)**  
**Annual financial statements**  
**for the year ended 30 June 2017**

**These annual financial statements were prepared by:**  
**Sherylee Moonsamy**

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

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2017

## General Information

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<b>COUNTRY OF INCORPORATION AND DOMICILE</b>	South Africa
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	Regenerating the City of Johannesburg through facilitating and/or investing in development projects.
<b>DIRECTORS</b>	C Coovadia (Chairperson) Z Mafata (Chief Financial Officer) (Resigned 30 November 2016) K Govender E Harvey (Retired 16 March 2017) P Mashiane (Retired 16 March 2017) P Masilo T Mukhuba (Retired 16 March 2017) N Selamolela (Retired 16 March 2017) W Thwala (Retired 16 March 2017) P Zagaretos L Shole (Appointed 16 March 2017) M Qobo (Appointed 16 March 2017) A Steyn (Appointed 16 March 2017) N Ngwenya (Appointed 16 March 2017) P Mashele (Appointed 16 March 2017)
<b>REGISTERED OFFICE</b>	The Bus Factory 3 Helen Joseph Street Newtown Johannesburg 2000
<b>BUSINESS ADDRESS</b>	The Bus Factory 3 Helen Joseph Street Newtown Johannesburg 2000
<b>POSTAL ADDRESS</b>	P O Box 61877 Marshalltown Johannesburg 2001
<b>CONTROLLING ENTITY</b>	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
<b>BANKERS</b>	Standard Bank of South Africa Limited
<b>AUDITORS</b>	Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
<b>SECRETARY</b>	HR Shirinda
<b>COMPANY REGISTRATION NUMBER</b>	2001/005101/07

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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
ME's	Municipal Entities
MMC	Member of the Mayoral Committee
MFMA	Municipal Finance Management Act
BAC	Bid Adjudication Committee
BRT	Bus Rapid Transit System

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## Directors' Responsibilities and Approval

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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 entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and 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 entity 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

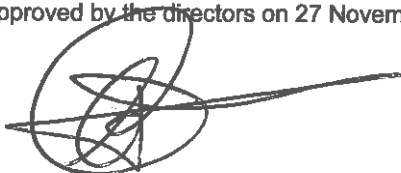
The directors have reviewed the entity's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The 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 6.

The annual financial statements set out on pages 7 to 67, which have been prepared on the going concern basis, were approved by the directors on 27 November 2017 and were signed on its behalf by:



C Coovadia (Chairperson)



C Botes (Acting Chief Executive Officer)

Newtown, Johannesburg

27 November 2017

# Johannesburg Development Agency (SOC) Ltd

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## Audit and Risk Committee Report

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We are pleased to present the Audit and Risk Committee Report of the JDA for the financial year ended 30 June 2017; 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 Code 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 Company Secretary on request.

### Audit and Risk Committee members and attendance

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

Name of member	Number of meetings attended
K Govender (Chairperson)	9/10
N Selamolela (Retired 16 March 2017)	7/8
T Mukhuba (Retired 16 March 2017)	3/8
M Qobo (Appointed 16 March 2017)	2/2
A Steyn (Appointed 16 March 2017)	2/2
M Dolamo (Independent Audit & Risk member)	10/10
K Onuoka (Independent Audit & Risk member)	10/10
Z Samsam (Independent Audit & Risk member)	7/10

### 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 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 thereof. 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 audited 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.

### 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 three year strategic rolling plan and the annual internal audit plan;
- 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.

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## Audit and Risk Committee Report

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### 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, IT and compliance risks;
- Determined the levels of risk appetite and monitoring that risks are managed within the pre-determination levels; and
- Reviewed and monitored the risk management processes to ensure that management implements appropriate risk management mitigation strategies.



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Chairperson of the Audit Committee

Date:

27/11/2017

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## **Report of the Auditor General**

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**To the Provincial Legislature of Johannesburg Development Agency (SOC) Ltd**

**Auditor-General of South Africa  
Registered Auditors**

**27 November 2017**

# Johannesburg Development Agency (SOC) Ltd

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## Directors' Report

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The directors submit their report for the year ended 30 June 2017.

### 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 145 627 (2016: surplus R2 753 601).

#### 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 managed 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 no tip-offs from members of the public. The detail of the one case for 2016 is as follows:

#### 2016

An allegation was made through 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 being investigated and is in reporting stage.

#### 2015

A case was reported to the Chief Audit Executive by a whistle-blower about a possible conflict of interest relating to a JDA official who works in the ARP. The conflict of interest relate to a JDA official who works in the ARP indirectly doing business with the Gauteng Provincial Government. The matter has been investigated and then referred to CJMM as the employer of the ARP employee to take disciplinary charges.



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## Directors' Report

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### 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 entity 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

Subsequent to the first submission of the financial statements, there was one non-adjusting and one adjusting event after the reporting date.

After ten years of service to the JDA, including both as a CEO and as an Executive Manager: Risk and Compliance, the CEO of the JDA resigned from the organisation. His last working day will be the 31st August 2017. The Executive Manager: Development Facilitation has been appointed in an acting capacity until the position is filled. This was a non-adjusting event

A litigation matter whereby 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 estimated at R17.8 million as a result of BRT construction works has been finalised as a judgement was passed in September 2017. The judgement was in the favor of the JDA and the CJMM and resulted in no financial liability.

Other than above, 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 liabilities are disclosed in note 33 .

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 2016 and a Commissioner has been appointed by the DOL. The matter has been delayed and is still ongoing.

### 6. FRUITLESS AND WASTEFUL EXPENDITURE

The organisation had incurred no fruitless and wasteful expenditure in the current year. Details of the fruitless and wasteful expenditure incurred in the prior year is disclosed in Note 41.

### 7. IRREGULAR EXPENDITURE

Irregular expenditure to the value of R4,260,658 was incurred during the current year . Details of the irregular expenditure incurred in the current and prior year is disclosed in Note 42 .

### 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.

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## Directors' Report

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### 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 entity by the shareholder during the year and except for this, no other contributions were 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	Resigned 31 August 2017
Z Mafata (Chief Financial Officer)	South African	Resigned 30 November 2016
K Govender	South African	
E Harvey	South African	Resigned 16 March 2017
P Mashiane	South African	Resigned 16 March 2017
P Masilo	South African	
T Mukhuba	South African	Resigned 16 March 2017
N Selamolela	South African	Resigned 16 March 2017
W Thwala	South African	Resigned 16 March 2017
P Zagaretos	South African	
L Shole	South African	Appointed 16 March 2017
M Qobo	South African	Appointed 16 March 2017
A Steyn	South African	Appointed 16 March 2017
N Ngwenya	South African	Appointed 16 March 2017
P Mashele	South African	Appointed 16 March 2017

### 12. SECRETARY

The company secretary of the entity is HR Shirinda of:

Business address

The Bus Factory  
3 Helen Joseph Street  
Newtown  
Johannesburg  
2000

Postal address

P O Box 61877  
Marshalltown  
Johannesburg  
2001

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## Directors' Report

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### 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 (2016: nine non-executive directors), all of whom are independent directors as defined in the Code. No director is a disqualified person in terms of Section 93F of the Municipal Systems Act; and
  - one executive directors (2016: two executive directors), the Chief Executive Officer and the Chief Financial Officer. The Chief Financial Officer had resigned on the 30 November 2016.
- 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 entity.

#### HR and Remuneration Committee

The members of the HR and Remuneration Committee are Mr M Qobo, Mr P Masilo, Ms L Shole and Mr P Mashele. The Chairperson of the HR and Remuneration Committee is Mr M Qobo who is a non-executive director. The HR and Remuneration Committee has met on five occasions 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 Selamolela, Dr E Harvey, Mr T Mukhuba and D Thwala and the appointment of Mr M Qobo, Ms L Shole and Mr P Mashele.

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.

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## Directors' Report

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### Development and Investment Committee

The members of the Development and Investment Committee are: Mr C Coovadia, Mr K Govender Mr P Zagaretos, Mr A Steyn, Ms L Shole, Ms N Ngwenya and Mr T Mendrew. 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 four occasions during period under review to review matters necessary to fulfil its role. During the year under review the changes in the committee included the retirement of Ms P Mashiane and Mr D Thwala and the appointment of Mr A Steyn, Ms L Shole and Ms N Ngwenya .

### Audit and Risk Committee

The members of the Audit and Risk Committee are: Mr K Govender, Ms M Dolamo, Ms K Onuoka, Mr Z Samsam, Mr M Qobo and Mr A Steyn. 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 eight occasions during period under review to review matters necessary to fulfil 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 retirement of Ms N Selamolela and Mr T Mukhuba and the appointment of Mr M Qobo and Mr A Steyn.

### Social and Ethics Committee

The members of the Social and Ethics Committee are Mr P Masilo, Mr P Zagaretos, Mr P Mashele, Ms N Ngwenya and Mr Mendrew. The Chairperson of the Social and Ethics Committee is Mr P Mashele who is a non-executive director. The Social and Ethics Committee met on four occasions 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 retirement of Ms P Mashiane, Dr E Harvey and Mr D Thwala and the appointment of Mr P Mashele and Ms N Ngwenya .

## 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.

# Johannesburg Development Agency (SOC) Ltd

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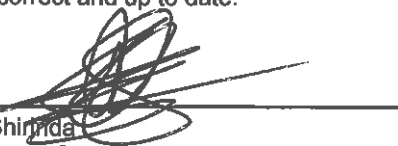
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## Company Secretary's Certification

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### 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.



HR Shingida  
Company Secretary

Newtown, Johannesburg  
31 August 2017

# Johannesburg Development Agency (SOC) Ltd

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## Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables from exchange transactions	3	1 132 970 248	873 681 388
VAT receivable	4	31 434 609	-
Cash and cash equivalents	5	2 170	638 330
		<u>1 164 407 027</u>	<u>874 319 718</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	7 020 191	8 496 462
Intangible assets	7	14 846 916	6 776 984
Deferred tax	8	2 151 955	1 908 668
		<u>24 019 062</u>	<u>17 182 114</u>
<b>Total Assets</b>		<u>1 188 426 089</u>	<u>891 501 832</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Loans from shareholders	9	248 602 144	141 042 337
Finance lease obligation	10	523 571	573 034
Payables from exchange transactions	11	814 457 203	634 531 247
VAT payable	12	-	1 759 240
Provisions	13	4 455 469	3 282 653
Project Funds payable	14	31 882 603	24 384 979
Bank overdraft	5	1 083	867
		<u>1 099 922 073</u>	<u>805 574 357</u>
<b>Non-Current Liabilities</b>			
Finance lease obligation	10	99 158	483 510
Deferred tax	8	15 866 712	15 051 446
		<u>15 965 870</u>	<u>15 534 956</u>
<b>Total Liabilities</b>		<u>1 115 887 943</u>	<u>821 109 313</u>
<b>Net Assets</b>		<u>72 538 146</u>	<u>70 392 519</u>
Contribution from shareholder	15	16 277 624	16 277 624
Accumulated surplus		56 260 522	54 114 895
<b>Total Net Assets</b>		<u>72 538 146</u>	<u>70 392 519</u>

# Johannesburg Development Agency (SOC) Ltd

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## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
<b>Revenue</b>			
Rendering of services	16	69 006 423	70 740 593
Tender fee income	17	1 174 127	1 190 392
Rental income	17	317 766	358 352
Sundry income	17	112 491	1 049 622
Interest received	18	-	35 817
Government grants and subsidies	19	26 695 000	22 382 000
Recovery of non-current and intangible assets expenditure	16	-	9 080 135
<b>Total revenue</b>		<b>97 305 807</b>	<b>104 836 911</b>
<b>Expenditure</b>			
Employee related costs	20	(62 170 899)	(61 754 144)
Administrative expenses	21	(2 030 864)	(2 183 911)
Depreciation and amortisation	22	(4 504 700)	(2 201 222)
Finance costs	23	(111 278)	(3 115 583)
Lease rentals on operating lease	24	(56 686)	-
Debt impairment	25	(92 375)	-
General Expenses	26	(25 536 135)	(30 509 479)
<b>Total expenditure</b>		<b>(94 502 937)</b>	<b>(99 764 339)</b>
<b>Operating surplus</b>		<b>2 802 870</b>	<b>5 072 572</b>
Loss on disposal of assets	28	(85 265)	(87 471)
<b>Surplus before taxation</b>		<b>2 717 605</b>	<b>4 985 101</b>
Taxation	29	(571 978)	(2 231 500)
<b>Surplus for the year</b>		<b>2 145 627</b>	<b>2 753 601</b>

# Johannesburg Development Agency (SOC) Ltd

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## Statement of Changes in Net Assets

Figures in Rand	Contribution from shareholder	Share premium	Total share capital	Accumulated surplus	Total net assets
<b>Balance at 01 July 2015</b>	<b>60</b>	<b>16 277 564</b>	<b>16 277 624</b>	<b>51 361 294</b>	<b>67 638 918</b>
Changes in net assets	-	-	-	2 753 601	2 753 601
Surplus for the year	-	-	-	2 753 601	2 753 601
Total changes	-	-	-	2 753 601	2 753 601
<b>Balance at 01 July 2016</b>	<b>60</b>	<b>16 277 564</b>	<b>16 277 624</b>	<b>54 114 895</b>	<b>70 392 519</b>
Changes in net assets	-	-	-	2 145 627	2 145 627
Surplus for the year	-	-	-	2 145 627	2 145 627
Total changes	-	-	-	2 145 627	2 145 627
<b>Balance at 30 June 2017</b>	<b>60</b>	<b>16 277 564</b>	<b>16 277 624</b>	<b>56 260 522</b>	<b>72 538 146</b>
Note(s)	15	15	15		



# Johannesburg Development Agency (SOC) Ltd

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## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		26 695 000	22 382 000
Interest received		-	35 817
Other receipts incl. Tender fee income, rental income and sundry income		1 343 102	2 108 709
Cash receipts from CAPEX funding		1 285 709 873	1 668 489 489
		<u>1 313 747 975</u>	<u>1 693 016 015</u>
<b>Payments</b>			
Employee costs		(60 881 867)	(62 179 942)
Suppliers		(1 356 805 631)	(1 660 668 792)
Finance costs		-	(3 115 583)
		<u>(1 417 687 498)</u>	<u>(1 725 964 317)</u>
<b>Net cash flows from operating activities</b>	30	<u>(103 939 523)</u>	<u>(32 948 302)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(664 430)	(3 157 061)
Purchase of other intangible assets	7	(10 516 821)	(6 945 342)
		<u>(11 181 251)</u>	<u>(10 102 403)</u>
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities</b>			
Movement in project funds payable		7 497 624	20 043 921
Proceeds of shareholders loan		107 559 807	17 991 469
Finance lease payments		(573 033)	(507 483)
		<u>114 484 398</u>	<u>37 527 907</u>
<b>Net cash flows from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(636 376)</b>	<b>(5 522 798)</b>
Cash and cash equivalents at the beginning of the year		637 463	6 160 261
<b>Cash and cash equivalents at the end of the year</b>	5	<u>1 087</u>	<u>637 463</u>

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rendering of services	84 426 000	(8 226 000)	76 200 000	69 006 423	(7 193 577)	47
Tender fee income	850 000	-	850 000	1 174 127	324 127	47
Rental income	360 000	-	360 000	317 766	(42 234)	
Sundry income	1 977 000	(1 527 000)	450 000	112 491	(337 509)	
<b>Total revenue from exchange transactions</b>	<b>87 613 000</b>	<b>(9 753 000)</b>	<b>77 860 000</b>	<b>70 610 807</b>	<b>(7 249 193)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	16 942 001	9 753 000	26 695 001	26 695 000	(1)	
<b>Total revenue</b>	<b>104 555 001</b>	<b>-</b>	<b>104 555 001</b>	<b>97 305 807</b>	<b>(7 249 194)</b>	
<b>Expenditure</b>						
Employee related costs	(66 785 309)	-	(66 785 309)	(62 170 899)	4 614 410	47
Administration expenses	(366 276)	-	(366 276)	(2 030 864)	(1 664 588)	
Depreciation and amortisation	(1 228 361)	-	(1 228 361)	(4 504 700)	(3 276 339)	
Finance costs	(6 959 000)	-	(6 959 000)	(111 278)	6 847 722	47
Lease rentals on operating lease	(2 088 110)	-	(2 088 110)	(56 686)	2 031 424	
Debt Impairment	-	-	-	(92 375)	(92 375)	
General expenses	(27 102 945)	-	(27 102 945)	(25 536 135)	1 566 810	47
<b>Total expenditure</b>	<b>(104 530 001)</b>	<b>-</b>	<b>(104 530 001)</b>	<b>(94 502 937)</b>	<b>10 027 064</b>	
<b>Operating surplus</b>	<b>25 000</b>	<b>-</b>	<b>25 000</b>	<b>2 802 870</b>	<b>2 777 870</b>	
Loss on disposal of assets	(25 000)	25 000	-	(85 265)	(85 265)	
<b>Surplus before taxation</b>	<b>-</b>	<b>25 000</b>	<b>25 000</b>	<b>2 717 605</b>	<b>2 692 605</b>	
Taxation	-	-	-	571 978	571 978	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>25 000</b>	<b>25 000</b>	<b>2 145 627</b>	<b>2 120 627</b>	

# Johannesburg Development Agency (SOC) Ltd

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Trade and other receivables from exchange transactions	871 569 000	-	871 569 000	1 132 970 248	261 401 248
VAT receivable	-	-	-	31 434 609	31 434 609
Cash and cash equivalents	638 000	-	638 000	2 170	(635 830)
<b>Total Current Assets</b>	<b>872 207 000</b>	<b>-</b>	<b>872 207 000</b>	<b>1 164 407 027</b>	<b>292 200 027</b>

##### Non-Current Assets

Property, plant and equipment	8 496 000	-	8 496 000	7 020 191	(1 475 809)
Intangible assets	5 755 000	-	5 755 000	14 846 916	9 091 916
Deferred tax	-	-	-	2 151 955	2 151 955
<b>Total Non-Current Assets</b>	<b>14 251 000</b>	<b>-</b>	<b>14 251 000</b>	<b>24 019 062</b>	<b>9 768 062</b>

#### Total Assets

<b>Total Assets</b>	<b>886 458 000</b>	<b>-</b>	<b>886 458 000</b>	<b>1 188 426 089</b>	<b>301 968 089</b>
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#### Liabilities

##### Current Liabilities

Loans from shareholders	141 042 000	-	141 042 000	248 602 144	107 560 144
Finance lease obligation	573 000	-	573 000	523 571	(49 429)
Payables from exchange transactions	637 620 000	-	637 620 000	814 457 202	176 837 202
Provisions	-	-	-	4 455 469	4 455 469
Project Funds payable	-	-	-	31 882 603	31 882 603
Bank overdraft	-	-	-	1 083	1 083
<b>Total Current Liabilities</b>	<b>779 235 000</b>	<b>-</b>	<b>779 235 000</b>	<b>1 099 922 072</b>	<b>320 687 072</b>

##### Non-Current Liabilities

Loans from shareholders	38 295 000	-	38 295 000	-	(38 295 000)
Finance lease obligation	170 000	-	170 000	99 158	(70 842)
Deferred tax	314 000	-	314 000	15 866 712	15 552 712
Provisions	3 283 000	-	3 283 000	-	(3 283 000)
<b>Total Non-Current Liabilities</b>	<b>42 062 000</b>	<b>-</b>	<b>42 062 000</b>	<b>15 965 870</b>	<b>(26 096 130)</b>

#### Total Liabilities

<b>Total Liabilities</b>	<b>821 297 000</b>	<b>-</b>	<b>821 297 000</b>	<b>1 115 887 942</b>	<b>294 590 942</b>
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#### Net Assets

<b>Net Assets</b>	<b>65 161 000</b>	<b>-</b>	<b>65 161 000</b>	<b>72 538 147</b>	<b>7 377 147</b>
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

Contribution from shareholder	16 277 624	-	16 277 624	16 277 624	-
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##### Reserves

Accumulated surplus	48 883 376	-	48 883 376	56 260 523	7 377 147
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#### Total Net Assets

<b>Total Net Assets</b>	<b>65 161 000</b>	<b>-</b>	<b>65 161 000</b>	<b>72 538 147</b>	<b>7 377 147</b>
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# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants	16 942 000	9 752 999	26 694 999	26 695 000	1	
CAPEX funding and other income	1 680 387 000	(9 752 999)	1 670 634 001	1 287 052 975	(383 581 026)	
	<b>1 697 329 000</b>		<b>- 1 697 329 000</b>	<b>1 313 747 975</b>	<b>(383 581 025)</b>	
<b>Payments</b>						
Employee costs & Supplier payments	(1 723 995 000)		(1 723 995 000)	1 417 687 498	306 307 502	
Finance costs	(7 099 000)		(7 099 000)	-	7 099 000	
	<b>(1 731 094 000)</b>		<b>(1 731 094 000)</b>	<b>1 417 687 498</b>	<b>313 406 502</b>	
<b>Net cash flows from operating activities</b>	<b>(33 765 000)</b>		<b>(33 765 000)</b>	<b>(103 939 523)</b>	<b>(70 174 523)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	-	-	-	(664 430)	(664 430)	
Purchase of other intangible assets	(9 080 000)		(9 080 000)	(10 516 821)	(1 436 821)	
<b>Net cash flows from investing activities</b>	<b>(9 080 000)</b>		<b>(9 080 000)</b>	<b>(11 181 251)</b>	<b>(2 101 251)</b>	
<b>Cash flows from financing activities</b>						
Movements in Projects Funds Payable	-	-	-	7 497 624	7 497 624	
Repayment of shareholders loan	42 208 000		42 208 000	107 559 807	65 351 807	
Finance lease payments	-		-	(573 033)	(573 033)	
<b>Net cash flows from financing activities</b>	<b>42 208 000</b>		<b>42 208 000</b>	<b>114 484 398</b>	<b>72 276 398</b>	
Net increase/(decrease) in cash and cash equivalents	(637 000)		(637 000)	(636 376)	624	
Cash and cash equivalents at the beginning of the year	637 000		637 000	637 463	463	
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>		<b>-</b>	<b>1 087</b>	<b>1 087</b>	

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 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.

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 13 - 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.

##### 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.

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### 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 suppliers for actual work performed. The only assets in the JDA's financial's 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

Funds held for the purchase of land was transferred to the project funds payable from the Funds Held by the City. BRT Land was identified and these will be purchased once all the necessary processes have been completed. 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 14 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.

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.

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

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 unrecognised.

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:

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

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

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 previous estimate unless expectations differ from the previous estimate.

# Johannesburg Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 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	8-10 years
Computer software, other	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.



# Johannesburg Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 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:

<b>Class</b>	<b>Category</b>
Cash and cash equivalents	Financial asset measured at fair value
Trade and other receivables from exchange transactions	Financial asset measured at fair value

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:

<b>Class</b>	<b>Category</b>
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.

# Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 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.

# Johannesburg Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 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.

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### 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 and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits 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.

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### 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 oversized or overcapacity asset. Oversized 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.

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### 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.

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### 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.

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### 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 33.

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.

### 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 32.

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.



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### 1.13 Revenue from exchange transactions (continued)

#### 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.

### 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.

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### 1.14 Revenue from non-exchange transactions (continued)

#### 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.

#### 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-imburement 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.

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### 1.14 Revenue from non-exchange transactions (continued)

#### 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.

### 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.

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

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.

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### 1.18 Unauthorised expenditure (continued)

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.

### 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 written off 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/written off 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/written off 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.

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### 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.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

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 government agency which administers the VAT Act and ensures that the tax is collected and that the tax law is properly enforced.

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### 1.26 VAT Receivable/(Payable) (continued)

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.

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.

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### 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 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2019	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2019	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact

The aggregate impact of the initial application of the statements and interpretations on the entity's annual financial statements are considered as unlikely to have a material impact on the results of the entity with the exception of GRAP 20 Related Parties which may result in additional disclosure than is currently provided in the annual financial statements.

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Figures in Rand	2017	2016
<b>3. Trade and other receivables from exchange transactions</b>		
Deposits	55 000	55 000
Project Funds Receivable	19 681 780	14 395 540
Rental Debtors	484 572	223 290
Prepaid expenses	47 394	81 175
Staff loans	-	110 375
Related party debtors	1 112 701 502	858 816 008
	<b>1 132 970 248</b>	<b>873 681 388</b>

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

Projects funds receivable related 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 Plan at the National Department of Tourism, only part of the total value had been received. The balance included in Project funds receivable related to capital expenditure that was incurred in the previous and current year. The balance was subsequently invoiced to National Department of Tourism.

Rental debtors consist of the rental outstanding from the Bus Factory tenants. In comparison to the prior year, the rental debtor balances had increased significantly due to outstanding balances at year end. Payments are being received for the balances outstanding, however, not always consistently. The majority of the balance is owing by the Market Theatre that have since vacated the premises. The amount is currently under dispute based on a disagreement with them regarding the payments.

Prepaid expenses relate 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.

### 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 are considered individually for impairment. At 30 June 2017, R 429 747 527 (2016: R 77 692 529) 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	429 747 527	77 692 529
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### 4. VAT RECEIVABLE

VAT	31 434 609	-
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### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	2 170	1 196
Standard Bank - Sweeping account	-	637 134
Alexandra Heritage Project funds - overdrawn balance	(1 083)	(867)
	<b>1 087</b>	<b>637 463</b>



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Figures in Rand	2017	2016
<b>5. CASH AND CASH EQUIVALENTS (continued)</b>		
Current assets	2 170	638 330
Current liabilities	(1 083)	(867)
	<u>1 087</u>	<u>637 463</u>

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 prior year. However, after the funds were transferred which cleared out the account and additional bank charge was incurred of R1,083 which resulted in an overdrawn balance of R1,083. The account has remained open until the final balance owing from National Tourism is received.

The sweeping account refers to a sweeping arrangement held with CJMM whereby all cash in the sweeping account is swept on a daily basis to the CJMM's bank account. The prior year balance related mainly to amounts that were not swept by Standard Bank at the end of the financial year. These balances then remained in the bank account and were therefore reported as such at the end of 2015/16.

### The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
SBSA - Account type - Current Account 198366	-	637 134	-	-	637 134	-
SBSA - Account type - Current Account Tourism 352543	(1 083)	(867)	6 156 813	(1 083)	(867)	6 156 813
<b>Total</b>	<u>(1 083)</u>	<u>636 267</u>	<u>6 156 813</u>	<u>(1 083)</u>	<u>636 267</u>	<u>6 156 813</u>

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### 6. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 440 062	(1 481 898)	958 164	2 440 061	(1 282 856)	1 157 205
Motor vehicles	136 013	(136 013)	-	136 013	(136 013)	-
Office equipment	394 474	(137 360)	257 114	371 153	(100 533)	270 620
Computer Equipment	3 176 788	(1 889 441)	1 287 347	3 429 716	(1 610 111)	1 819 605
Leasehold improvements	5 489 305	(2 201 713)	3 287 592	5 489 305	(1 927 303)	3 562 002
Computer Equipment - Servers	1 632 851	(873 434)	759 417	1 446 455	(650 949)	795 506
Leased assets	1 262 900	(792 343)	470 557	1 262 900	(371 376)	891 524
<b>Total</b>	<b>14 532 393</b>	<b>(7 512 202)</b>	<b>7 020 191</b>	<b>14 575 603</b>	<b>(6 079 141)</b>	<b>8 496 462</b>

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 157 205	-	-	(199 041)	958 164
Office equipment	270 620	24 320	(496)	(37 330)	257 114
Computer Equipment	1 819 605	428 800	(25 496)	(935 562)	1 287 347
Leasehold improvements	3 562 002	-	-	(274 410)	3 287 592
Computer Equipment - Servers	795 506	211 310	-	(247 399)	759 417
Leased assets	891 524	-	-	(420 967)	470 557
	<b>8 496 462</b>	<b>664 430</b>	<b>(25 992)</b>	<b>(2 114 709)</b>	<b>7 020 191</b>

#### 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
Computer Equipment - Leased Printers	-	1 262 900	-	(371 376)	891 524
	<b>5 900 083</b>	<b>4 419 961</b>	<b>(87 471)</b>	<b>(1 736 111)</b>	<b>8 496 462</b>

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## Notes to the Annual Financial Statements

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### 6. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Pledged as security

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

#### Assets subject to finance lease (Net carrying amount)

Leasehold improvements	3 287 592	3 562 002
Printers and copiers	470 557	891 524
	<b>3 758 149</b>	<b>4 453 526</b>

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. A operating lease for a new vehicle was entered into in the 2016/17 financial year. Certain disposal methods are still being considered and the vehicle is currently not in use.

### 7. INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses	530 781	(59 120)	471 661	285 197	(241 561)	43 636
Computer software, internally generated	1 070 480	(882 604)	187 876	1 819 266	(1 387 954)	431 312
Computer software, other	16 288 057	(2 100 678)	14 187 379	1 022 268	-	1 022 268
Intangible assets under development	-	-	-	5 279 768	-	5 279 768
<b>Total</b>	<b>17 889 318</b>	<b>(3 042 402)</b>	<b>14 846 916</b>	<b>8 406 499</b>	<b>(1 629 515)</b>	<b>6 776 984</b>

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Amortisation	Total
Licenses	43 636	530 800	-	-	-	(102 775)	471 661
Computer software, internally generated	431 312	-	(56 900)	-	-	(186 536)	187 876
Computer software - other	1 022 268	-	-	15 265 789	-	(2 100 678)	14 187 379
Intangible assets under development	5 279 768	9 986 021	-	-	(15 265 789)	-	9 999 999
	<b>6 776 984</b>	<b>10 516 821</b>	<b>(56 900)</b>	<b>15 265 789</b>	<b>(15 265 789)</b>	<b>(2 389 989)</b>	<b>14 846 916</b>

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<b>7. INTANGIBLE ASSETS (continued)</b>				
<b>Reconciliation of intangible assets - 2016</b>				
	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
	<b>296 753</b>	<b>6 945 342</b>	<b>(465 111)</b>	<b>6 776 984</b>
<b>Other Information</b>				5 279 768
Intangible assets under construction				5 279 768
<p>The JDA is currently implementing different phases of the SAP computer software. Phase 1 included project systems being project implementation and supply chain management. The system related to Project Implementation went live in the first quarter of the 2016/17 financial year. In the current financial year, all of the intangible assets under construction were capitalised as other software.</p>				
Other intangible assets			16 288 057	1 022 268
<p>Other computer software for the prior year related to a General Risk Control software for Risk Management, Internal Audit and Compliance. In the current year, there was a transfer of intangible assets from the intangible assets under construction to the intangible assets other software as these assets were deemed ready for use.</p>				
<b>8. DEFERRED TAX</b>				
<b>Deferred tax liability</b>				
Property, plant and equipment			(1 288 340)	(1 803 892)
Temporary difference - S24C Allowance			(14 578 372)	(13 247 554)
<b>Total deferred tax liability</b>			<b>(15 866 712)</b>	<b>(15 051 446)</b>
<b>Deferred tax asset</b>				
Provisions			1 977 591	1 612 836
Leases			174 364	295 832
Deferred tax balance from temporary differences other than unused tax losses			2 151 955	1 908 668
<b>Total deferred tax asset</b>			<b>2 151 955</b>	<b>1 908 668</b>
Deferred tax liability			(15 866 712)	(15 051 446)
Deferred tax asset			2 151 955	1 908 668
<b>Total net deferred tax liability</b>			<b>(13 714 757)</b>	<b>(13 142 778)</b>
<b>Reconciliation of deferred tax asset \ (liability)</b>				
At beginning of year			(13 142 778)	(10 911 279)
Originating differences on tangible fixed assets			515 553	(257 428)
Originating differences on the S24C allowance			(1 330 820)	(2 490 785)
Originating differences arising from leases			(121 467)	295 832
Originating differences arising from provisions			364 755	220 882
			<b>(13 714 757)</b>	<b>(13 142 778)</b>

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Figures in Rand	2017	2016
<b>9. LOANS TO (FROM) SHAREHOLDERS</b>		
Sweeping account	(248 602 144)	(141 042 337)
<p>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.</p>		
<b>10. FINANCE LEASE OBLIGATION</b>		
<b>Minimum lease payments due</b>	<b>573 033</b>	<b>573 034</b>
- within one year	101 734	638 584
- in second to fifth year inclusive	674 767	1 211 618
	(52 038)	(155 074)
less: future finance charges	622 729	1 056 544
<b>Present value of minimum lease payments</b>		
<b>Present value of minimum lease payments due</b>	<b>1 056 544</b>	<b>-</b>
Opening balance	139 218	1 564 027
Lease obligation current year	(573 033)	(507 483)
Lease payments	622 729	1 056 544
	99 158	483 510
Non-current liabilities	523 571	573 034
Current liabilities	622 729	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 as from the 2015/16 financial year. The lease agreement provides for monthly payments of R47,753 in advance and no residual value.

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Figures in Rand	2017	2016
<b>11. PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade payables	695 753 625	493 283 150
Deposits received from tenants	37 435	44 835
Accrued leave pay	2 607 354	2 476 474
Accrued expenses	5 440 239	1 301 741
Retentions held on construction contracts	105 932 005	126 700 504
Retentions owing to related parties	-	6 252 718
Related parties payables	4 686 545	4 471 825
	<b>814 457 203</b>	<b>634 531 247</b>

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 consistent balance throughout the year.

### 12. VAT PAYABLE

VAT payable

1 759 240

### 13. PROVISIONS

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Provision - Performance bonus	3 282 653	4 729 592	(3 556 776)	4 455 469

#### 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

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 2016/17 financial year will be completed during August 2017, bonus payments to qualifying employees will only be made after the finalisation of the 2016/17 audit and upon receipt of a unqualified audit report from the Auditor General. In December 2016, a bonus payment was made in relation to the 2015/16 year for all qualifying employees excluding Executive and Senior Managers and in March 2017 for all qualifying Executive and Senior Managers.

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Figures in Rand	2017	2016
<b>14. PROJECT FUNDS PAYABLE</b>		
<b>Projects Funds</b>		
Balance at the beginning of the year	24 384 979	4 341 058
Claims for the year	1 458 318 430	1 505 411 734
Expenditure for the year	(1 450 820 806)	(1 485 367 813)
	<b>31 882 603</b>	<b>24 384 979</b>
<b>Funds Payable</b>		
BRT funds	6 252 718	-
SHRA	1 244 906	-
BRT Land	24 384 979	24 384 979
	<b>31 882 603</b>	<b>24 384 979</b>

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 transferred 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.

SHRA funds relate to funds that were received from the Social Housing and Regulatory Association for the implementation of the Land Audit and Agreements for Social and Affordable Housing currently being undertaken by the Development Facilitation department.

## 15. CONTRIBUTION FROM SHAREHOLDER

<b>Authorised</b>		
100 Ordinary Type A shares of R1 each	100	100
<b>Issued</b>		
60 Ordinary Type A shares of R1	60	60
Share premium	16 277 564	16 277 564
	<b>16 277 624</b>	<b>16 277 624</b>

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.

## 16. REVENUE

Rendering of services	69 006 423	70 740 593
Tender fee income	1 174 127	1 190 392
Rental income	317 766	358 352
Sundry Income	112 491	1 049 622
Interest received	-	35 817
Government grants & subsidies	26 695 000	22 382 000
Recovery of non-current and intangible assets expenditure	-	9 080 135
	<b>97 305 807</b>	<b>104 836 911</b>

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Figures in Rand	2017	2016
<b>16. REVENUE (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rendering of services	69 006 423	70 740 593
Tender fee income	1 174 127	1 190 392
Rental income	317 766	358 352
Sundry income	112 491	1 049 622
Interest received	-	35 817
	<b>70 610 807</b>	<b>73 374 776</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	26 695 000	22 382 000
Recovery of non-current and intangible assets expenditure	-	9 080 135
	<b>26 695 000</b>	<b>31 462 135</b>
<b>Rendering of Services</b>		
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.		
<b>Recovery of non-current and intangible assets expenditure</b>		
Included in the prior 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 prior year and claimed from the CJMM Capital Asset Management department. During the current financial year, the operational capital expenditure was required to be funded through the JDA's reserves.		
<b>17. OTHER REVENUE</b>		
Tender fee income	1 174 127	1 190 392
Rental income - Bus Factory	317 766	358 352
Sundry Income	112 491	1 049 622
	<b>1 604 384</b>	<b>2 598 366</b>
<b>18. INTEREST RECEIVED</b>		
<b>Interest revenue</b>		
Interest earned on VAT refunds	-	35 817
<b>19. GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Operating grants</b>		
Government grant (operating)	26 695 000	22 382 000



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<b>20. EMPLOYEE RELATED COSTS</b>		
Basic	55 265 255	56 331 164
Bonus	4 303 453	2 427 405
UIF	314 100	281 752
COID	439 238	420 368
SDL	539 953	477 724
Other payroll levies	769 724	697 731
Leave pay accrual charge	539 176	1 118 000
	<b>62 170 899</b>	<b>61 754 144</b>

Included in the employee costs are non-executive director fees as shown in detail in note 31.

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

Remuneration of executive managers	Earnings	Pension	Travel allowance	Annual Bonus	Total
T Mendrew (Chief Executive Officer)	1 805 826	-	-	-	1 805 826
Z Mafata (Chief Financial Officer) (Resigned 31 November 2016)	721 757	-	-	217 313	939 070
D Cohen (EM: Planning & Strategy)	1 193 731	57 174	-	132 769	1 383 674
B Magoso (EM: Corporate Services) (Resigned 31 December 2016)	771 313	36 783	120 000	-	928 096
C Botes (EM: Development Facilitation)	1 068 231	-	30 000	101 846	1 200 077
Z Tshabalala (Chief Audit Executive) (Appointed 01 December 2015)	1 038 212	50 612	-	68 561	1 157 385
R Shirinda (Company Secretary)	1 289 576	52 389	-	169 032	1 510 997
P Mkhize (SDM: Portfolio C) (Appointed 01 February 2017))	448 108	21 498	-	-	469 606
N Mulovhedzi (SDM: Portfolio B) (Appointed 01 October 2016)	940 233	19 048	-	67 506	1 026 787
S Genu (EM: Development Implementation) (Promoted 01 September 2016)	1 275 328	62 172	-	120 549	1 458 049
S Genu (SDM: Portfolio C) (Promoted 01 September 2016)	212 970	8 652	-	118 902	340 524
C Letter (Executive Manager: ARP) (Appointed: 01 March 2017)	416 785	-	-	-	416 785
	<b>11 182 070</b>	<b>308 328</b>	<b>150 000</b>	<b>996 478</b>	<b>12 636 876</b>

## 21. ADMINISTRATIVE EXPENDITURE

Administration expenses	2 030 864	2 183 911
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Administrative expenditure includes archiving costs and monthly fees paid to Dittodi Community Co-operative liaison officers.

## 22. DEPRECIATION AND AMORTISATION

Property, plant and equipment	2 114 710	1 736 111
Intangible assets	2 389 990	465 111
	<b>4 504 700</b>	<b>2 201 222</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>23. FINANCE COSTS</b>		
Trade and other payables - Telkom	209	1
The South African Revenue Service	-	2 991 261
Finance leases	111 069	124 321
	<u>111 278</u>	<u>3 115 583</u>

## 24. OPERATING LEASE

<b>Current year payments</b>		
Lease rentals on vehicle	56 686	-
	<u>56 686</u>	<u>-</u>
<b>Minimum lease payments due</b>		
- within one year	108 778	-
- in second to fifth year inclusive	27 194	-
	<u>135 972</u>	<u>-</u>

Operating lease payments represents rental payable by the entity for the use of a motor vehicle . The rental is for a motor vehicle over 10 months at a monthly payment of R9,064.84. The rental period is from the 2nd December 2016 until 1st October 2017.

## 25. DEBT IMPAIRMENT

Reassessment of staff loans	<u>92 375</u>	<u>-</u>
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Amount written off in the current year relates to a staff loan balance from the prior year. This balance related to payments that were made for staff development to an employee who then subsequently resigned. During the current year, this balance was reconsidered and was classified as study grant and the balance is not regarded as an amount owing by the staff member.

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Figures in Rand	2017	2016
<b>26. GENERAL EXPENSES</b>		
Advertising	1 052 864	839 818
Auditors remuneration	1 604 613	1 736 379
Bank charges	12 834	22 178
CEO's Special Projects	28 027	9 910
Cellphone Expenses	448 537	504 301
Computer expenses	5 306 555	4 459 250
Consulting and professional fees	2 513 188	2 949 344
Development Facilitation Fees	1 355 275	3 370 168
Hygiene and other services	569 075	1 029 702
Insurance	799 392	555 730
Internal Audit Fees	577 285	651 262
Marketing	1 878 960	3 493 838
Meetings and Entertainment	419 661	307 165
Motor vehicle expenses	19 028	18 180
Placement fees	971 427	1 769 691
Planning and Strategy	1 198 405	1 668 607
Postage costs	-	149
Printing and stationery	628 466	839 712
Project Maintenance Costs	-	156 989
Security (Guarding of municipal property)	3 722 130	2 075 636
Space planning costs	-	255 850
Staff welfare	451 978	1 411 107
Telephone and fax	384 795	410 282
Training	457 481	979 579
Travel - local and foreign	50 120	227 370
Utilities	1 086 039	767 282
	<b>25 536 135</b>	<b>30 509 479</b>
<b>27. AUDITORS' REMUNERATION</b>		
External audit fees	1 604 613	1 736 379
<b>28. LOSS ON DISPOSAL OF ASSETS</b>		
Loss on disposal of assets	85 265	87 471

The loss on disposal of assets relates to assets that were written off. Included in the assets written off is assets that were obsolete or damaged as well the previous Project Implementation system (DMIS).

Included in the assets written off for the prior year is five laptops that were stolen during the financial year as well as any assets that were obsolete or damaged.

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Figures in Rand

2017 2016

### 29. TAXATION

#### Major components of the tax expense

##### Deferred

Originating and reversing temporary differences	571 978	2 231 500
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#### Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28,00 %	28,00 %
Tax effect on permanent differences	0,32 %	(0,53)%
Add: Tax effect of timing differences	(7,66)%	17,29 %
	<u>20,66 %</u>	<u>44,76 %</u>

### 30. CASH USED IN OPERATIONS

Surplus	2 145 627	2 753 601
<b>Adjustments for:</b>		
Depreciation and amortisation	4 504 700	2 201 222
Loss on disposal of assets	85 265	87 471
Debt impairment	92 375	-
Movements in provisions	1 172 816	75 236
Movement in expenditure - non-cash items	571 978	2 231 500
Movement in expenditure - non-cash items	(66 599)	(26 343)
Interest from finance leases	111 069	124 321
<b>Changes in working capital:</b>		
Trade and other receivables from exchange transactions	(259 288 860)	3 534 938
Trade and other payables from exchange transactions	179 925 955	(19 383 448)
VAT	(33 193 849)	(24 546 800)
	<u>(103 939 523)</u>	<u>(32 948 302)</u>

### 31. DIRECTORS' EMOLUMENTS

#### Executive

##### 2017

	Emoluments	Annual bonus	Total
T Mendrew (Chief Executive Officer)	1 805 827	-	1 805 827
Z Mafata (Chief Financial Officer) (Resigned 30 November 2016)	721 757	217 313	939 070
	<u>2 527 584</u>	<u>217 313</u>	<u>2 744 897</u>

##### 2016

	Emoluments	Total
T Mendrew (Chief Executive Officer)	1 703 610	1 703 610
Z Mafata (Chief Financial Officer)	1 407 953	1 407 953
	<u>3 111 563</u>	<u>3 111 563</u>

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## Notes to the Annual Financial Statements

Figures in Rand

2017

2016

### 31. DIRECTORS' EMOLUMENTS (continued)

#### Non-executive

#### 2017

	Directors' fees	Retainers	Total
C Coovadia (Chairperson)	147 690	-	147 690
A Steyn	98 998	-	98 998
K Govender	237 816	22 816	260 632
E Harvey	87 864	22 816	110 680
P Mashiane	74 161	22 816	96 977
P Mashele	104 913	-	104 913
L Shole	77 872	-	77 872
M Qobo	114 039	-	114 039
N Ngwenya	101 872	-	101 872
N Selamolela	108 382	22 816	131 198
P Masilo	162 308	22 816	185 124
P Zagaretos	201 298	22 816	224 114
M Dolamo (Independent Audit and Risk Committee Member)	87 460	22 816	110 276
K Onuoka (Independent Audit and Risk Committee Member)	81 756	22 816	104 572
T Mukhuba	59 330	22 816	82 146
W Thwala	75 310	22 816	98 126
Z Samsam (Independent Audit and Risk Committee Member)	47 533	22 816	70 349
	<b>1 868 602</b>	<b>250 976</b>	<b>2 119 578</b>

#### 2016

	Directors' fees	Retainers	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	73 014	22 816	95 830
P Mashiane	86 710	22 816	109 526
P Masilo	94 706	22 816	117 522
T Mukhuba	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 (Independent Audit and Risk Committee member)	20 088	22 816	42 904
B Kelly (Independent Audit and Risk Committee member)	17 112	22 816	39 928
K Onuoka (Independent Audit and Risk Committee member)	11 408	-	11 408
Z Samsam (Independent Audit and Risk Committee member)	34 224	22 816	57 040
	<b>1 082 276</b>	<b>296 602</b>	<b>1 378 878</b>

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Figures in Rand	2017	2016
<b>32. COMMITMENTS</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and not yet contracted for</b>		
• Jabulani	30 000 000	17 000 000
• Kliptown Renewal Precinct	14 000 000	50 000 000
• Rotunda Park	45 000 000	25 330 000
• Westbury Renewal Precinct	40 000 000	15 000 000
• Alexandra Renewal Projects	10 300 000	48 300 000
• Jukskei River Environmental Upgrading	7 000 000	-
• Balfour Park Transit	-	1 500 000
• Orlando East Station Precinct	-	10 000 000
• Nancefield Station Precinct	20 000 000	5 000 000
• Randburg Precinct Upgrade	30 000 000	7 500 000
• Knowledge Precinct: Auckland Park	10 000 000	100 000 000
• Louis Botha	15 000 000	10 000 000
• Perth Corridor	75 000 000	65 000 000
• Turffontein corridor	60 000 000	70 500 000
• Ivory Park UDF	8 500 000	-
• Alexandra Sports and Youth development	8 500 000	-
• Diepsloot Development	20 000 000	2 000 000
• Operational CAPEX	10 000 000	10 000 000
	<b>403 300 000</b>	<b>437 130 000</b>
<b>Approved and contracted for</b>		
• Contractual costs committed for multi-year contracts	1 362 193 640	1 433 044 813
<b>Total capital commitments</b>		
Approved and not yet contracted for	403 300 000	437 130 000
Approved and contracted for	1 362 193 640	1 433 044 813
	<b>1 765 493 640</b>	<b>1 870 174 813</b>
<p>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.</p> <p>The approved and not yet contracted for commitments arise from the approved capital budget allocated to the JDA in the 2017/18 financial year.</p>		
<b>The approved and contracted for commitments consist of the following:</b>		
Randburg Precinct	-	8 311 914
Hillbrow Tower Precinct	143 402	194 000
Inner City Core	20 578 618	1 240 976
Kaseme Development	121 549 562	228 594 840
Community Development Corridors of Freedom	104 150 660	32 896 840
Cosmo City Fire Station	-	13 169 062
Brixton Social Cluster	6 279 890	9 690 181
Inner City Commuter Links	-	127 952 922
Central Fire Station	4 204 856	-
Lehae Training Academy & Fire Station	5 838 047	-
Inner City Eastern Gateway	3 566 650	-
Inner City Managed Lanes	2 312 030	-
	<b>268 623 715</b>	<b>422 050 735</b>
<b>Portfolio B:</b>		
Orchards Clinic_Corridors of Freedom	7 950 038	10 800 038
Noordgesig Clinic_Corridors of Freedom	-	5 897 196

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<b>32. COMMITMENTS (continued)</b>		
Golden Harvest	-	1 091 526
Kliptown Development	-	24 827 667
Alexandra Heritage Centre	-	2 110 546
Alex Marlboro Automotive	22 447 684	7 938 757
Westbury TDC	33 300 852	2 501 497
Langlaagte Pharmacy	5 466 475	22 118 791
Claremont Clinic	17 465 464	685 944
Parkhurst Clinic	-	1 604 766
Zandspruit Clinic	-	2 276 879
Florida Clinic	28 100 274	1 803 207
Nancefield TOD	12 542 722	30 182 244
Jabulani TOD	10 724 580	11 831 542
Noordgesig Social Cluster	38 311 247	4 508 381
Ebony Park Clinic	33 211 192	1 361 091
Orlando East TOD	-	22 600 000
Rotunda Park	68 223 604	7 298 433
Naledi Clinic	4 391 092	-
Bezuidenhout Clinic	3 031 448	-
Braamfischerville Ext 12	76 436 493	-
Bophelong and Protea South Clinics	3 989 880	-
Balfour Park	3 649 604	-
Diepsloot	4 359 662	-
	<b>373 602 311</b>	<b>161 438 505</b>
<b>Portfolio C:</b>		
Cycle Lanes_Corridors of Freedom	30 339 200	3 650 723
Non-motorised Transport (NMT)	53 959 050	18 041 643
BRT Various	560 079 479	727 628 093
Community Development Libraries	14 740 906	20 723 974
Community Development Community Centres	17 767 431	22 602 244
Community Development Union Stadium	862 099	-
	<b>677 748 165</b>	<b>792 646 677</b>
<b>Portfolio D:</b>		
Thoko Mngoma Clinic	-	8 579 741
4th Avenue Clinic	9 216 026	13 336 050
Old Ikage Housing Project	-	4 984 920
Jukskei River Rehabilitation	580 000	580 000
Open Spaces Development	1 648 940	2 522 758
Vincent Tshabalala Bridge	916 245	2 522 800
Linear Markets: Ivory Park/Alex	23 418 676	17 276 470
	<b>35 779 887</b>	<b>49 802 739</b>
<b>Other projects</b>		
Naming and branding _Corridors of Freedom	-	1 356 489
Integrated Internet Services	964 582	2 172 181
Backup and Disaster Recovery	-	1 850 868
Supply of Hardware	-	273 714
Community Liason services	-	1 452 905
Security Services	3 232 594	-
Planning and strategy	2 242 386	-
	<b>6 439 562</b>	<b>5 749 668</b>
<b>Total Approved and contracted</b>	<b>1 362 193 640</b>	<b>1 433 044 813</b>

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Figures in Rand	2017	2016
<b>32. COMMITMENTS (continued)</b>		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	108 778	-
- in second to fifth year inclusive	27 194	-
	<b>135 972</b>	<b>-</b>

Operating lease payments represents rental payable by the entity for the use of a motor vehicle . The rental is for a motor vehicle over 10 months at a monthly payment of R9,064.84. The rental period is from the 2nd December 2016 until 1st October 2017.

### 33. 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 accommodated 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 accommodation 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 Chioike 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.

The Plaintiff has to date not responded to our pleadings. A letter has been addressed by the JDA's attorneys (Routledge Modise T/A Hogan Lovells) to the Plaintiff to the effect that should we not receive any feedback from them, we shall proceed to seek court approval to withdraw the matter.

#### 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 (2<sup>nd</sup> 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). Estimated claim value - R45,256.

#### 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.



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Figures in Rand	2017	2016
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### 33. CONTINGENCIES (continued)

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 2016 and a Commissioner has been appointed by the DOL. The matter has been delayed and is still ongoing.

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### 34. RELATED PARTIES

<p>Relationships Controlling entity Other members of the group</p>	<p>The City of Johannesburg Metropolitan Municipality 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 Theatres (SOC) Ltd The Johannesburg Fresh Produce Market (SOC) Ltd Refer to note 20</p>	
<p>Members of key management</p>		
<b>Related party balances</b>		
<b>Loan accounts - Owing (to) by related parties</b>		
CJMM - Treasury	(248 602 144)	(141 042 337)
<b>Amounts included in Trade receivable regarding related parties</b>		
CJMM	1 109 473 351	856 118 963
Johannesburg Roads Agency (SOC) Ltd	3 228 152	2 697 045
<b>Amounts included in Trade payables regarding related parties</b>		
CJMM	(4 386 645)	(4 284 913)
Johannesburg Metropolitan Bus Services (SOC) Ltd	-	(6 320)
Pikitup Johannesburg (SOC) Ltd	(299 900)	(180 592)
<b>Related party transactions</b>		
<b>Purchases from (sales to) related parties</b>		
CJMM - Corporate Services	602 186	753 069
City Power (SOC) Ltd	1 173 278	707 281
Johannesburg Metropolitan Services (SOC) Ltd	6 320	16 220
CJMM - Risk Services	-	555 730
CJMM - Department of Planning (ARP)	5 866 439	7 543 896
Pikitup (SOC) Ltd	263 070	-
<b>Income from related parties</b>		
CJMM - Development Management fees	69 006 423	70 740 593
CJMM Grant	26 695 000	22 382 000
<b>Payments made to related parties</b>		
CJMM	8 770 830	7 292 735

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.

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.

#### Remuneration of management

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Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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Figures in Rand

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### 34. RELATED PARTIES (continued)

#### Executive management

\*Refer to note 20 "Employee related costs"

### 35. CHANGE IN ESTIMATE

#### Property, plant and equipment

The useful life of certain computer equipment was estimated in 2016 to be 5-15 years. In the current period management have revised their estimate to within 5-15 years. The effect of this revision has decreased the depreciation charges for the current by R 3 090 and increased future periods by R17,850.

The impact on tax would be R4,998 in future periods.

The impact on the cash flow statement would be R17,850.

#### Furniture and fittings

The useful life of furniture and fittings was estimated in 2016 to be 10-15 years. In the current period management have revised their estimate to within 10-15 years. The effect of this revision has decreased the depreciation for the current year by R 26 and increased future periods by R2,293.

The impact on tax is R642.

The impact on the cash flow statement is R2,293.

#### Intangible assets

The useful life of intangible assets was estimated in 2016 to be 8 years. In the current period management have revised their estimate to 8-10 years. The effect of this revision has decreased the amortisation for the current period by R 7 040 and increased future periods by R64,460.

The impact on tax is R18,049.

The impact on the cash flow statement is R64,460.

### 36. COMPARATIVE FIGURES

Certain comparative figures as per the disclosure have been restated.

Amendments were made to the prior year disclosure notes based on current year considerations as indicated below with the following reasons:

- Repairs and maintenance - Group instruction to disclose repairs and maintenance by nature of costs and not as a separate disclosable item;
- Reclassification of certain disclosures items for consistency purposes.

The effects of the restatement are as follows:

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Figures in Rand

### 36. COMPARATIVE FIGURES (continued)

#### Other disclosure notes

	Comparative figures previously reported	Reclassification	After reclassification
Repairs and maintenance	889 580	(889 580)	-
General expenses	29 619 899	889 580	30 509 479
Related parties - Development management fees	-	70 740 593	70 740 593
Related parties - CJMM (various departments consolidated into one line item)	858 816 008	-	858 816 008
<b>Total</b>	<b>889 325 487</b>	<b>70 740 593</b>	<b>960 066 080</b>

### 37. 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.

#### 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 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	814 457 202	-	-	-
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	-	-	-

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### 37. RISK MANAGEMENT (continued)

#### 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 counterparty.

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

Financial instrument	2017	2016
Loan from shareholder	(248 602 144)	(141 042 337)
Trade and other receivables	1 132 970 248	873 681 388

### 38. 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.

### 39. EVENTS AFTER THE REPORTING DATE

Subsequent to the first submission of the financial statements, there was one non-adjusting event and one adjusting event after the reporting date.

After ten years of service to the JDA, including both as a CEO and as an Executive Manager: Risk and Compliance, the CEO of the JDA resigned from the organisation. His last working day will be the 31st August 2017. The Executive Manager: Development Facilitation has been appointed in an acting capacity until the position is filled. This was a non-adjusting event

A litigation matter whereby 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 estimated at R17.8 million as a result of BRT construction works has been finalised as a judgement was passed in September 2017. The judgement was in the favor of the JDA and the CJMM and resulted in no financial liability. This was subsequently removed from the contingent liability disclosure which resulted in an adjusting event.

Other than above, 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.

### 40. UNAUTHORISED EXPENDITURE

No unauthorised expenditure has been incurred in the current year.

### 41. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	2 991 261	878 886
Fruitless and wasteful expenditure current year	-	2 991 261
Certified by the Board of Directors for write off	-	(878 886)
	<u>2 991 261</u>	<u>2 991 261</u>

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### 41. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

Prior year (2014/15) fruitless and wasteful expenditure was reported and written off by the JDA Board of Directors in the 2015/16 year.

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 e-filing 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 the matter is still under investigation by SARS.

### 42. IRREGULAR EXPENDITURE

Opening balance	-	355 316
Add: Irregular Expenditure - current year	4 260 658	-
Less: Certification by the Board of Directors for write off	-	(355 316)
	<u>4 260 658</u>	<u>-</u>

#### Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Patterson Park - service provider	Matter is currently being investigated	<u>4 260 658</u>

During the 2016/17 financial year, a service provider had rendered services to the JDA during the implementation of the Patterson Park development project without having a valid contract.

No irregular expenditure was incurred in the 2015/16 financial year.

### 43. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### Audit fees

Current year subscription / fee	1 604 613	1 736 379
Amount paid - current year	(1 604 613)	(1 736 379)
	<u>-</u>	<u>-</u>

#### PAYE and UIF

Current year subscription / fee	14 048 202	11 692 254
Amount paid - current year	(14 048 202)	(11 692 254)
	<u>-</u>	<u>-</u>

#### Pension Deductions

Current year subscription / fee	4 776 803	4 367 454
Amount paid - current year	(4 776 803)	(4 367 454)
	<u>-</u>	<u>-</u>

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### 43. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

#### VAT

VAT receivable	31 434 609	-
VAT payable	-	1 759 240
	<u>31 434 609</u>	<u>1 759 240</u>

All VAT returns was submitted by the due date throughout the year.

### 44. 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
Ditlodi Community Liasons	1 937 244	-
Britehouse	-	25 378
The Creative Axis	-	256 740
Sizwe Ntsaluba Gobodo (Pty) Ltd	-	867 798
Vodacom	824 560	428 200
Various service providers - minimum three quotations not received	2 943 918	716 895
Various service providers - weighting for the criteria not included in the RFQ's	564 990	2 115 589
	<u>6 270 712</u>	<u>4 427 250</u>

#### Categories of deviation as per Regulation 36 of the MFMA

Services required in an emergency - regulation 36(1)(a)(i)	-	16 650
Ratified minor breaches of SCM processes	6 270 712	4 410 600
	<u>6 270 712</u>	<u>4 427 250</u>

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### 44. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

#### Deviations - 2017

##### **Ratification - Appointments made where less than three quotations were received**

The accounting officer ratified a minor breach in the supply chain process for the appointment of service providers through the request for quotation process where less than the minimum three quotations were received. In the current financial year there were various service providers appointed where less than three quotations were obtained to a value of R2 943 918.80 these also includes the request for quotation s form the approved panel service providers.

##### **Ratification - Appointments made where a weighting criteria was not used in the technical evaluation**

The accounting officer ratified a minor breach in the supply chain process for the omission of the weighting criteria in the RFQ. In the current financial year there were various service providers appointed where the weighting criteria was not included in the functionality to a value of R 564 989.93. These are applicable to all awards made as per the supply chain processes of between R 30 000 to R 200 000.

##### **Appointment of service provider for Community Liaison services in Alexandra - Ditolodi**

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.

##### **Appointment of service provider for cellular services - Vodacom**

The appointment of Vodacom service provider (Pty) Ltd, was undertaken as an appointment under the provision of section 32 of MFMA. Vodacom was procured under a contract secured by the City of Johannesburg Metropolitan Municipality (CJMM). The contract came to an end January 2015 and the contract was extended while CJMM was finalising the procurement of a new service provider. The contract was extended for a prolonged period without procurement process for new service provider being undertaken. Thereafter the JDA entered into direct negotiations with the service provider as per regulation 36 of the MFMA.

National Treasury has concluded a valid contract with Vodacom for the provision of cellular services and has gone further to issue circular encouraging organs of state in all spheres of government to make use of the said contract. The JDA does require these services and the use of the transversal contract is likely to result in cost savings of between 30%-40% on the previous contract for the JDA due to the impact of economies of scale.



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### 44. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

Therefore whilst the JDA is in the process of finalising its participation in the transversal contract procured through National Treasury, the JDA entered into an agreement through direct negotiations with Vodacom to continue to render the services for an amount of R 824 560. Such direct negotiation is a deviation from normal supply chain management processes.

#### **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 from 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.

#### **Vodacom**

The appointment of Vodacom service provider (Pty) Ltd, was undertaken as an appointment under the provision of section 32 of MFMA. Vodacom was procured under a contract secured by the City of Johannesburg Metropolitan Municipality (CJMM). The contract came to an end January 2015 and the contract was extended while CJMM was finalising the procurement of a new service provider. The contract was extended for a prolonged period without procurement process for new service provider being undertaken. The minor breach of the procurement process was ratified by the Accounting Officer.

#### **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.

#### **Ratification - Reduction of the advertising period - Sizwe Ntsalubo Gobodo**

The Accounting Officer ratified a minor breach in supply chain processes for the reduction in the RFQ advertisement period. The successful bidder of which was Sizwe Ntsalubo Gobodo and the remainder of the process was in terms of the normal SCM processes. The minor breach of the procurement process was ratified by the Accounting Officer.

#### **Ratification - Appointments made were less than three quotations were received**

The Accounting Officer ratified a minor breach in supply chain processes for the appointment of service providers through the request of quotation process were less than the minimum of three quotations was received. These are applicable to all awards made as per supply chain processes of between R30,000 and R200,000. In the current year, there was seven of these instances in a total population of 28 awards. The minor breach of the procurement process was ratified by the Accounting Officer.

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### 44. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

#### Ratification - Appointments made where a weighting criteria was not used in the technical evaluation

The Accounting Officer ratified a minor breach in supply chain processes for the appointment of service providers through the request of quotation process where the weighting criteria was not applied in the technical evaluation phase of the process. This was applicable to all the awards made to bidders of between R30,000 and R200,000 which in the current year consisted of a total of twenty eight appointments . The minor breach of the procurement process was ratified by the Accounting Officer.

### 45. OPERATING LEASE INCOME

#### Operating leases - as a lessor (income)

##### Minimum lease payments due

- within one year	-	161 247
- in second to fifth year	-	529 521
	-	<u>690 768</u>

The operating lease income related to rental of 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. During the current year, the tenant had vacated to new premises and the lease agreement was terminated.

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

A municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including.

- (a) the name of that bidder;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

Name of project	Company name	Name of the person/company award	Amount
Alexandra Urban Development Framework	Gudlhuza Development Solutions	Nyiko Gudlhuza- Spouse works for Eskom but of not a member of the CC	300 000
CoJ Health CAPEX Programme B	Gudlhuza development Solutions	Nyiko Gudlhuza- Spouse works for Eskom but of not a member of the CC	808 000
Noordgesig Social Cluster: CPC	GIBB (Pty) Ltd	Clive September -Daughter employed by Health Infrastructure PWGWC as a State Accountant and another Daughter employed by the City of Cape town as a Project Administrator 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 - Spouse 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	656 263

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### 46. AWARDS MADE TO A PERSON WHOSE CLOSE FAMILY MEMBERS ARE IN THE SERVICE OF THE STATE (continued)

Old Ikage Housing: Civil and structural Engineers	CSM Consulting Services	CAJ van Coillie - Son is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	1 700 425
Brixton Social Cluster: Consortium of Engineers	CSM Consulting Services	CAJ van Coillie - Son is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2 053 480
Brixton Social Cluster: Project Manager	Delta Built Environment	Nokuthula Sedumedi - Wife is employed by DBSA and Sister is employed by SAA	1 839 600

### 47. BUDGET DIFFERENCES

#### Material differences between budget and actual amounts

Rendering of services - Management fees are raised on CAPEX budget and only 91% 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.

Employee related costs - The variance is mainly as a result of vacant positions that are still currently under recruitment process. These positions include Chief Financial Officer, EM: Corporate Services, Em: Marketing & Communications and Senior Development Manager: Portfolio A.

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. This includes the capitalisation of the SAP software for the current year.

Finance costs - Included in the finance costs is interest relating to finance leases. Included in the budget was interest expense on the overall sweeping account. During the current year, this interest was subsequently reversed by the City.

General expenses - During the last quarter of the financial year, the anticipated capital expenditure was lower than originally planned. This would have resulted in lower revenue being generated. Based on this, the operational budget was reviewed and operational expenditure was reduced significantly to reduce the likelihood of an overall deficit at year end.