Brakpan Bus Company SOC Limited
Annual Financial Statements
for the year ended June 30, 2017

General Information

Nature of business and principal activities	Providing a public bus service to the communities of Brakpan, Springs &Tsakane and also the hiring out of its buses to individuals and organisations.
Board	Mr DR Sibanda Mr M Mdingi Mr MJ Gololo Ms N Ntanjana resigned Feb 2017 Mr Z Letjane Mr T Munyayi Chair person PN Zondo Executive director until March 2017 HM Ledwaba executive director as from April 2017
Accounting Officer	HM Ledwaba
Registered office	Cnr Lemmer and Denne Road Rand Colliers Brakpan 1544
Business address	Cnr Lemmer and Denne Road Rand Colliers Brakpan 1544
Postal address	P.O. Box 10298 Dalview Brakpan 1544
Bankers	ABSA Bank Limited
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were internally compiled by: Maxwell Jacobs Financial Manager

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

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Abbreviations

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

Board's Responsibilities and Approval

The accounting officer is required by the Municipal Financial Management Act 56 of 2003 and the Companies Act of South Africa Act 71 Of 2008, to maintain adequate accounting records and is 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 accounting officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer and directers acknowledges that he is ultimately responsible for the system of internal financial control established by the Brakpan Bus Company and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

Although the board are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 39, which have been prepared on the going concern basis, were approved by the board on 30 Auguest 2017 and were signed on its behalf by:

Accounting Officer
HM Ledwaba

Audit Committee Report

Board's Report

The accounting officer submits his report for the ended June 30, 2017.

1. Accounting Officer's interest in contracts

Describe.

2. Share capital / contributions from owners

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

3. Non-current assets

Details of major changes in the nature of the non-current assets of the entity during the year were as follows:

Changes in the policy relating to the use of non-current assets were as follows:

4. Secretary

Celiwe Nkosi was appointed as a secretary of the entity on Tuesday, January 3, 2017 and she resigned in April 2017

The secretary of the entity as a date of signing is Mokhwiti Kenneth Kekana :

5. Auditors

Auditor-General of South Africa- Johannesburg assumed responsibility of the company audit in terms of the Municipal Finance Management Act 56 of 2003 from the financial year ended 30 June 2008.

Company Secretary's Certification

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

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Company Secretary
MK Kekana

Brakpan Bus Company SOC Limited
(Registration number 2000/024331/30)
Annual Financial Statements for the year ended June 30, 2017

Statement of Financial Position as at June 30, 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	6	2,870,626	11,081,804
Cash and cash equivalents	7	12,694,636	9,776,955
		15,565,262	**20,858,759**
Non-Current Assets			
Property, plant and equipment	3	15,621,203	7,563,591
Deferred tax	4	7,719,051	4,773,099
		23,340,254	**12,336,690**
Total Assets		**38,905,516**	**33,195,449**
Liabilities			
Current Liabilities			
Operating lease liability	5	3,800	8,037
Payables from exchange transactions	11	10,793,338	14,890,603
Unspent conditional grants and receipts	9	5,970,463	5,388,244
Provisions	10	1,044,239	941,318
		17,811,840	**21,228,202**
Total Liabilities		**17,811,840**	**21,228,202**
Net Assets		**21,093,676**	**11,967,247**
Share capital / contributions from owners	8	6	6
Accumulated surplus		21,093,670	11,967,241
Total Net Assets		**21,093,676**	**11,967,247**

* See Note 24

Brakpan Bus Company SOC Limited

(Registration number 2000/024331/30)
Annual Financial Statements for the year ended June 30, 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services		10,236,775	10,403,970
Bus Hire		1,736,927	3,053,862
Commissions received		8,064	7,531
TETA		598,090	177,075
Other income		14,751	14,518
Interest received - investment	13	763,669	299,174
Total revenue from exchange transactions		**13,358,276**	**13,956,130**
Revenue from non-exchange transactions			
Transfer revenue			
Grants	14	14,417,781	5,000,000
Subsidy		13,462,698	12,227,637
Other revenue		-	7,720,073
Total revenue from non-exchange transactions		**27,880,479**	**24,947,710**
Total revenue	12	**41,238,755**	**38,903,840**
Expenditure			
Employee related costs	15	(15,958,260)	(13,631,855)
Remuneration of Directors	16	(3,135,366)	(2,821,817)
Depreciation and amortisation	17	(1,910,825)	(1,747,417)
Composition disclosed	18	(1,110)	-
Finance costs		-	(110,617)
Lease rentals on operating lease		(375,054)	(344,153)
Repairs and maintenance	30	(3,699,171)	(1,790,220)
General Expenses	19	(9,979,152)	(9,861,460)
Total expenditure		**(35,058,938)**	**(30,307,539)**
Operating surplus		**6,179,817**	**8,596,301**
Gain on disposal of assets		662	45,509
Surplus before taxation		**6,180,479**	**8,641,810**
Taxation	20	(2,945,952)	(350,279)
Surplus for the year		**9,126,431**	**8,992,089**

* See Note 24

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributions from owners	Accumulated surplus	Total net assets
Balance at July 1, 2015	**6**	**2,975,152**	**2,975,158**
Changes in net assets			
Surplus for the year	-	8,992,089	8,992,089
Total changes	-	8,992,089	8,992,089
Restated* Balance at July 1, 2016	**6**	**11,967,239**	**11,967,245**
Changes in net assets			
Surplus for the year	-	9,126,431	9,126,431
Total changes	-	9,126,431	9,126,431
Balance at June 30, 2017	**6**	**21,093,670**	**21,093,676**
Note(s)	8		

* See Note 24

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		24,268,483	25,891,423
Grants		10,000,000	5,388,244
Interest income		763,669	299,174
		35,032,152	31,578,841
Payments			
Employee costs		(16,205,515)	(13,518,321)
Suppliers		(5,940,072)	(9,244,745)
Finance costs		-	(110,617)
		(22,145,587)	(22,873,683)
Net cash flows from operating activities	21	**12,886,565**	**8,705,158**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(10,115,735)	(320,159)
Proceeds from sale of property, plant and equipment	3	146,852	13,099
Net cash flows from investing activities		**(9,968,883)**	**(307,060)**
Cash flows from financing activities			
Repayment of other financial liabilities		-	(2,912,148)
Net cash flows from financing activities		**-**	**(2,912,148)**
Net increase/(decrease) in cash and cash equivalents		**2,917,682**	**5,485,950**
Cash and cash equivalents at the beginning of the year		9,776,955	4,013,672
Cash and cash equivalents at the end of the year	7	**12,694,637**	**9,499,622**

* See Note 24

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	13,068,378	-	**13,068,378**	10,236,775	**(2,831,603)**	The entity did not achieve the set target due to trips that did not operate as a result of bus repairs turn around time at the workshop
Bus Hire	4,755,400	-	**4,755,400**	1,736,927	**(3,018,473)**	The Entity did not meet the set target due to the specials that did not operate as a result bus repairs turn around time at the workshop.
Commissions received	9,000	-	**9,000**	8,064	**(936)**	Immaterial
TETA	217,510	-	**217,510**	598,090	**380,580**	The plan was to have intake of unemployed learners only. however even employed was taken.
Branding	9,000,000	(6,000,000)	**3,000,000**	-	**(3,000,000)**	The entity did not meet the target since all tenders were suspended.
Other income	-	-	**-**	14,751	**14,751**	Immaterial
Interest received - investment	20,000	-	**20,000**	763,669	**743,669**	The entity has received conditional grant that was not budget and it was transferred to call acount while tender process is in progress.
Total revenue from exchange transactions	**27,070,288**	**(6,000,000)**	**21,070,288**	**13,358,276**	**(7,712,012)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions						
Transfer revenue						
Municipal grant	5,000,000	-	**5,000,000**	14,417,781	**9,417,781**	
Subsidy	12,843,258	-	**12,843,258**	13,462,698	**619,440**	Immaterial
Total revenue from non-exchange transactions	**17,843,258**	**-**	**17,843,258**	**27,880,479**	**10,037,221**	
Total revenue	**44,913,546**	**(6,000,000)**	**38,913,546**	**41,238,755**	**2,325,209**	
Expenditure						
Personnel	(15,860,114)	-	**(15,860,114)**	(15,958,260)	**(98,146)**	Immaterial
Remuneration of directors	(4,189,219)	-	**(4,189,219)**	(3,135,366)	**1,053,853**	Some of directors resigned and they were not replaced l
Depreciation and amortisation	(3,120,560)	1,185,996	**(1,934,564)**	(1,910,825)	**23,739**	Immaterial
Impairment loss/ Reversal of impairments	-	-	**-**	(1,110)	**(1,110)**	Immaterial
Finance costs	(1,200,000)	1,200,000	**-**	-	-	
Lease rentals on operating lease	(250,615)	-	**(250,615)**	(375,054)	**(124,439)**	New lease not signed yet
Repairs and maintenance	(2,424,823)	-	**(2,424,823)**	(3,699,171)	**(1,274,348)**	Expenses increase after the OEM was used to impprove the turnaround time at the work shop
General Expenses	(13,545,791)	-	**(13,545,791)**	(9,979,152)	**3,566,639**	Operating expenses was below budgeted amount due to the trips that were suspended
Total expenditure	**(40,591,122)**	**2,385,996**	**(38,205,126)**	**(35,058,938)**	**3,146,188**	
Operating surplus	**4,322,424**	**(3,614,004)**	**708,420**	**6,179,817**	**5,471,397**	
Gain on disposal of assets and liabilities	-	-	-	662	**662**	
Surplus before taxation	**4,322,424**	**(3,614,004)**	**708,420**	**6,180,479**	**5,472,059**	
Taxation	-	-	-	(2,945,952)	**(2,945,952)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**4,322,424**	**(3,614,004)**	**708,420**	**9,126,431**	**8,418,011**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act no 56 of 2003).

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

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

1.1 Presentation currency

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

1.2 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, 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 or the fair value 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. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. 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 subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

The entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

The entity depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets.

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

Item	Average useful life
• Motor vehicles	4 - 12 years
• Furniture and fittings	3 years
• IT Equipment	3 years
• Ticket machines	10 years
• Busses	10 years

The asset management policy contains the details of the components and their specific useful life estimates.

Accounting Policies

1.2 Property, plant and equipment (continued)

The residual value, the useful life and the depreciation method of PPE are reviewed at least at every reporting date.

At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an assets carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the assets' recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

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

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

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

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

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

Accounting Policies

1.3 Financial instruments

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

b) Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

c) Financial instruments at fair value comprise financial assets or financial liabilities that are:
(i) derivatives;
(ii) combined instruments that are designated at fair value;
(iii) instruments held for trading. A financial instrument is held for trading if:
(1) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
(2) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
(iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
(v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

Class	**Category**
Receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	**Category**
Other financial liabilities	Financial liability measured at amortised cost
Payables	Financial liability measured at amortised cost

Initial recognition
The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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

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

Fair value measurement considerations
The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the

Accounting Policies

1.3 Financial Instruments (continued)
entity establishes fair value by using a valuation technique.

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

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

Impairment and uncollectibility of financial assets
The entity assess at the end of each reporting period whether there is any objective evidence that a financial assets are impaired.

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

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.

b) Financial assets measured at cost:
If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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

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

Presentation
Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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

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

Accounting Policies

1.4 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.

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 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.

1.5 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.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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.

Operating leases - lessee

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

Accounting Policies

1.6 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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 a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated *pro rata* to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable 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 cash-generating asset is recognised immediately in surplus or deficit.

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.7 Impairment of cash-generating assets and non-cash-generating assets

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Additional text

Accounting Policies

1.7 Impairment of cash-generating assets and non-cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount or 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 an asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount or the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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 a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

When estimating the value in use of a cash-generating asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows. The present value of the remaining service potential of a non-cash-generating assets is determined using the most appropriate between the following approaches:

- Depreciated replacement cost approach;

- Restoration cost approach;

- Service units approach

Recognition and measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount or 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 asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Reversal of impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount or recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable 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) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

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

Accounting Policies

1.7 Impairment of cash-generating assets and non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Share capital / contributions from owners

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

Equity instruments issued by the company are classiffied according at the substance of the contructual arrangements enterred into. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Ordinary shares are classiffied as equity. Mandatory reemable preferences shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.9 Employee benefits

Benefits

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

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

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

1.10 Provisions and contingencies

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.

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

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

Provisions are not recognised for future operating deficits.

Accounting Policies

1.10 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.

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

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.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.11 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.

1.12 Revenue from non-exchange transactions

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

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.

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.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

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 or when the Act becomes effective, which-ever is earlier.

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

Other grants and donations

Other grants and donations 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.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.13 Borrowing costs

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

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

1.14 Comparative figures

When the presentation or classification of items in the annual financial statement is amended due to better presentation and/or better understandability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amount are reclassified . Where accounting errors have been identified in the current year, the ccorrection is made restrospectively as far as is +*practicable, and the prior year comparatives are rested accordingly. Where there has been a change in accounting policy in the current year, the adjusment is made resprospectively as far as is practicable, and the prior year comparative are restated accordingly

1.15 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 revenue in the statement of financial performance.

Accounting Policies

1.16 Irregular expenditure

Irregular expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003) the Municipal Systems Act (Act no 32 of 200) and the public Office Bearers Act (No 20 of 1988) or is in contravention of the entity suply chain management policy. Irregular erregular exenditure excludes unauthorised expenditure. Irregular expenditure in the statement of financial performamnce and where recovered , it is subse quently accounted for as revenue in the statement of financial performance.

1.17 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 7/1/2016 to 6/30/2017 .

These figures are those approved by council both at the beginning and during the year, following a period of consultation with the public as part of the intergrated development Plan (IDP). The amounts are scheduled as a separate additional financial statement called the statement of coparison of budget and actual ammounts. Explanatory comments to material differrence are provided in the statement itself.

1.18 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.
Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activitie. Joint control is agreed sharing of control over an activity by a binding arrangement and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures)

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

1.19 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.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

2.2 Standards and Interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations:

2.3 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 July 1, 2017 or later periods:

• GRAP 34: Separate Financial Statements	No effective date has yet been detemined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	No effective date has yet been detemined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	No effective date has yet been detemined by the Minister of finance	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	No effective date has been detemined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	No effective date has yet been detemined by the Minister of Finance	Not expected to impact results but may result in additional disclosure

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 110: Living and Non-living Resources	No effective date has yet been detemined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	April 1, 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	April 1, 2018	Unlikely there will be a material impact
• GRAP31 (as amended 2016): Intangible Assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	April 1, 2018	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land	April 1, 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	April 1, 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	April 1, 2017	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	April 1, 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	April 1, 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	April 1, 2018	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	April 1, 2018	Unlikely there will be a material impact

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after July 1, 2017 or later periods but are not relevant to its operations:

3. 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 Other assets	364,081	(292,457)	71,624	393,217	(296,364)	96,853
Motor vehicles	1,067,864	(643,460)	424,404	1,235,339	(817,700)	417,639
IT equipment	227,988	(145,406)	82,582	163,229	(116,370)	46,859
Buses	25,706,494	(10,663,901)	15,042,593	16,005,600	(9,003,360)	7,002,240
Ticket Machines	117,988	(117,988)	-	1,061,895	(1,061,895)	-
Total	**27,484,415**	**(11,863,212)**	**15,621,203**	**18,859,280**	**(11,295,689)**	**7,563,591**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Furniture and other assets	96,853	26,374	-	(50,466)	(110)	71,624
Motor vehicles	417,639	315,711	(140,632)	(160,523)	(1,000)	424,404
IT equipment	46,859	72,757	(5,558)	(31,476)	-	82,582
Buses	7,002,240	9,700,893	-	(1,660,540)	-	15,042,593
	7,563,591	**10,115,735**	**(146,190)**	**(1,903,005)**	**(1,110)**	**15,621,203**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and other assets	131,858	34,404	-	(69,409)	96,853
Motor vehicles	289,800	400,110	(115,604)	(156,667)	417,639
IT equipment	33,979	35,646	(1,986)	(20,780)	46,859
Buses	8,502,800	-	-	(1,500,560)	7,002,240
	8,958,437	**470,160**	**(117,590)**	**(1,747,416)**	**7,563,591**

Pledged as security

Carrying value of assets pledged as security:

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.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Deferred tax

Deferred tax liability

Other deferred tax liability - 1	(1,540,470)	(1,960,627)

Deferred tax asset

Tax losses available for set off against future taxable income	9,259,521	6,733,726

The deferred tax assets and the deferred tax liability relate to. income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows Deferred tax is calculated on assess loss and nondeductible payroll expenses . The opening movement deferred tax asset. as previously reported has change, hoever there was no change on total . Deferred tax liability is calculated on the difference period of depreciation and wear & tear of buses. :

Deferred tax liability	(1,540,470)	(1,960,627)
Deferred tax asset	9,259,521	6,733,726
Total net deferred tax asset	**7,719,051**	**4,773,099**

Reconciliation of deferred tax asset \ (liability)

At beginning of year	4,773,099	4,847,713
Movement of tax available for set off against future taxable income	(144,615)	1,363,967
Movement of tax on income received in advance	(3,262)	(4,688)
Movement of tax assessed loss	3,093,829	(1,433,893)
	7,719,051	**4,773,099**

5. Operating lease

Current liabilities	(3,800)	(8,037)

6. Receivables from exchange transactions

Trade debtors	2,819,388	11,076,901
Other receivables	51,238	4,903
	2,870,626	**11,081,804**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7,920	8,960
Bank balances	12,686,716	9,767,995
	12,694,636	**9,776,955**

Bank balances incude cash in banks and investment in money market instruments detailed as follows

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2017	June 30, 2016	June 30, 2015
ABSA- Current account 4052643454	366,052	1,947,750	1,947,750	-	1,126,819	2,025,064
ABSA - Money market account - 9193942873	12,300,958	8,641,175	1,979,488	12,300,958	8,641,175	1,979,488
Cash on Hand	-	-	-	-	8,960	9,120
Total	**12,667,010**	**10,588,925**	**3,927,238**	**12,300,958**	**9,776,954**	**4,013,672**

8. Share capital / contributions from owners

	2017	2016
Issued		
Ordinary	6	6

9. Unspent conditional grants and receipts

Movement during the year

	2017	2016
Balance at the beginning of the year	5,388,244	-
Additions during the year	10,000,000	5,388,244
Income recognition during the year	(9,417,781)	-
	5,970,463	**5,388,244**
Non-current liabilities	-	-
Current liabilities	5,970,463	5,388,244
	5,970,463	**5,388,244**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Restructuring	300,000	-	(300,000)	-
Provision for leave pay	641,318	1,044,239	(641,318)	1,044,239
	941,318	**1,044,239**	**(941,318)**	**1,044,239**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Restructuring	-	300,000	-	300,000
Provision of Diesel and insurance paid by EMM	777,333	-	(777,333)	-
Other provisions	541,389	789,132	(689,203)	641,318
	1,318,722	**1,089,132**	**(1,466,536)**	**941,318**

The provision epresents the present value of the management ' best estimate at R1 044 239 of the employees leave direct cost. otheir provisions disclosed last year were corrected in note of prior year error

11. Payables from exchange transactions

	2017	2016
Trade payables	4,941,244	13,299,556
Accruals	4,980,611	783,988
Prepayment received	190,695	179,046
Accrued 13 cheques	680,788	628,013
Accrued expense 1	-	-
	10,793,338	**14,890,603**

12. Revenue

	2017	2016
Rendering of services	10,236,775	10,403,970
Bus Hire	1,736,927	3,053,862
Commissions received	8,064	7,531
TETA	598,090	177,075
Other income	14,751	14,518
Interest received - investment	763,669	299,174
Municipal grant	14,417,781	5,000,000
Subsidy	13,462,698	12,227,637
Other revenue	-	7,720,073
	41,238,755	**38,903,840**

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

	2017	2016
Rendering of services	10,236,775	10,403,970
Bus hire	1,736,927	3,053,862
Commissions received	8,064	7,531
TETA	598,090	177,075
Other Income	14,751	14,518
Interest received - investment	763,669	299,174
	13,358,276	**13,956,130**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Grants	14,417,781	5,000,000
Susidy	13,462,698	12,227,637
Writte off debt by Ekurhuleni Metropolitan Municipality	-	7,720,073
	27,880,479	**24,947,710**

13. Investment revenue

Interest revenue		
Call Acocunt	699,782	298,996
Current Acount	63,887	178
	763,669	**299,174**

14. Government grants and subsidies

Operating grants		
Municipal Grants	5,000,000	5,000,000
Conditional grants	9,417,781	-
	14,417,781	**5,000,000**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

15. Employee related costs

Basic	14,012,491	11,876,115
UIF	109,160	95,066
SDL	143,055	130,471
Provident fund Company contributions	965,910	867,626
Overtime payments	712,434	641,982
Barganing council and employee funeral contribution	15,210	20,595
	15,958,260	**13,631,855**

Remunlration of Financial Manager (Included in the above total)

Basic Salary	599,059	525,355
Car Allowance	120,657	113,827
13th Cheque	-	43,780
Provident fund contribution	59,905	52,536
Cellullar phone allowance	9,600	9,600
Medical aid and housing allowance	16,461	7,764
UIF and SDL	8,626	-
	814,308	**752,862**

Remuneration of Operations Manager (included in the above total)

Basic Salary	599,059	525,355
Car Allowance	120,657	113,827
13 Cheque	-	43,780
Provident fund Contribution	59,905	52,536
Cellullar phone allowance	9,600	9,600
Medical aid and housing allowance	16,461	7,764
UIF and SDL	8,626	-
	814,308	**752,862**

Remuneration of HR Manager (included in the above total)

Basic Salary	549,141	525,355
Car allowance	110,602	113,827
13 Cheque	-	43,780
Provident fund contribution	54,914	43,780
Cellullar phone allowance	8,800	9,600
Medical aid and housing allowance	15,089	7,764
	738,546	**744,106**

Remuneration of Company secretary (included in the above total)

Heading		
Basic salary	190,645	-
Car allowance	47,904	-
13 Cheque	15,670	-
Provident fund contribution	24,243	-
Cellullar phone allowance	3,135	-
Medical aid and housing allowance	5,375	-
	286,972	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

16. Directors emoluments

Directors emoluments

Fees of non-executive director DR Sibanda	381,600	260,634
Fees of non-executive director M Mdingi	381,600	249,420
Fees of non-exucutive director MJ Gololo	381,600	298,014
Fees to non-executive director N Ntanjana	270,300	305,490
Fees to non-executive director M Koetle	-	312,966
Fees to non-executive director H Van Laar	-	32,040
Fees to non-exucutive director Z Letjane	381,600	291,072
Fees to non-executive director (chair person) TB Munyai	446,472	380,664
Remunaration to executive director NP Zondo	892,194	691,521
	3,135,366	**2,821,821**

Remuneration of chief executive officer (managing director)

Basic salary	769,036	603,660
13th cheque	-	50,305
Cellular phone allowance	21,600	21,600
Medical Aid and housing allowance	16,461	7,764
Car Allowance	76,904	-
Otheir Income	8,193	8,192
	892,194	**691,521**

17. Depreciation and amortisation

Property, plant and equipment	1,910,825	1,747,417

18. Impairment of assets

Impairments

Property, plant and equipment	1,110	-

Describe the events and circumstances that lead to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

19. General expenses

Advertising	122,411	182,268
Auditors remuneration	651,843	557,898
Bank charges	222,327	204,534
Cleaning	23,972	35,655
Computer expenses	150,861	161,303
Consulting and professional fees	728,802	995,379
Consumables	97,248	45,173
Hire	-	58,076
Insurance	110,277	102,682
Motor vehicle expenses	142,388	237,655
Fuel and oil	6,111,690	5,976,904
Postage and courier	-	23
Printing and stationery	77,836	101,066
Protective clothing	121,350	110,879
Cash collection	334,029	308,264
Staff welfare	9,499	1,617
Subscriptions and membership fees	28,936	21,852
Telephone and fax	45,607	54,114
Training	561,024	230,778
Travel - local	900	68,708
Electricity	163,155	110,835
Sewerage and waste disposal	3,735	8,808
Water	8,555	20,130
Otheir expenses	228,672	196,896
Refreshments	34,035	39,896
Refund Special buses	-	30,067
	9,979,152	**9,861,460**

20. Taxation

Major components of the tax income

Deferred		
Local income tax- current period	(2,945,952)	(350,279)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

21. Cash generated from operations

	2017	2016
Surplus	9,126,431	8,992,089
Adjustments for:		
Depreciation and amortisation	1,910,825	1,747,417
Loss on sale of assets and liabilities	(662)	(45,509)
Impairment deficit	1,110	-
Movements in operating lease assets and accruals	(4,237)	3,336
Movements in provisions	102,921	(377,404)
Taxation	(2,945,953)	(350,279)
Changes in working capital:		
Receivables from exchange transactions	8,211,178	(4,993,169)
Payables from exchange transactions	(4,097,267)	(1,187,468)
Unspent conditional grants and receipts	582,219	5,388,244
Operating lease Liability	-	(472,099)
	12,886,565	**8,705,158**

22. Commitments

Operating leases - as lessee (expense)

	2017	2016
Minimum lease payments due		
- within one year	25,000	63,986
- in second to fifth year inclusive	-	28,193
	25,000	**92,179**

The entity has entered into an operating lease of photo copymachine started date December 2014 to November 2017. Other operating leasesare with EMM which are for buses and office building and are on a month to month basis. Negotiations of a long term are in progress.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

23. Related parties

Relationships

Directors	Refer to General Information
Accounting Officer	MH Ledwaba
Holding Company	Ekurhuleni Metropolitan Municipality
Provincial Gogernment and custodian of operating permits and routes	Department of Roads and Transport
Conditional grants	Department of Roads and Tranport
Members of key management	M Jacobs (Financial Manager S Mbatha (Operations Manager) S Gumede (HR manager) resined May 2017 C Nkosi (Company Secretary) resined April 2017

Related party balances

	2017	2016
Amount Inluded in trade receivable(Trade payebles)		
Ekurhuleni Metropolitan Municipality	4,941,244	(13,299,555)
Department of Roads and Transport	2,570,643	1,068,689
Ekrhuleni Metropolitan Municipality	-	10,004,857
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Department of Road and Transport	13,462,698	12,227,637
Conditional Grants Department of Roads and Tranport	10,000,000	5,388,244
Grant (Paid to) received from related parties		
Ekurhuleni Metropolina Municipality	5,000,000	5,000,000
Write off dept owing to Ekurhuleni Metropolitan Municipality	-	7,720,073
Purchase from related Parties		
Ekurhuleni Metropolitan Municipality lease of buses and offices	110,000	110,000
Ekurhuleni Metropolitan Municipality Reapairs & mai, Diesel and other	6,531,689	6,328,178
Destiney exclusive owned by director Z Letjane	-	66,895

Related party transactions

24. Prior period errors

The entity has corrected the amount which was diclosed as provission instate of contigency liability. The total amount that the expenses were over stated with is R5 421 550 . The line items that were over stated are Repairs and maintenence R4 637 541, General R 506 677 and opening accumulated surplus

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

Statement of financial Performance and Statement of financial Position		
Repairs and maintenance	1,790,220	6,427,761
General	9,861,460	10,368,137
Opening accumuleted surplus	3,447,262	3,169,929

25. Risk management

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 provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There are no receivebles that are long over due but not impared

Consistent with others in the industry, the entity monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.

25. Risk management (continued)

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.

The gearing ratios at 2017 and 2016 respectively were as follows:

Other financial liabilities		-	2,912,148
Less: Cash and cash equivalents	7	(12,694,636)	(4,013,672)
Net debt		(12,694,636)	(1,101,524)
Total equity		21,093,676	3,169,929
Total capital		8,399,040	2,068,405
Gearing ratio		(60.18)%	(34.75)%

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.

26. Going concern

We draw attention to the fact that at June 30, 2017, the entity had accumulated deficits of R 21,093,670 and that the entity's total liabilities are below its assets by R 2 246 578 . the total current liability include the inter account balance of R4 941 244 that the entity owes to the parent municipality

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 the contrant with DoRT will expare on the 18 March 2018 how ever the entity believe it will be exteded as it has been happening for the past 17 years.

27. Irregular expenditure

Opening balance	2,143,418	2,066,097
Add: Irregular Expenditure - current year	645,125	165,448
Less: Amounts written off	-	(88,127)
	2,788,543	**2,143,418**

28. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Irregular expenditure amounting to R645 125 (2016 - R165 448) was incurred in the current financial year, of which R106 799 was as a result of renting ticket office from a supplier without a tax clearance certificate R444 307 is for contract that has expared and are on month to month. The remaining R94 019 is made out of different small amount which supply chain procceses were not followed to the later. however the entity got value for money on all transections

Audit fees

Opening balance	-	70,000
Current year audit fees	651,843	487,898
Amount paid - current year	(651,843)	(557,898)
	-	-

Notes to the Annual Financial Statements

Figures in Rand

28. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year PAYE and UIF	2,597,667	1,532,201
Amount - paid current year	(2,597,667)	(1,532,201)
	-	-

Pension and Medical Aid Deductions

Current year-Provident fund	965,910	867,626
Amount paid - current year	(965,910)	(867,626)
	-	-

29. 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 board and includes a note to the annual financial statements.

Diesel of R2 075 150 was procured during the financial year under review on deviations when EMM tanks were dry, SNE egineering was paid R107 788 for software and hardware system , Phephani learnership was paid R365 625 for learnership progran and . The remaining R60 935 was for differrent is made of small amount paid to the different suppliers. process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the board who considered them and subsequently noted them.

Deviations		
Emergencies	-	345,705
Appointment of consultants	422,241	259,015
Operational services	2,186,897	2,096,578
	2,609,138	**2,701,298**

30. Repairs and maintenance

Repairs and maintenance	3,999,171	1,790,220

Repairs and maintenance is made of repairing and maintaining the fixed assets mainly buses, building , motor vehicle and ticket machines . All assets were repaired by third parties as follow : buses material R 2 039 929 , repairs bus labourR 839 681 , buses tyres R341 196 . motor vehicle material R174 757 , motor vehicle labour R 44 343 motor vehicles tyre R10 580 , Repairs of the bulding labour R43 731 , building material R97 045 , repairs of ticket machine R100 855 and repairs of otheir assets R7 050.