

ANNEXURE B



Brakpan Bus Company SOC Limited
Annual Financial Statements
for the year ended 30 June 2018

Brakpan Bus Company SOC Limited

(Registration number 2000/024331/30)

Annual Financial Statements for the year ended 30 June 2018

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 of directors	Mr DR Sibanda Mr M Mdingi until 30 April 2018 Mr MJ Gololo Mr LE Letjane Mr T Munyai (Chair person)
Accounting Officers	MV Lesawane Chairperson of the Board
Registered office	Cnr Lemmer and Denne Road Rand Colliers Brakpan 1544
Business address	Cr Lemmer and Denne Road Rand Colliers Brakpan 1544
Postal address	P.O. Box 10298 Dalview Brakpan 1544
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa Registered Auditors
Preparer	The annual financial statements were internally compiled by: Maxwell Jacobs Financial Manager
Published	31 August 2018

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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)

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Accounting Officer`s Responsibilities and Approval

The accounting officers are required by the Companies Act, 71 of 2008, 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 accounting officers 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 officers 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 accounting officers 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 officers 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 accounting officers have reviewed the entity's cash flow forecast for the year to June 30, 2019 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 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.

The annual financial statements set out on pages 7 to 43 which have been prepared on the going concern basis and were approved by the the Accounting Officer and the Board Chairperson on the 30th of November 2018.

Accounting Officer
M Ndima

Chairperson of the Board
M Mdingi

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Audit Committee Report

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Board`s Report

The accounting officers submit their report for the year ended 30 June 2018.

1. Accounting Officers' interest in contracts

The Accounting Officer has no interest in any contract currently in place from 01 July 2017 to 30 June 2018.

2. Share capital

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

3. Non-current assets

There was no major changes in the nature of the non-current assets of the entity during the year.

4. Secretary

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

The secretary of the entity as from August 2017 to date 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 for the financial year ended 30 June 2018.

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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

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Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	7	38 340	-
Receivables from exchange transactions	8	443 647	376 185
Receivables from non-exchange transactions	9	861 198	2 570 643
Cash and cash equivalents	10	8 007 265	12 618 434
		9 350 450	15 565 262
Non-Current Assets			
Property, plant and equipment	3	14 552 517	14 840 038
Intangible assets	4	45 138	-
Deferred tax	5	-	1 802 485
		14 597 655	16 642 523
Total Assets		23 948 105	32 207 785
Liabilities			
Current Liabilities			
Operating lease liability	6	-	3 800
Payables from exchange transactions	14	3 341 822	5 852 094
Provisions	13	1 397 843	1 044 239
		4 739 665	6 900 133
Non-Current Liabilities			
Payables from exchange transactions	14	14 656 872	4 941 244
Total Liabilities		19 396 537	11 841 377
Net Assets		4 551 568	20 366 408
Share capital / contributed capital	11	6	6
Accumulated surplus		4 551 568	20 374 754
Total Net Assets		4 551 574	20 374 760

* See Note 32

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Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	15	42 210	53 010
Rendering of services	15	9 499 532	10 183 765
Bus Hire	15	1 761 173	1 736 927
Commissions received	15	9 106	8 064
TETA	15	41 104	598 090
Other income	17	-	14 751
Interest received - investment	18	747 918	763 669
Gain on disposal of assets	15	-	662
Services in-kind	18	1 801 728	-
Total revenue from exchange transactions		13 902 771	13 358 938
Revenue from non-exchange transactions			
Transfer revenue			
Grants	19	-	10 388 244
Subsidy		12 616 429	23 462 698
Total revenue from non-exchange transactions		12 616 429	33 850 942
Total revenue	15	26 519 200	47 209 880
Expenditure			
Employee related costs	20	(20 886 707)	(15 958 260)
Remuneration of Directors	21	(2 399 879)	(3 135 366)
Depreciation and amortisation	22	(1 833 633)	(1 910 825)
Impairment of assets	23	-	(1 110)
Lease rentals on operating lease		(378 406)	(375 054)
Loss on disposal of assets and liabilities		(164 768)	-
Repairs and maintenance	40	(5 355 840)	(1 790 220)
General Expenses	24	(9 520 662)	(11 888 103)
Total expenditure		(40 539 895)	(35 058 938)
(Deficit) surplus before taxation		(14 020 695)	12 150 942
Taxation	26	1 802 485	1 892 582
(Deficit) surplus for the year		(15 823 180)	10 258 360

* See Note 32

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Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Opening balance as previously reported	6	9 112 448	9 112 454
Adjustments			
Correction of errors	-	1 003 946	1 003 946
Balance at 01 July 2016 as restated*	6	10 116 394	10 116 400
Changes in net assets			
Surplus/(deficit) for the year	-	10 258 360	10 258 360
Total changes	-	10 258 360	10 258 360
Restated* Balance at 01 July 2017	6	20 374 754	20 374 760
Changes in net assets			
Surplus/(deficit) for the year	-	(15 823 180)	(15 823 180)
Total changes	-	(15 823 180)	(15 823 180)
Balance at 30 June 2018	6	4 551 574	4 551 580
Note(s)			11

* See Note 32

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Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		11 249 878	12 385 176
Subsidy		14 325 874	21 968 956
Interest income		783 703	687 467
		<u>26 359 455</u>	<u>35 041 599</u>
Payments			
Employee costs		(18 731 375)	(18 965 596)
Suppliers		(6 445 004)	(7 310 658)
Finance costs		-	-
		<u>(25 176 379)</u>	<u>(26 276 254)</u>
Net cash flows from operating activities	27	<u>1 183 076</u>	<u>8 765 345</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(5 742 711)	(6 070 718)
Proceeds from sale of property, plant and equipment	3	2 632	146 852
Purchase of other intangible assets	4	(54 166)	-
		<u>(5 794 245)</u>	<u>(5 923 866)</u>
Net increase/(decrease) in cash and cash equivalents		(4 611 169)	2 841 479
Cash and cash equivalents at the beginning of the year		12 618 434	9 776 955
Cash and cash equivalents at the end of the year	10	<u>8 007 265</u>	<u>12 618 434</u>

* See Note 32

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for variance
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	69 404	-	69 404	42 210	(27 194)	Sales of smart card is below the budget amount due to trips that are suspended.
Rendering of services	13 852 481	-	13 852 481	9 499 532	(4 352 949)	The entity is operating below the budget due to trips that did not operate as a result of bus repairs turn around time at the workshop and taxi threats
Bus Hire	5 040 724	(2 320 362)	2 720 362	1 761 173	(959 189)	The Entity did not meet the set target due to the specials that did not operate according to plan due to shortage of buses.
Commissions received	8 000	-	8 000	9 106	1 106	Immaterial
TETA	450 000	-	450 000	41 104	(408 896)	There was no intake of learners
Branding	7 300 000	(2 650 000)	4 650 000	-	(4 650 000)	The entity did not meet the target since contract was signed in January 2018.
Other income	153 033	-	153 033	-	(153 033)	
Interest received - investment	200 000	450 523	650 523	747 918	97 395	
Total revenue from exchange transactions	27 073 642	(4 519 839)	22 553 803	12 101 043	(10 452 760)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for variance
Figures in Rand						
Revenue from non-exchange transactions						
Transfer revenue						
Municipal grant	-	-	-	1 801 728	1 801 728	Conditional grant received in prior year, utilised in current year.
Conditional grants	5 905 337	-	5 905 337	-	(5 905 337)	Conditional grant was not received
Subsidy	13 928 040	-	13 928 040	12 616 429	(1 311 611)	Amount budgeted was not recovered in full because of the shortages of buses to cover the required kilometer.
Total revenue from non-exchange transactions	19 833 377	-	19 833 377	14 418 157	(5 415 220)	
Total revenue	46 907 019	(4 519 839)	42 387 180	26 519 200	(15 867 980)	
Expenditure						
Personnel	(18 860 914)	(870 000)	(19 730 914)	(20 886 707)	(1 155 793)	Immaterial
Remuneration of directors	(3 335 909)	1 244 665	(2 091 244)	(2 399 879)	(308 635)	Some of directors resigned and they were not replaced
Depreciation and amortisation	(2 891 465)	550 000	(2 341 465)	(1 830 185)	511 280	Depreciation policy was updated during the year.
Lease rentals on operating lease	(308 990)	-	(308 990)	(378 406)	(69 416)	Immaterial
Repairs and maintenance	(7 269 558)	2 500 000	(4 769 558)	(5 355 840)	(586 282)	Immaterial
General Expenses	(14 175 139)	1 095 174	(13 079 965)	(9 524 110)	3 555 855	Operating expenses was below budgeted amount due to the trips that were suspended
Total expenditure	(46 841 975)	4 519 839	(42 322 136)	(40 375 127)	1 947 009	
Operating deficit	65 044	-	65 044	(13 855 927)	(13 920 971)	
Loss on disposal of assets and liabilities	-	-	-	(164 768)	(164 768)	
Deficit before taxation	65 044	-	65 044	(14 020 695)	(14 085 739)	
Taxation	-	-	-	1 802 485	1 802 485	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for variance
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	65 044	-	65 044	(15 823 180)	(15 888 224)	

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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.

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 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.

1.3 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Expected manner of realisation for deferred tax

Deferred tax is provided for on the assessed loss and deductible temporary differences on the assumption that sufficient future taxable profits will be available against which tax losses and unused tax credits can be utilised. Assessment of future taxable profits is performed at every reporting date, in a form of future cash flows (budgets) using suitable growth rates. Refer note 5 – Deferred tax.

Property, plant and equipment

Property, plant and equipment are depreciated over their useful life taking into account, where appropriate, residual values. Assessment of useful lives and residual values are performed annually, taking into account factors such as technological innovation, maintenance programmes, market information and management considerations. In assessing the residual values, the remaining life of the asset, its projected disposal value and future market conditions are taken into account. Detail on property, plant and equipment can be found in note 3.

1.4 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.

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Accounting Policies

1.4 Property, plant and equipment (continued)

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 - 10 years
• Furniture and Equipment	3 - 18 years
• IT Equipment	2 - 18 years
• Ticket machines	15 -15 years
• Buses chassis and engines	5 - 13 years
• Other assets	3 - 6 years

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

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 deficit or deficit unless it is included in the carrying amount of another asset.

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Accounting Policies

1.4 Property, plant and equipment (continued)

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 deficit 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.

1.5 Income received in advance

Revenue from coupon sales are recognised on a daily basis as and when coupons are sold. At year end, revenue for trips not yet utilized are recognised as revenue and accounted for as income received in advance. This policy differ with that used in prior year as estimates was used.

1.6 Intangible assets

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.

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.

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	Depreciation method	Average useful life
Computer software	Straight line	12 Months from the date of renewal

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Accounting Policies

1.7 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.

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 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.

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Accounting Policies

1.7 Financial instruments (continued)

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.

c) 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.

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.

1.8 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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1.8 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 deficit 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 deficit 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 deficit 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 deficit 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.

1.9 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.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through an exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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1.10 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 used 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:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

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1.11 Impairment of cash-generating assets (continued)

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.

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.

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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 deficit 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.

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.

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1.11 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 deficit 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.

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

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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.

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

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

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 service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

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.

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

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 current 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.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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 deficit or deficit.

Any impairment loss of a revalued non-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 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.

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

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 deficit 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.

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.

1.13 Share capital

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 classified according to the substance of the contractual arrangements entered into. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

1.14 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 deficit 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.

Liabilities for annual leave are recognised as they occur to employees. The liability is based on the total accrued leave days at year end, any unused leave days are forfeited six months after the end of leave cycle.

1.15 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.

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1.15 Provisions and contingencies (continued)

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 surplus deficit.

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 30.

1.16 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.

1.17 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.

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1.17 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, whichever is earlier.

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.

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.

Services in-kind

BBC recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the revenue when it is probable that future economic benefits or services will potential flow to the entity and fair value of the assets can be measured reliably. If the services in-kind are not significant to the entity operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity discloses the nature and type of the service in-kind received during the reporting period.

CoE also pays the IT services, Internal Audit fees and Audit Commette fees on behalf of BBC.

1.18 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.

1.19 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 correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparative are restated accordingly.

1.20 Fruitless and wasteful expenditure

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

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1.20 Fruitless and wasteful expenditure (continued)

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.

1.21 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 supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure in the statement of financial performance and where recovered , it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Budget information

Entities 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 2016/07/01 to 2017/06/30

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

1.23 Related parties

The entity operate 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 local sphere of government. Ekurhuleni Metropolitan Municipality and its entities 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 of an entity so as to obtain benefits from its activities. Joint control is agreed sharing of control over an activity by a binding arrangement and exists only when the strategic financial and operating decisions related influenced by, that management in their Related party transaction is a transfer of resources, services or obligations relating to be activity require the unanimous consent of the parties sharing control (the ventures) significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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.

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:

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Accounting Policies

1.24 Events after reporting date (continued)

- 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.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has not adopted any standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

The entity not chosen to early adopt any 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 01 July 2018 or later periods:

• GRAP 34: Separate Financial Statements	No effective date has yet been determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	No effective date has yet been determined 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 determined by the Minister of finance	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	No effective date has been determined 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 determined by the Minister of Finance	Not expected to impact results but may result in additional disclosure
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	No effective date has yet been determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact

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2. *New standards and interpretations (continued)*

• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	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
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

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3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and Other assets	395 357	(301 732)	93 625	364 081	(253 365)	110 716
Motor vehicles	1 225 044	(826 115)	398 929	1 067 864	(608 929)	458 935
IT equipment	279 421	(163 401)	116 020	227 988	(107 639)	120 349
Bus Chassis	11 824 987	(4 441 670)	7 383 317	11 824 987	(3 633 963)	8 191 024
Bus Engines	13 613 866	(7 053 240)	6 560 626	13 881 505	(7 922 491)	5 959 014
Ticket Machines	117 988	(117 988)	-	117 988	(117 988)	-
Total	27 456 663	(12 904 146)	14 552 517	27 484 413	(12 644 375)	14 840 038

Reconciliation of property, plant and equipment - 2018

	Opening balance	Disposals	Additions	Depreciation	Total
Furniture and fixtures	110 716	-	31 273	(48 364)	93 625
Motor vehicles	458 935	-	158 924	(218 930)	398 929
IT equipment	120 349	-	53 332	(57 661)	116 020
Buses Chassis	8 191 023	-	-	(807 707)	7 383 316
Bus Engines	5 959 015	(167 400)	1 460 965	(691 953)	6 560 627
	14 840 038	(167 400)	1 704 494	(1 824 615)	14 552 517

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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	187 661	26 374	(2 911)	(100 298)	(110)	110 716
Motor vehicles	479 910	315 711	(140 632)	(195 054)	(1 000)	458 935
IT equipment	84 626	72 757	(5 558)	(31 476)	-	120 349
Buses Chassis	4 293 541	4 462 411	-	(564 928)	-	8 191 024
Bus Engines	1 952 146	5 238 482	-	(1 231 614)	-	5 959 014
	6 997 884	10 115 735	(149 101)	(2 123 370)	(1 110)	14 840 038

Assets fully depreciated

The company has ticket machines with a total cost of R117 988 and other assets with a total cost R68 127 which have been fully depreciated. The asset that was disposed was fully depreciated. The PPE on the cashflow statement includes an amount of R4 045 017 that was accrued in 2017.

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.

4. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	54 166	(9 028)	45 138	-	-	-

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5. Deferred tax		
Deferred tax liability		
Accelerated wear and tear on Property, Plant and Equipment	(539 404)	(1 297 829)
Unutilised tax loss available for future periods	(4 169 272)	-
Total deferred tax liability	(4 708 676)	(1 297 829)
Deferred tax asset		
Tax losses available for set off against future taxable income	4 037 882	2 562 847
Income received in advance	11 875	53 395
Provision for bonus pay	267 523	190 621
Provision for leave pay	391 394	292 387
Operating lease liability	-	1 064
Total deferred tax asset	4 708 674	3 100 314
Deferred tax liability resulted from the temporary differences with regards to the buses.		
Deferred tax liability	(4 708 676)	(1 297 829)
Deferred tax asset	4 708 676	3 100 314
Total net deferred tax asset	-	1 802 485
Reconciliation of deferred tax asset \ (liability)		
At beginning of year	1 802 485	3 695 067
Movement of tax available for set off against future taxable income	1 475 035	(2 402 703)
Movement on property, plant and equipment	758 424	464 450
Movement of tax on income received in advance	(41 520)	3 262
Movement in provision for bonus pay	76 903	(69 223)
Movement in provision for leave pay	99 009	112 818
Movement in operating lease liability	(1 064)	(1 186)
Unutilised tax loss available for future periods	(4 169 272)	-
	-	1 802 485
6. Operating lease liability		
Current liabilities	-	(3 800)
7. Inventories		
Smart Cards	38 340	-
8. Receivables from exchange transactions		
Trade debtors	351 093	248 745
Accrued interest received	40 417	-
Provident Fund	9 727	-
Prepaid Expenses	42 410	127 440
	443 647	376 185

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9. Receivables from non-exchange transactions

Subsidy 861 198 2 570 643

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank Balances	7 925 689	12 618 434
Cash on hand	81 576	-
	8 007 265	12 618 434

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA-Current account 4052643454	1 143 052	366 052	1 947 750	1 133 961	385 785	1 126 819
ABSA-Money market account- 9193942873	6 229 726	12 224 756	8 641 175	6 229 726	12 224 756	8 641 175
Nedbank	548 584	-	-	563 698	-	-
Cash	-	-	-	79 880	7 920	8 960
Total	7 921 362	12 590 808	10 588 925	8 007 265	12 618 461	9 776 954

11. Share capital / contributed capital

Authorised

1000 ordinary shares 1 000 1 000

Issued

6 Ordinary shares 6 6

12. Unspent conditional grants and receipts

Movement during the year

Balance at the beginning of the year	-	5 388 244
Income recognition during the year	-	(5 388 244)
	-	-

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13. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Provision for leave pay	1 044 239	416 162	(62 558)	1 397 843

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Provision for performance bonus	300 000	-	(300 000)	-
Provision for leave days	641 318	1 044 239	(641 318)	1 044 239

The provision represents the present value of the management's best estimate at R1 397 843 of the employees leave direct cost.

14. Payables from exchange transactions

Payables from exchange transactions	14 656 872	4 941 241
Trade payables	18 252	-
Accruals	1 295 593	4 186 162
Prepayment received	118 617	190 695
Accrued 13 cheques	955 440	680 788
Accrued expense sal & board fee	953 930	794 449
	17 998 704	10 793 335

15. Revenue

Sale of goods	42 210	53 010
Rendering of services	9 499 532	10 183 765
Bus Hire	1 761 173	1 736 927
Commissions received	9 106	8 064
TETA	41 104	598 090
Other income	-	14 751
Interest received - investment	747 918	763 669
Services in-kind	1 801 728	10 388 244
Subsidy	12 616 429	23 462 698
Gain on disposal of assets	2 632	-
	26 521 832	47 209 218

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

Sale of goods	42 210	53 010
Rendering of services	9 499 532	10 183 765
Bus hire	1 761 173	1 736 927
Commissions received	9 106	8 064
TETA	41 104	598 090
Other Income	-	14 751
Interest received - investment	747 918	-
Gain on disposal of assets	2 632	763 669
Services in-kind	1 801 728	-
	13 905 403	13 358 276

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Figures in Rand	2018	2017
15. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Grants		
Grants	-	10 388 244
Susidy	12 616 429	23 462 698
	12 616 429	33 850 942
16. Other revenue		
Commissions received	9 106	8 064
TETA	41 104	598 090
Other revenue	-	14 751
	50 210	620 905
17. Other income		
Other income 1	-	14 751
18. Interest revenue		
Interest revenue		
Call Account	669 185	699 782
Current Account	78 733	63 887
	747 918	763 669
19. Government Grants		
Operating grants		
Municipal Grants	-	5 000 000
Conditional grants	-	5 388 244
	-	10 388 244

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20. Employee related costs		
Basic	15 413 879	14 012 491
Medical aid - company contributions	854 868	-
UIF	124 780	109 160
SDL	158 316	143 055
Provident fund Company contributions	1 203 913	965 910
Overtime payments	800 608	712 434
13th Cheques	656 050	-
Acting allowances	527 388	-
Car allowance	517 458	-
Housing benefits and allowances	610 627	-
Bargaining council and employee funeral contribution	18 820	15 210
	20 886 707	15 958 260
Remuneration of Financial Manager (included in the above total)		
Basic Salary	641 073	599 059
Car Allowance	137 332	120 657
Contributions to provident fund	64 448	59 905
Cellullar phone allowance	9 600	9 600
Medical aid and housing allowance	17 778	16 461
Contributions to UIF and SDL	9 098	8 626
	879 329	814 308
Remuneration of Operations Manager (included in the above total)		
Basic Salary	641 073	599 059
Car Allowance	137 332	120 657
Contributions to Provident fund	64 448	59 905
Cellullar phone allowance	9 600	9 600
Medical aid and housing allowance	17 778	16 461
Contribution to UIF and SDL	9 098	8 626
	879 329	814 308
Remuneration of HR Manager (included in the above total)		
Basic salary	473 466	549 141
Car Allowance	108 009	110 602
Contribution to provident fund	49 895	54 914
Medical aid and housing allowance	13 978	15 089
Cellullar phone allowance	7 548	8 800
Contribution to UIF and SDL	7 028	-
	659 924	738 546
Remuneration of Company secretary (included in the above total)		
Heading		
Basic salary	516 215	190 645
Car Allowance	112 588	47 904
Contribution to provident fund	54 860	24 243
13th Cheque	-	15 670
Cellullar Phone Allowance	8 229	3 135
Medical aid and housing allowance	15 238	5 375
Contribution to UIF and SDL	7 650	-
	714 780	286 972

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21. Directors' emoluments

Directors' emoluments

Fees of non-executive director DR Sibanda	404 496	381 600
Fees of non-executive director M Mdingi	353 934	381 600
Fees of non-executive director MJ Gololo	404 496	381 600
Fees of non- executive director N Ntanjana	-	270 300
Fees to non-executive director Z Letjane	404 496	381 600
Fees of non-executive director (chair person) TB Munyai	447 451	446 472
Remuneration to Executive director NP Zondo	385 006	892 194
	2 399 879	3 135 366

Remuneration of chief executive officer (Managing Director)

Basic salary	375 056	769 036
Cellular phone	8 964	21 600
Medical Aid and Housing allowance	9 084	16 461
Car allowance	74 449	76 904
contribution to UIF and SDL	5 419	8 193
	472 972	892 194

22. Depreciation

Property, plant and equipment	1 824 605	2 895 435
Intangible assets	9 028	-
	1 833 633	2 895 435

23. Impairment of assets

Impairments

Property, plant and equipment	-	1 110
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Figures in Rand	2018	2017
24. General expenses		
Advertising	120 309	122 411
Auditors remuneration	661 103	651 843
Bank charges	261 533	222 327
Cleaning	40 262	23 972
Computer expenses	31 120	150 861
Consulting and professional fees	305 567	728 802
Consumables	26 391	97 248
Fines and penalties	853 147	-
Insurance	117 001	110 277
Motor vehicle expenses	361 199	142 388
Fuel and oil	5 485 002	6 111 690
Printing and stationery	125 323	77 836
Protective clothing	181 143	121 350
Repairs and maintenance	-	3 699 171
Cash collection	327 555	334 029
Staff welfare	-	9 499
Subscriptions and membership fees	9 004	28 936
Telephone and fax	42 942	45 607
Training	172 643	561 024
Travel - local	-	900
Electricity	197 562	163 155
Sewerage and waste disposal	3 641	3 735
Water	7 958	8 555
Other expenses	134 149	228 672
Refreshments	56 108	34 035
	9 520 662	13 678 323
25. Auditors' remuneration		
Fees	661 103	651 843
26. Taxation		
Major components of the tax expense		
Deferred		
Originating and reversing temporary differences	-	1 892 582
Reconciliation of the tax expense		
Reconciliation between accounting deficit and tax expense.		
Accounting (deficit) surplus	(15 583 180)	12 150 942
Tax at the applicable tax rate of 28% (2017: 28%)	4 430 490	3 402 078
Tax effect of adjustments on taxable income		
Revenue not deductible/ (taxable)	-	(1 509 496)
Tax losses	(4 430 490)	-
	-	1 892 582

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Figures in Rand	2018	2017
27. Cash generated from operations		
(Deficit) surplus	(15 823 180)	10 258 360
Adjustments for:		
Depreciation and amortisation	1 833 633	1 910 825
Gain on sale of assets	164 795	(662)
Grants	-	(10 388 244)
Impairment deficit	-	1 110
Movements in operating lease assets and accruals	(3 800)	4 237
Movements in provisions	353 604	102 921
Taxation	1 802 458	1 892 582
Changes in working capital:		
Inventories	(36 800)	-
Receivables from exchange transactions	(67 462)	(1 865 025)
Other receivables from non-exchange transactions	1 709 445	-
Payables from exchange transactions	11 250 383	6 849 241
	1 183 076	8 765 345

28. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	443 647	443 647
Other receivables from non-exchange transactions	861 198	861 198
Cash and cash equivalents	8 007 265	8 007 265
	9 312 110	9 312 110

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	17 998 702	17 998 702

2017

Financial assets

	At fair value	Total
Receivables from non-exchange transactions	2 570 643	2 570 643
Other receivables from exchange transaction	376 185	376 185
Cash and cash equivalents	12 618 434	12 618 434
	15 565 262	15 565 262

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	10 793 335	10 793 335

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Figures in Rand	2018	2017
29. Commitments		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- Due within one year	20 475	25 000
- Due within two to five years	36 630	-
	57 105	25 000

The entity has entered into an operating lease of photo copymachine started date December 2014 to November 2017. Other operating leases are 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.

30. Contingencies

The Entity has a pending labour case with the former Managing Director which is at labour court. The outcome of the case is not yet determine.

The Entity had an outcome from CCMA on the 13 July 2018 with a case relating to salary adjustment for 2 employees. CCMA recommended that the matter be referred for approval by the BBC Board and the implementation must take place not later than 31 October 2018.

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31. Related parties		
Relationships		
Directors	Refer to General Information	
Accounting Officer	HM Ledwaba	
Holding Company	City of Ekurhuleni.	
Other Entities in the group	Ekurhuleni Housing Company and East Rand Water Care Company	
Members of key management	M Jacobs (Financial Manager) S Mbatha (Operations Manager) MLesawane (HR manager) M Kekane (Company Secretary)	
[The Accounting Officer was seconded from the parent municipality, as of April 2017 till the the 30 of July 2018, who currently pays his salary]		
Related party balances		
Related party balances		
City of Ekurhuleni	(14 656 872)	(4 941 244)
City of Ekurhuleni	53 894	-
] Additional text		
Grant received from related parties CoE		
City of Ekurhuleni	-	(5 000 000)
Purchase from related parties		
City of Ekurhuleni lease of buses and offices	110 000	110 000
City of Ekurhuleni Repairs & maintenance, desiel and other	9 605 627	6 531 689
City of Ekurhuleni Hire Buses	(53 894)	-
32. Prior period errors		
Depreciation has been restated due to the prior year error for asset items that had a zero net book value at the beginning of 17/18.		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Property, plant and equipment	-	-
Accumulated depreciation and accumulated impairment	1 003 946	-
Net assets		
Accumulated deficit	1 003 946	-
Statement of financial performance		
Expenditure	-	-
Depreciation expense	(106 572)	-

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33. 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 receivables that are long over due but not impaired.

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

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.

The gearing ratios at 2018 and 2017 respectively were as follows:

Other financial liabilities		-	-
Less: Cash and cash equivalents	10	(8 007 265)	(12 618 434)
Net debt		(8 007 265)	(12 618 434)
Total equity		4 551 574	21 147 573
Total capital		(3 455 691)	8 529 139
Gearing ratio		(175,92)%	(59,67)%

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.

34. Going concern

We draw attention to the fact that at 30 June 2018, the entity had an accumulated deficit of R 4 551 574 and that the entity's total assets exceed its liabilities by R 4 551 574.

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 continued support by the parent municipality in funding the operations of the Entity. In addition the contract with the Gauteng Department of Roads and Transport, which stipulates the terms and conditions with regards to the subsidy receivable by the entity, expires in September 2018. The department has extended the contract to 31 March 2019. In January 2016, the shareholders, initiated the review and development of the municipality entity's governance framework and delivery model in terms of section 78 of the Municipal Systems Act (MSA) As at 30 June 2018, this review process is still ongoing and is not expected that the process will be finalised within the next financial year

35. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- The contract of the Managing Director Mr HM Ledwaba expired on 31 July 2018 and Ms MV Lesawane was appointed as the Acting Managing Director. Mr Masibolekwe Ndima has been permanently appointed as MD with effect from the 3rd of October 2018.
- No financial effect on the Annual Financial Statements for the financial year under review.

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36. Fruitless and wasteful expenditure

Opening balance	166	166
Add: Fruitless and wasteful expenditure - current year	883 715	-
	883 881	166

Fruitless and wasteful expenditure includes Interest and Penalties on Payroll taxes of R 30,567.78 and Additional tax assessment of R 853,147 that relates to 2014/2015 financial year end.

37. Irregular expenditure

Opening balance	5 031 715	2 143 418
Add: Irregular Expenditure - current year	4 343 731	2 888 297
	9 375 446	5 031 715

Analysis of expenditure awaiting condonation per age classification

Current year	4 343 731	2 888 297
Prior years	5 031 715	2 143 418
	9 375 446	5 031 715

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Board Remuneration- No shareholders resolution	To be determined	2 014 873
Procurement process not followed	No disciplinary steps to be taken	1 650 474
Suppliers contracts expired	No disciplinary steps to be taken	678 384
		4 343 731

38. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	661 103	651 843
Amount paid - current year	(661 103)	(651 843)
	-	-

PAYE and UIF

Current year subscription / fee	2 819 279	(2 597 667)
Amount paid - current year	(2 819 279)	2 597 667
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	1 203 913	965 910
Amount paid - current year	(1 203 913)	(965 910)
	-	-

Brakpan Bus Company SOC Limited

(Registration number 2000/024331/30)

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39. 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.

Repairs and Maintenance amounting to R 2,118,910 was paid by BBC after the budget with CoE was exhausted and R 6,750 was paid to Mr Eugen Rungasamy for assisting with Wayfarer system after the SNE engineering contract had expired.

Deviations

Appointment of consultants	6 750	422 241
Operational services	2 118 910	2 186 897
	2 125 660	2 609 138

40. Repairs and maintenance

Repairs Buses Material	3 512 193	-
Repairs bus labour	694 150	-
Buses tyres	728 678	-
Motor vehicles material	170 201	-
Motor vehicle material	37 414	-
Motor vehicles tyres	13 767	-
Bulding material	63 300	-
Building labour	34 580	-
Ticket machine	90 903	-
Repairs of other assets	10 654	3 699 171
	5 355 840	3 699 171