

Pharoe Park Housing Company

Formerly Greater Germiston Inner-City Housing Corporation(PTY)LTD
(Registration number 1997/016085/07)
Trading as Pharoe Park Housing Company
Annual Financial Statements for the year ended 30 June 2007

Notes to the Annual Financial Statements

Figures in Rand	2007	2006
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20. Risk management (continued)

Liquidity risk

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

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is purchased when deemed appropriate.

21. Going concern

We draw attention to the fact that at 30 June 2007, the company had accumulated losses of R (2,587,183) and that the company's total liabilities exceed its assets by R 3 252 785.

Ekurhuleni Metropolitan Municipality together with Gauteng Partnership Fund commissioned a due diligence report on the viability of the company. The company is experiencing cash flow challenges on a monthly basis. Several factors contribute to the viability and ultimately the going concern of the company. Therefore a long term sustainability strategy is being prepared for the company. The company is however dependant on continued support from the shareholders in order to remain a going concern.

Appendix E (1) of Pharoe Park Housing Company for the year ended 30 June 2007

Pharoe Park Housing Company

	ACTUAL 2006/2007	BUDGET 2006/2007	Variance	% Variance	Explanations of differences
	R	R		R	
INCOME					
Interest Received	R 158,069	194,901	-36,832	-19%	Less Interest realised than expected
Rent received	R 6,184,149	13,612,853	-7,428,704	-55%	Presidents Place was not purchased
Other Income	R 272,236	6,323,720	-6,051,484		Government Grant did not realise
OPERATING INCOME GENERATED	6,614,454	20,131,474	-13,517,020	-67%	
Less: Income foregone					
TOTAL OPERATING INCOME	6,614,454	20,131,474			
Internal Transfers:					
Interest Received - Internal Loans					
Redemption Received - Internal Loans					
Internal Recoveries					
Internal Transfers - sub-total		-			
NET OPERATING INCOME	6,614,454	20,131,474			
EXPENDITURE					
Auditing	204,429	54,000	150,429	279%	Auditing are now conducted by the Auditor General
Bad Debts (Provision for Bad Debts)	256,305	1,089,028	-832,723	-76%	Less Provision had to be made based on an assesment per debtor
Collection Costs	14,539	670,000	-655,461	-98%	Less Collection cost was incurred then planned
Depreciation	443,320	1,312,192	-868,872	-66%	Less Depreciation as Presidents Place was not purchased
Repairs and Maintenance - External cost	517,893	874,840	-356,947	-41%	Repairs and maintenance was reduced as a result of cashflow difficulties
Interest Expense - External Borrowings	1,528,866	2,908,898	-1,380,032	-47%	Less Interest was incurred
Management Fees	1,895,265	2,889,533	-994,268	-34%	Less Management fee as Presidents Place was not acquired
Bulk Purchases	1,165,109	1,920,000	-754,891	-39%	Less Bulk services as Presidents Place was not acquired
Contracted Services	916,984	1,985,352	-1,068,368	-54%	Less money was spend on Contracted services as a result of poor cash flow
General Expenses - Other	72,833	110,848	-38,015	-34%	Less was spend on General Expenses as a result of poor cash flow
TOTAL OPERATING EXPENDITURE	7,015,543	13,814,691			
Internal Transfers:					
Interest - Internal Borrowings					
Redemption - Internal Borrowings					
Internal Charges					
Internal Transfers - sub-total		-			
NET OPERATING EXPENDITURE	7,015,543	13,814,691			
OPERATING SURPLUS/(DEFICIT)	(401,089)	6,316,783			
Contribution to Capital Budget					
Total Transfers to Cash-Backed Reserves		-6,242,120			
Total Transfers from Cash-Backed Reserves					
NET OPERATING SURPLUS/ (DEFICIT)	(401,089)	74,663			





Ekurhuleni Development Company
(Registration number 2000/007936/07)
Annual financial statements

for the year ended 30 June 2007

Ekurhuleni Development Company

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Directors' Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 26, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973 and which I have signed on behalf of the Entity.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The disclosure requirements as per GRAP 1,2 and 3 have also been incorporated in the financial statements.

The directors acknowledges that it is ultimately responsible for the system of internal financial control established by the Ekurhuleni Development Company to enable the directors to meet these responsibilities. These controls are monitored throughout the Ekurhuleni Development Company in ensuring the Company's operations is conducted accordingly. The focus of risk management in the Ekurhuleni Development Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Ekurhuleni Development Company endeavours to minimise it.

The directors are required by the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, 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 their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

Chief Executive Officer

16 November 2007

Ekurhuleni Development Company

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General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Trading in various commodities
Directors	Daphney Ngoasheng Sipho Mlungisi Twala Michael Mokela Mokgohloa Simon Pieter Gerber Clive Peter Ucko Kara Nazir Ahmed
Business address	Shop no 9 Pharoeh Park Cnr Jack & Queen street Germiston 1400
Postal address	P O Box 1245 Germiston 1400
Parent	Ekurhuleni Metropolitan Municipality incorporated in South Africa
Bankers	ABSA
Auditors	Auditor General Registered Auditors
Secretary	MM Mokgohloa
Company registration number	2000/007936/07

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

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Directors' Report

1. Incorporation

The company was incorporated on 13 March 2000 and obtained its certificate to commence business on the same day.

2. Going concern

The Ekurhuleni Development Company on the yearend of 30 June 2007, showed surplus of R 179 555 and the company's total assets exceeded the liabilities by R 73,932.

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 company to continue as a going concern is dependent on a number of factors. The most significant of these is that the company has resources in place to continue in operation for the foreseeable future.

The existence of the company is dependant on the continued support of its sole shareholder, Ekurhuleni Metropolitan Municipality. Furthermore the company is dependant on the continued agreement between Pharoeh Park Housing Company, Phase II Housing Company and Lethabong Housing Institute which pay a management fee to the EDC, accordingly it is required that these companies are profitable and sustainable.

3. Internal Controls

3.1. Grant income

Grant income, aside from grant monies received from Ekurhuleni Metropolitan Municipality, is obtained via applications for subsidies made to Gauteng Partnership Fund. As a social housing institution, EDC is able to access housing subsidies from the Gauteng Partnership Fund.

3.2. VAT

During the financial year, the Ekurhuleni Development Company was registered with the South African Revenue Services (SARS) for VAT.

4. Post Statement of Financial Position events

The directors are not aware of any matter or circumstance arising since the end of the financial year that materially affect the financial position.

5. Accounting policies

The International Financial Reporting Standards were not applied. Generally Accepted Accounting Practice, together with the South African Generally Recognised Accounting Practice 1, 2 and 3 were applied, in consistency with prior year.

The Company has prepared its annual financial statements in terms of Standards of Generally Accepted Accounting Practice, except where these have been superseded by the 3 Standards of Generally Recognised Accounting Practice.

There were no changes in accounting policies during the year.

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Directors' Report

6. Authorised and issued share capital

The company was incorporated with an authorised share capital of 1,000 ordinary shares of R1 each of which 100 shares had been issued at par value.

Ekurhuleni Metropolitan Municipality held 100% of the ordinary share capital of the company as at 30 June 2007.

There were no changes in the authorised or issued contributions from owners of the company during the year under review.

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

7. Directors

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

Name	Nationality	Change in appointment
Daphney Ngoasheng		
Sipho Mlungisi Twala	SA Citizen	
Michael Mokela Mokgohloa	SA Citizen	
Simon Pieter Gerber	SA Citizen	Appointed 29 September 2006
Clive Peter Ucko	SA Citizen	Appointed 29 September 2006
Kara Nazir Ahmed	SA Citizen	Appointed 29 September 2006

8. Parent

The company's parent is Ekurhuleni Metropolitan Municipality

9. Bankers

Amalgamated Bank of South Africa Limited

10. Auditors

In accordance with Section 92 of the Municipal Finance Management Act No 56 of 2003, Auditor General will continue as the Company's external auditors

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Statement of Financial Position as at 30 June 2007

Figures in Rand	Note(s)	2007	2006
Net Assets and Liabilities			
Net Assets			
Share capital	2	100	100
Accumulated Surplus (Deficit)		73,832	(102,540)
		73,932	(102,440)
Liabilities			
Current Liabilities			
Amount owing to related companies	3	64,150	280,282
Loans from shareholders		10,793,533	-
Current tax payable		41,000	-
Trade and other payables	5	655,842	168,791
Bank overdraft	6	-	13,304
		11,554,525	462,377
Non-Current Liabilities		-	-
Current Liabilities		11,554,525	462,377
Liabilities of disposal groups		-	-
Equities		73,932	(102,440)
Liabilities		11,554,525	462,377
Total Net Assets and Liabilities		11,628,457	359,937
Assets			
Non-Current Assets			
Property, plant and equipment	7	273,206	340,809
Current Assets			
Amounts owing by related companies	3	943,822	-
Trade and other receivables	8	38,568	18,378
Cash and cash equivalents	6	10,372,861	750
		11,355,251	19,128
Non-Current Assets		273,206	340,809
Current Assets		11,355,251	19,128
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		11,628,457	359,937

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Statement of Financial Performance for the year ended 30 June 2007

Figures in Rand	Note(s)	2007	2006
Revenue	9	4,347,630	3,168,650
Revenue		4,347,630	3,168,650
Cost of sales		-	-
Income	11	1,228	-
Operating expenses	15	(4,242,392)	(3,168,673)
		4,347,630	3,168,650
		(4,241,164)	(3,168,673)
Operating surplus (deficit)	12	106,466	(23)
Investment revenue	10	110,906	22
Operating surplus		106,466	(23)
Non-operating expense (NET)		110,906	22
Surplus (deficit) before taxation		217,372	(1)
Taxation	16	(41,000)	-
Surplus (deficit) for the period from continuing operations		176,372	(1)
Surplus (deficit) from discontinued operations		-	-
Surplus (deficit) for the year		176,372	(1)

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Statement of Financial Performance for the year ended 30 June 2007

Figures in Rand	Note(s)	2007	2006
Revenue			
Management services rendered		4,347,630	3,168,650
		4,347,630	3,168,650
		-	-
Other income			
Income		1,228	-
Interest received - investment	10	110,906	22
Government grants		-	-
		112,134	22
Operating expenses			
Advertising		(13,966)	(9,778)
Auditors remuneration	13	(122,157)	(33,098)
Bank charges		(17,669)	(3,012)
Cleaning		(1,184)	(2,670)
Computer expenses		(63,234)	(40,177)
Conferences and seminars		(69,163)	(15,888)
Consulting and professional fees		(230,195)	(45,082)
Legal fees		(46,607)	(32,302)
Depreciation		(117,599)	(129,870)
Employee costs	14	(2,692,917)	(2,016,080)
Motor vehicle expenses		(12,775)	(23,493)
Insurance		(47,943)	(41,537)
Lease rentals on operating lease		(277,600)	(287,760)
RSC Levies		-	(10,688)
Magazines, books and periodicals		(28,979)	(17,008)
Pest control		-	(130)
Printing and stationery		(51,485)	(35,141)
Repairs and maintenance		(41,986)	(55,514)
Security		(30,596)	(18,112)
Licencing of software		(30,489)	(23,619)
Staff welfare		(30,215)	(16,816)
Telecommunication costs (Telephone and fax)		(190,855)	(199,502)
Training & recruitment cost		(77,671)	(74,860)
Travel - local		(31,346)	(23,829)
Utilities		(15,761)	(12,707)
		(4,242,392)	(3,168,673)
		217,372	(1)
		-	-
Surplus (deficit) before taxation		217,372	(1)
Taxation	16	41,000	-
Surplus (deficit) before taxation		217,372	(1)
Taxation		41,000	-
Surplus (deficit) for the year		176,372	(1)

Refer to Appendix E(1) for comparison with the approved budget

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Statement of Changes in Net Assets

	Note(s)	Share capital	Accumulated Surplus (Deficit)	Net Assets
Figures in Rand				
Balance at 01 July 2005		100	(102,539)	(102,439)
Changes in net assets				
Deficit for the year			(1)	(1)
Total changes		-	(1)	(1)
Balance at 01 July 2006		100	(102,540)	(102,440)
Changes in net assets				
Surplus for the year			176,372	176,372
Total changes		-	176,372	176,372
Balance at 30 June 2007		100	73,832	73,932

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Cash Flow Statement

Figures in Rand	Note(s)	2007	2006
Cash flows from operating activities			
Cash receipts from customers		4,348,858	3,296,756
Cash paid to suppliers and employees		(3,657,932)	(3,121,268)
Cash generated from operations	17	690,926	175,488
Interest income		110,906	22
Net cash from operating activities		801,832	175,510
Cash flows utilised in investing activities			
Purchase of property, plant and equipment	7	(49,995)	(51,267)
Loans advanced to related companies		(879,672)	(128,106)
Increase in loans from related companies		(280,282)	-
Net cash utilised in investing activities		(1,209,949)	(179,373)
Cash flows from financing activities			
Repayment of shareholders loan		10,793,533	-
Net cash from financing activities		10,793,533	-
Net increase(decrease) in cash and cash equivalents		10,385,416	(3,863)
Cash and cash equivalents at the beginning of period		(12,554)	(8,691)
Cash and cash equivalents at end of the period	6	10,372,862	(12,554)

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Accounting Policies

1. Basis of preparation

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations such as Statements issued by the Accounting Practice Board, with the prescribed Standard of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP2: Cash flow statements	AC 118: Cash flow statements
GRAP3: Accounting policies, changes in accounting	AC 103: Accounting policies, changes in

The recognition and measurement principles in the above GRAP & GAAP statements do not differ or resulted in material difference in items presented and disclosed in the financial statements.

These accounting policies are consistent with the previous year.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3 Owners contributions and Net assets

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

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

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.

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Accounting Policies

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

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

Cost model

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Details	Years
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	3 years
Computer equipment	3 years
Computer software	3 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss 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.

Repairs and maintenance are generally charged to expenses during the financial period in which they are incurred.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

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Accounting Policies

1.5 Impairment of assets

The company assesses at each statement of financial position date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

Property, plant and equipment and other non-current, and intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.6 Financial instruments

Initial recognition

Recognition.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Measurement .

Financial Instruments are initially measured at cost, which includes transaction costs.

Subsequent recognition

Subsequent to initial recognition these instruments are measured as set out below

Amounts owing by (to) related companies

These include loans to related companies and are recognised initially at cost plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Trade and other receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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Accounting Policies

1.6 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.7 Provisions

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the company.

1.8 Employee benefits

1.8.1 Defined contribution plans

The company contributes to a provident fund on the basis of a fixed contribution. The provident fund is a defined contribution fund.

A defined contribution plan is a retirement plan under which the company pays fixed contributions into a separate entity.

The company's contributions to the defined contribution plans are charged to the Statement of Financial Performance in the financial year to which they relate.

The company has no further payment obligations once the contributions have been paid.

1.9 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.9.1 Revenue from Exchange Transactions

Interest are recognised on a time proportion basis.

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Accounting Policies

1.10 Leases

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

1.11 Tax

Current tax assets and liabilities

Taxation

The Entity is liable for tax in terms of the Income Tax Act.

Current tax is recognised as an expense and included in profit or loss for the period.

1.12 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

1.13 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

1.14 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.15 Comparatives Information

1.15.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.15.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

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2. Share capital

Authorised		
1000 Ordinary shares of R1 each	1,000	1,000
<hr/>		
Issued		
Ordinary	100	100

100 share at R1 each had been issued and are held by Ekurhuleni Metropolitan Municipality.

3. Amounts owing by(to) related companies

Related Companies

Phase II Housing Company	(64,150)	(151,748)
Pharoe Park Housing Company	478,741	(128,534)
Lethabong Housing Institute	465,081	-
	879,672	(280,282)
<hr/>		
Current assets	943,822	-
Current liabilities	(64,150)	(280,282)
	879,672	(280,282)

4. Operating lease asset (accrual)

At balance sheet date the company had outstanding lease commitments under an operating lease which falls due as follows:

Nashua 1 laptop.(3 laptops-2006)	R14 013	R38 219
Nashua Photo copy machine	R71 101	R101 881
Total	R 85 114	R140 100

5. Trade and other payables

Trade payables	45,067	19,392
VAT	370,666	-
Salaries & Wages Control	29,858	25,242
Accrued bonus	64,701	-
Other accrued expenses	37,937	37,937
Unallocated Receipts	359	-
Leave Accrual	107,254	86,220
Total Creditors	655,842	168,791

The accruals for leave pay was not discounted as the accruals is already reflected at its present value on the reporting date. When the accruals for leave pay is calculated it is based on the employees' salary scales as at the reporting date, when the accruals realises, it will realise at the employees' new salary scales, i.e. after their annual salary increase.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

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Figures in Rand	2007	2006
6. Cash and cash equivalents (continued)		
Cash on hand	750	750
Bank balances	488,475	-
Call investment deposits	9,883,636	-
Bank overdraft	-	(13,304)
	10,372,861	(12,554)
Current assets	10,372,861	750
Current liabilities	-	(13,304)
	10,372,861	(12,554)

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7. Property, plant and equipment

	2007			2006		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	112,492	(47,422)	65,070	112,492	(25,968)	86,524
Motor vehicles	117,957	(52,809)	65,148	117,957	(29,218)	88,739
Office equipment	26,883	(7,783)	19,100	11,787	(4,450)	7,337
Computer equipment	155,711	(75,989)	79,722	120,812	(51,192)	69,620
Computer software	133,284	(89,118)	44,166	133,284	(44,695)	88,589
Total	546,327	(273,121)	273,206	496,332	(155,523)	340,809

Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	86,524	-	(21,454)	65,070
Motor vehicles	88,739	-	(23,591)	65,148
Office equipment	7,337	15,096	(3,333)	19,100
IT equipment	69,620	34,899	(24,797)	79,722
Computer software	88,589	-	(44,423)	44,166
	340,809	49,995	(117,598)	273,206

Reconciliation of property, plant and equipment - 2006

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	99,495	12,997	(25,968)	86,524
Motor vehicles	117,957	-	(29,218)	88,739
Office equipment	10,487	1,300	(4,450)	7,337
IT equipment	83,842	36,970	(51,192)	69,620
Computer software	133,284	-	(44,695)	88,589
	445,065	51,267	(155,523)	340,809

8. Trade and other receivables

Sundry Receivables	29,878	9,688
Electricity deposit - Municipality	8,690	8,690
	38,568	18,378

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9. Revenue

Management services rendered	4,347,630	3,168,650
------------------------------	-----------	-----------

10. Investment revenue

Interest revenue

Interest earned - external investments	110,906	22
	-	-
	110,906	22

11. Other income

Sundry revenue	1,228	-
Government grants	-	-
	1,228	-

12. Operating surplus

Operating profit for the year is stated after accounting for the following:

Operating lease charges

Premises		
Contractual amounts	180,000	180,000
Equipment		
Contractual amounts	97,600	107,760
	277,600	287,760

Depreciation on property, plant and equipment		117,599	129,870
Employee costs	14	2,692,917	2,016,080
Consulting and professional fees		230,195	45,082
Insurance		47,943	41,537
Repairs and maintenance		41,986	55,514
Security		30,596	18,112

13. Auditors' remuneration

Fees	122,157	33,098
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14. Employee costs		
Basic	2,388,606	1,695,237
Medical aid - company contributions	54,032	53,701
UIF	16,180	12,972
SDL	10,782	10,687
Leave pay provision charge	21,034	113,013
Company contribution to Provident Fund	152,283	106,470
Directors Fees	50,000	24,000
	2,692,917	2,016,080
Remuneration of the Cheif Executive Officer		
Annual Remuneration	430,000	125,000
Car Allowance	108,000	-
Performance Bonuses	50,000	-
Contributions to UIF, Medical and Pension Funds	72,798	-
	660,798	125,000
Remuneration of the Chief Finance Officer		
Annual Remuneration	178,613	192,402
Car Allowance	44,000	60,000
Contributions to UIF, Medical and Pension Funds	58,560	40,230
	281,173	292,632
Remuneration of the Property Manager		
Annual Remuneration	184,416	98,083
Contributions to UIF, Medical and Pension Funds	77,178	-
Car Allowance	42,000	-
	303,594	98,083
Remuneration of Non Executive Directors		
Directors fees	50,000	24,000
Remuneration per Director		
A Kruger	-	24,526
S Twala- Non executive director	16,000	12,000
D Ngoasheng - Non executive director	34,000	12,000
	50,000	48,526

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Figures in Rand		2007	2006
15. General expenses			
Advertising		13,966	9,778
Auditors remuneration	13	122,157	33,098
Bank charges		17,669	3,012
Cleaning		1,184	2,670
Computer expenses		63,234	40,177
Conferences and seminars		69,163	15,888
Consulting and professional fees		230,195	45,082
Debt collection		46,607	32,302
Fleet		12,775	23,493
Insurance		47,943	41,537
Lease rentals on operating lease		277,600	287,760
Levies		-	10,688
Magazines, books and periodicals		28,979	17,008
Pest control		-	130
Printing and stationery		51,485	35,141
Repairs and maintenance		41,986	55,514
Security (Guarding of municipal property)		30,596	18,112
Software expenses		30,489	23,619
Staff welfare		30,215	16,816
Telecommunication costs (Telephone and fax)		190,855	199,502
Training		77,671	74,860
Travel - local		31,346	23,829
Utilities		15,761	12,707
		1,431,876	1,022,723
16. Taxation			
Major components of the tax expense (income)			
Current			
South African Income tax - current period		41,000	-
Current		41,000	-
Deferred		-	-
17. Cash generated from operations			
Surplus (deficit) before taxation		217,372	(1)
Adjustments for:			
Depreciation and amortisation		117,599	129,870
Interest received		(110,906)	(22)
Changes in working capital:			
Trade and other receivables		(20,190)	(328)
Trade and other payables		487,051	45,969
		690,926	175,488

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Annual Financial Statements for the year ended 30 June 2007

Notes to the Annual Financial Statements

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18. Related parties

Relationships

Parent

Other members of the group

Ekurhuleni Metropolitan Municipality

Pharoe Park Housing Company

Phase II Housing Company

Lethabong Housing Institute

Group co ID 21

Related party transactions

Management Services rendered to related parties

Pharoe Park Housing Company

1,711,147

1,411,140

Phase II Housing Company

1,754,833

1,757,510

Lethabong Housing Institute

881,650

-

-

-

4,347,630

3,168,650

Purchases from related parties

Ekurhuleni Metropolitan Municipality

15,761

12,707

-

-

15,761

12,707

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19. Directors' emoluments		
Non Executive Directors are paid a sitting allowance per meeting attended		
The CEO is appointed as an Executive Director and receive a salary		
Executive		
Non-executive		
Directors payments		
2 Non executive directors payments		
Directors remuneration		
D Ngoasheng	34,000	12,000
S Twala	16,000	12,000
A Kruger	-	24,526
	50,000	48,526
Senior Mangement		
Acting CEO	-	180,000
CEO	552,797	125,000
Finance Manager	281,171	292,632
Property Manager	303,594	98,083
	1,137,562	695,715

20. Risk management

Liquidity risk

The company's risk to liquidity relates to the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

Credit risk

Credit risk consists mainly of the ability of related Social Housing Companies to pay the management fees as charged by the EDC. The company only deposits cash with major banks with high quality credit standing.

21. Going concern

We draw attention to the fact that at 30 June 2007, the company had accumulated surplus of R 73,832 and that the company's total assets exceed its liabilities by R 73,932.

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 company to continue as a going concern is dependent on a number of factors. The most significant of these is that the related companies continue to be financially viable, taking into consideration that as social housing

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Figures in Rand	2007	2006
21. Going concern (continued)		
institutions they are required to provide housing at a social rate.		
22. Irregular, fruitless and wasteful expenditure		
An amount paid in the Termsave Case relates to tender procedures which were not followed. No disciplinary or criminal steps have been taken against the guilty parties. No action was taken against the company's employees as they were not found to be liable in terms of an investigation undertaken by The [xxxxx] Metropolitan Municipality.		
No council pardon had been obtained for traffic fines incurred.		
23. Actual capital expenditure versus budgeted capital expenditure		
Capital Expenditure	49,995	288,000
Actual vs Budgeted Capital expenditure 2006-2007		
Furniture	15,096	20,000
Computer Equipment	34,899	28,000
Motorvehicle	-	85,000
Installation of Airconditioners	-	120,000
Refurbishment of kitchen	-	20,000
Filing Cabinets	-	15,000
	49,995	288,000

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Certificate by Company Secretary for the year ended 30 June 2007

MM Mokgohloa
Of: Ekurhuleni Development Company
Company Secretary
16 November 2007

Appendix E (1) of Ekurhuleni Development Company for the year ended 30 June 2007

Ekurhuleni Development Company

	ACTUAL 2006/2007	BUDGET 2006/2007	Variance	% Variance	Comments on differences
	R	R		R	
INCOME					
Interest Received	R 110,906				
Management Fees	R 4,347,630	4,901,559	553,929	-11%	Less Management fees was charged since some projects did not commence
Other Income	R 1,228		1,228		Tender income realised
OPERATING INCOME GENERATED	4,459,764	4,901,559	-441,795	-9%	
Less: Income foregone					
TOTAL OPERATING INCOME	4,459,764	4,901,559			
Internal Transfers:					
Interest Received - Internal Loans					
Redemption Received - Internal Loans					
Internal Recoveries					
Internal Transfers - sub-total		-			
NET OPERATING INCOME	4,459,764	4,901,559			
EXPENDITURE					
Employee Related Costs - Salaries & Wages	2,720,588	2,991,285	-270,697	-9%	A saving on salaries was realised .
Remuneration of Directors	50,000	178,080	-128,080	-72%	Less Directors remuneration was paid
Auditing	122,157	52,500	69,657	133%	Auditing are now conducted by the Auditor General
Legal costs	46,607	10,000	36,607	366%	More monies was spent on gaining legal advise
Depreciation	117,599	164,000	-46,401	-28%	Less depreciation was made since cash flow hampered purchasing of assets
Repairs and Maintenance - External cost	54,761	229,877	-175,116	-76%	Repairs and maintenance was reduced as a result of cashflow difficulties
Municipal Services	15,761	102,996	-87,235	-85%	Municipal services was over budgeted
Contracted Services	577,483	628,272	-50,789	-8%	Less money was spend on Contracted services as a result of poor cash flow
General Expenses - Other	537,436	567,421	-29,985	-5%	Less was spend on General Expenses as a result of poor cash flow
TOTAL OPERATING EXPENDITURE	4,242,392	4,924,431			
Internal Transfers:					
Interest - Internal Borrowings					
Redemption - Internal Borrowings					
Internal Charges					
Internal Transfers - sub-total	-	-			
NET OPERATING EXPENDITURE	4,242,392	4,924,431			
OPERATING SURPLUS/(DEFICIT)	217,372	(22,872)			A surplus was realised at year end
Taxation	R 41,000				
Contribution to Capital Budget					
Total Transfers to Cash-Backed Reserves					
Total Transfers from Cash-Backed Reserves					
NET OPERATING SURPLUS/ (DEFICIT)	176,372	(22,872)			

DRAFT

**Annual report for the period 2006/7
for the
Brakpan Bus Company (Pty) Ltd**

DRAFT

Annual report for the period 2006/7 for the Brakpan Bus Company (Pty) Ltd

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Table attached.

Chapter 6: Sustainability Report

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Annual report for the period 2006/7 of the Brakpan Bus Company (Pty) Ltd

Chapter 1: Introduction and Overview

Chairperson's Review

Introduction

The 2006/7 financial year was characterised by the company's stability notwithstanding increasing fuel prices and continued competition from the taxi industry. There were no remarkable negative events or losses. The Company performed solidly through the year and showed consistency in serving the community in terms of the interim contract under which it currently operates.

The Brakpan Bus Company (Pty) Ltd (BBC) has also kept its sights firmly on the goal of ultimately competing for the negotiated transport contracts or on open tender.

Fulfilling the Mandate

BBC has throughout the year, provided an affordable, reliable and safe service to the community it serves, thus fulfilling its primary mandate. It has worked closely with its parent municipality and Shareholder, the Ekurhuleni Metropolitan Municipality, ensuring that focus is not lost of achieving this mandate.

The Senior Management and staff are to be commended on their performance through the year, given the circumstances of the interim contract with all the challenges this presents.

Corporate Governance

The Board of Directors is united in the importance of ensuring that sound governance and good ethics is applied.

The introduction and implementation of the Municipal Finance and Management Act during the year under review, has guided the Board and the company in the management of its affairs. There is a general endeavour to ensure compliance with the requirements of the Act and its regulations.

The King II report on Corporate Governance is the standard, which has been set by and for the Board. In most material instances, the striving towards these standards has been rewarded by same being attained.

Employment Equity

The Company has embraced Employment Equity ensuring that previously disadvantaged individuals are in the majority at all levels. Recognition has also been given to gender equity and the need to incorporate more females especially at the senior and lower levels. This need to balance the gender equity numbers is set against the realisation that the industry in which BBC operates is a male dominated one.

Looking Ahead

The Board will continue to provide strategic guidance and direction especially on the medium to long term as the company prepares to compete with other service providers.

The company needs to ensure that its focus does not deviate from the negotiated contracts or tenders, which are not known when will they be awarded as there are some challenges that the Industry and Labour should come to an agreement about the (HOA) Head of Agreement that should govern the relationship between the NDOT and Organised Labour, the other hurdle to cross is the amendments of National Land Transitional Transport Act which had to be aligned with the Draft Model Tender Document, BRTS and transport integration with other transport modes .

This must be balanced by the continued provision of a community orientated bus service as well adhering to the Legislations of the country.

In trying to achieve the above, efficiency should become the byword of all employees of the company and the Share member being Ekurhuleni Metropolitan Municipality.

Conclusion

Under trying operational circumstances, the Company has performed admirably. This positive momentum needs to culminate in greater efficiencies and a continued safe and affordable service.

My thanks are also extended to my fellow Board members for their dedication and commitment to ensuring the company performs in terms of the shareholders mandate.

Mission statement

The Brakpan Bus Company's mission statement reads as follows:

- To provide reliable, safe, affordable, efficient and sustainable passenger transport in and around Ekurhuleni Metropolitan Municipality.
- To strive to reach communities so that they may support the bus service as the safe, reliable and affordable means of transport in their community with an expected growth of +- 8% over three years.

Strategy statements

During the 1990's the National Department of Transport was involved in an in-depth process of restructuring the subsidised transport industry and proposed that a system of regulated competition be introduced in subsidising passenger transport services with the tendering for subsidised services forming the basis of the service provision.

The department concluded interim contracts with all subsidised bus operators including Brakpan Bus Company to enable companies to prepare themselves for competitive tendering, more especially parastatals.

In order to comply with the above requirements and to be in a position to tender for bus routes and services that Brakpan Bus Company has been rendering under the interim contract to date, the Ekurhuleni Metropolitan Municipality needs to conclude the process adopted in January 2000 to form a private company in accordance with the Companies Act no 61 of 1973 as amended.

Our business plan is directed towards new development in the National Land Transitional Transport Act (NLTA) as amended in 2000 regarding negotiated contracts, tendering and ring fencing. Our current focus is the following:

- Full privatisation; and
- Negotiated contracts and tendering
- Recapitalisation of the old fleet in two years of the contract if the contract is awarded to BBC.

INTRODUCTION

This report contains in a summarized form the activities of Brakpan Bus Company (Pty) Ltd for the year ended 30 June 2007 financial year. This period presented a very daunting but manageable challenge due to the fact that our business is dependent on the number of passengers we are transporting on a daily basis. This document looks at the performance of the company over the period 2006/2007 compared to the budget and the financial year ended June 2006 (2005/2006).

The Brakpan Bus Company (Pty) Ltd

- **Background**

Brakpan Bus Company (Pty) Ltd. started operating in 1921, approximately 86 years ago.

Ekurhuleni is the sole shareholder, but does not provide any subsidies or grants resulting in the company having to be totally self-sufficient and self-sustaining.

In recent years, the core business of the company was the transporting of mainly worker passengers from Tsakane to their different places of work in Brakpan and Springs. Today the company services expanded to huge geographical area covering Brakpan, Springs, Nigel, parts of Boksburg, parts of Benoni and parts of Germiston.
- **Tsakane**

Because Tsakane was established several kilometres outside Brakpan as per the then apartheid acts, the Department of Transport approved the payment of subsidies, which made it more affordable to the commuters to travel between Tsakane, and their different places of work.

- **Interim Contracts**

In order to afford the Provinces ample time to develop passenger transport plans the Department of Transport entered into interim Contracts with the bus operators for a period of three years.

The interim Contract with BBC was concluded on 1 April 1997 and has been extended a number of times and is currently being extended on a month to month basis.

The reason for this is to enable the Department of Transport to restructure the bus industry into either Negotiated or Tendered Contracts which was set for the 30 September 2007, unfortunately this could not materialise due to lot of developments came into play, eg. HOA, amendments of NLTTA, BRTS, etc.

Subsidies

The Brakpan Bus Company (Pty) Ltd was established as a Company in 2000 in terms of the Company's Act no 61 of 1973. This came about after interaction with the National Department of Transport, who strongly advised this route with a view to enable BBC to participate in the new passenger transport dispensation as per the NLTTA (National Land Transitional Transport Act. 22 of 2000).

3.

- **Revenue streams**

The deterioration of the bus fleet, the quality of service rendered and the severe competition from minibus taxis has had a negative impact on revenue streams over the years, in particular the subsidy from the Department as it is directly linked to the number of passengers transported.

- **Contribution to the economy**

The Brakpan Bus Company continues to make a huge contribution to the economy and social development of transport, not only in Brakpan, but also the

Ekurhuleni Metro, transporting thousands of passengers every month.

Chapter 2: Performance highlights

Managing Directors overview.

Brakpan Bus Company (Pty) Ltd has performed favourably in the financial year 2006/2007. Our clients/passengers and the political stakeholders rely on us to provide services that meet the agreed objectives and performance targets. In the year in question we were able to transport 773138 passengers with our old, reliable, safe and affordable buses that have improved our relationship with our passengers and other organised groups as schools, churches and the community at large.

Our passenger base declined by 4.3% compared to previous financial year (2005/2006), when Brakpan Bus Company transported 807582 passengers. The closure of some big industries and community services influenced the decline. A further contributing factor was the taxis, who remain our main competitors.

Within these constraints Brakpan Bus Company has continued to be a contributor to the economy and social development of Ekurhuleni Metropolitan and the surrounding areas as a provider of passenger transport to thousands of people who are dependent on public transport to get to and from work, hospitals and other social services e.g. Seek employment as well as scholars who need to be transported to schools and back.

There still lie many great challenges to face as a company in the industry as well as in our operational area as the market is open for competition.

Brakpan Bus Company's involvement in the economy can be summarised as follows:

- BBC have 30 standard buses and 4 train buses with an estimated value of R36-00
- BBC provides direct employment for about 66 people in Ekurhuleni and around Gauteng Province; about 30 people are indirectly dependent on the company (e.g. fuel suppliers, tyre suppliers, technical staff. etc.)
- The Company buses travel an estimated 1 077 177 kilometres per annum and use about 537 279 litres of diesel per annum, which is an average of 49.8 litres per 100 kilometres.

The highlights for the period under review serve as a foundation of encouragement for the year ahead, while we accelerate the momentum to achieve the added envisaged objectives of taking the company to the competitive Negotiated Contract, so that it can do better and sustain itself for the next ten years in the industry.

Core business

The company's core business is that of transporting mainly workers from Tsakane to their different places of work in Brakpan and Springs and in and around Ekurhuleni. Also undertaken are passenger services for schools, churches, sporting and touring bodies and any other organised groups.

These organisations are looking for a service that is cost effective, safe, timeous and reliable

Passenger logistics

Approximately 34 buses convey 60 passengers per day during peak periods (or approximately 120 passengers per day per bus and 4 236 passengers per day. The company transported 7731 388 passengers (or approximately 21 476 passengers per bus) during 2006/7, a decline of 4.3% compared to 5.9% in 2005/6. decrease was because many reasons not excluding taxi conflict with buses at our profitable routes, eg. Tsakane to Delmor and Tsakane to Sunward Park'

New routes

Following this move a new route was opened in September 2005 to Delmo Hospital. A new route was also opened to the areas around Carnival City where a new mall was opened and fairly extensive residential property development has taken place.

Total diesel usage

The company used 537 279 litres of diesel during this period. These equated to approximately 14 924 litres per bus or 0.69 litres per passenger.

Fuel consumption

Based on the above fuel consumption performance statistics above these equate to approximately 49.9 litres per 100 kilometres or 2.0 kilometres per litre.

Enhancements to the service

New Wayfarer Electronic ticketing machines running on a Microsoft platform have been installed

To alleviate the ongoing problems that we have experienced over time with drivers we have embarked on a strategy to train and develop women in this capacity. We have employed two women on a full time basis and an additional four are employed by the Boksburg Bus Company

Chapter 3: Human Resource and Corporate Governance

Brakpan Bus Company (Pty) Ltd ensures that its processes and practices are reviewed on an ongoing basis to ensure compliance with legal obligations, use of funds in an economic, efficient and effective manner and adherence to good governance practices.

Processes and practices are characterised by reporting on economic, environmental and social responsibility. Such reporting is underpinned by the principles of openness, integrity and accountability and is an inclusive approach that recognises the importance of all stakeholders with respect to the viability and sustainability of the company.

The Company has complied, and is in compliance with the Companies Act, the King II report on corporate governance and all other relevant legislation.

The company remains a municipal entity whose shareholding is wholly owned by the Ekurhuleni Metropolitan Municipality.

The Board is chaired by a non-executive director, Ms P F Radebe and comprises of three non-executive directors, an executive director, namely the Managing Director and two Councillors as observers in the Board Meetings representing Ekurhuleni Metropolitan Municipality. The directors are appointed by the Metro and were drawn from diverse backgrounds and bring a wide range of experience and professional skills to the Board.

The Managing Director was appointed on 1 October 2004 and operates on a month to month contract.

The Board is responsible for providing strategic direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating the detailed planning and implementation of policy to the Executive Management Committee (EXCO)

A number of Board Committees exist in order to assist the Board in discharging its responsibilities. Each committee operates within the ambit of its defined terms of reference and delegated duties. A comprehensive framework, which assists in the control of the decision making process and the delegation of authority within the company has been approved by the Board.

The directors are as follows:

- Non-executive directors

Ms. PF Radebe	Chair person
Prof GC Prinsloo	Director
Ms. M Whitehead	Director
Mr. LM Sibeko	Councillor – Observer
Ms. N Dube	Councillor - Observer

- Executive directors

Mr. RE Matenche	Managing Director
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Members of the Executive Committee are:

Mr. RE Matenche	Managing Director
Mr. NJ Mleya	Financial Manager
Mr. MA Nkutha	Operations Manager

Brakpan Bus Company recognises that BEE and SMME development represent an important vehicle to address the challenges of job creation, economic development, growth and equity in South Africa.

In view of these challenges our procurement processes placed specific emphasis on creating a market for this sector.

Our commitment to productivity improvement, service delivery excellence, improved asset management, emphasis on employee well being remains paramount.

Our employees are expected to continue performing at a high standard to ensure that our communities experience an ongoing level of service that they have become used to and expect.

Skills development and training will be performed and customer relationship development will continue to be a focus area.

The year ahead includes a number of challenges and included amongst these are:

- Capital funding for new buses
- The age of the buses currently in operation
- Customer satisfaction
- The inroads that taxis are making in our market place

Employee Relations

The labour environment is stabilised though after the agreement about their contracts of employment is concluded that as from the 1st July 2007 will be employed on a (fixed eventuality contract) that means their contracts will be in existence as long as the company(Brakpan Bus Company (Pty)Ltd) is contracted by the Department of Transport National / Gautrans on an Interim Contract., month to month contract.

The BBC management are busy exercising progressive discipline, education, training and continuous meetings with workers representatives encouraging them to take ownership of the company. Our continuous interactions with employees through their representatives help us to find out their dissatisfaction at a premature stage and resolve it before it can lead to an untenable situation.

The employees through their representatives and Union SATAWU have elected to put their pension contributions to SATAWU Provident Fund. BBC is an affiliated member of South African Bus Employers Association (SABEA).

Employment Equity

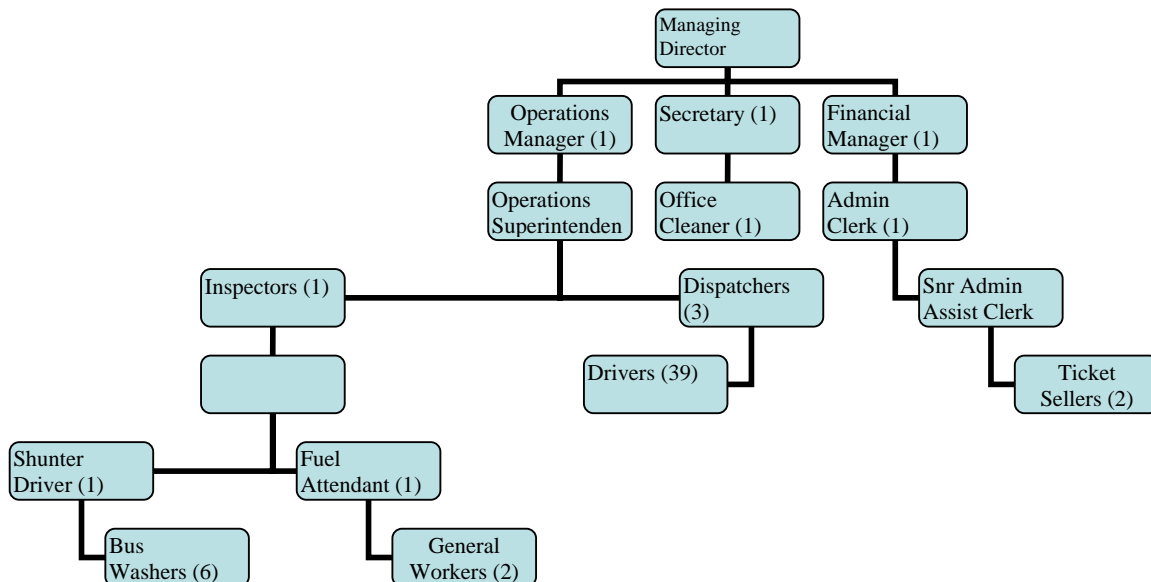
Our equity status is not balanced in gender, as at the top level although we have PDI's, there are no females in the senior managerial positions, whilst the middle management is balanced as the company have two ladies, and two gentlemen.

The Company have employed previously disadvantaged individuals, but 71% are males as our industry is male dominated. Our challenge remains that of improving the female component, races other than blacks and the disabled group. The year under review the company achieve at least 29% in the female component than the previous year's reports.

The achievement of the equity target is challenged by the fact that male bus drivers dominate the market more especially at the lower/bottom category. It is worth noting that despite our efforts to meet the required levels in the gender targets, there is a general shortage in the market due to the need for companies to comply so the female candidates are increasingly in demand.

The management has come to a decision that most vacancies will be filled by individuals with an emphasis on the appointment of suitable females.

Brakpan Bus Company			
	<i>Male</i>	<i>Female</i>	<i>Total</i>
Snr. Management	3	-	3
Mid. Management	4	3	7
Supervisory Level	3	-	3
Cashiers	1	1	2
Bus Drivers	30	8	38
Fuel Attendants	1	-	1
Gen Workers / Bus Washers	3	6	9
Canteen attendant /Office cleaners	-	1	1
Sunter driver	1	-	1
Total	46	19	65





Annual report for the period 2006/7 for the Brakpan Bus Company (Pty) Ltd

Chapter 4: Audited Statements and Related Financial Information

**Report of the Auditor General to the Member on the Financial Statements of the
Brakpan Bus Company (Pty) Ltd please see an attached documents**

For the year ended 30 JUNE 2007

Additional comments on financial performance

The company turned over R 10 791 934 from operations against R 9 392 924 in 2006. This 14.8% increase in turnover resulted from an increase of 8% on subsidy given by NDOT in the year under review. These indicate that though the Department has given that increase the company's performance is not up to standard.

The company received a subsidy of R 5 863 495 compared with R 4 826 130 in 2006. This represented a 21% increase in the year under review.

The net book value of the buses was R 36-00 as at end June 2007. These buses are all still owned by the Ekurhuleni Metropolitan Municipality.

The focus of the company for the forthcoming period is to regain control of the business and grow operating revenues whilst at the same time instituting tighter cost control measures and improving the general efficiency of the company.

All the economic indications are that business overall is improving which will hopefully reignite business in our operating areas. The timing and implementation of negotiated contracts and/or tender contract options remains a concern.

The future of the company is dependant on the continued support of its passengers; provincial department of transport (subsidy) and special buses/private hire only, no grants from the shareholders. Should these subsidies be withdrawn management considered opinion is that the company would not be able to compete and therefore to continue as a going concern on its current mandate.

Management foresees the department of transport withdrawing its subsidies if the company does not give direction of which option to take – i.e. negotiated contracts or open tender as per NLTTA as amended.

Actual and potential liabilities and commitments

The following implications regarding financial resources need to be highlighted:

- The Department of Transport subsidy allocation for BBC is +- R5 830 000 per annum. This minimal subsidy which cannot sustain BBC if the interim contract continues, BBC should apply for a 12 month interim relief fund. (negotiated contract (phase 1) in order to acquire new buses to replace the aged fleet
- The current operating budget of R 10 154 244 for 2006/7 greatly compromises the way forward as it allows BBC to maintain only +-65% of the envisaged operations coverage (long distance private hire/trips are excluded due to condition of our buses).

In addition, maintenance, and fuel is a major cost as the age of our buses influences high consumption of fuel and major components replacements on buses. Any diesel increase is not taken into account in the current interim contract as compared to negotiated contracts or tenders where there is an escalation clause to take care of such incidents:

- A full privatisation and ring fencing process should take place as soon as possible to enable BBC to compete in the market for new routes, tenders and advancing new developments.

The following schedule provides an indication of the age and value of our buses:

YEAR	TYPE	MARKET VALUE	REMAKS
1983	1619	R1-00	
1982	1619	R1	
1988	1619	R1	
1996	1619	R1	
1996	1619	R1	
1996	1619	R1	
1986	1619	R1	
1985	1619	R1	
1986	1619	R1	
1985	1619	R1	
1985	1619	R1	
1985	1619	R1	
1985	1619	R1	
1986	1619	R1	
1989	17240	R1	Scrapped
1989	17240	R1	
1989	17240	R1	
1989	17240	R1	
1989	1619	R1	Scrapped
1989	1619	R1	
1996	1619	R1	
1996	1619	R1	
1996	1619	R1	
1983	1619	R1	
1984	1619	R1	
1984	1619	R1	
1984	1619	R1	
1984	1619	R1	
1984	1619	R1	
1984	1619	R1	
1984	1619	R1	
1984	1619	R1	
1986	1619	R1	
1986	1619	R1	
1987	1624	R1	
1996	1619	R1	Stolen
1996	1619	R1	
1996	1619	R1	

YEAR	TYPE	MARKET VALUE	REMAKS	
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Chapter 6: Sustainability

The Company's stability, notwithstanding increasing fuel prices, continued competition from taxis and our old buses are not in a good condition.

1. Corporate Social Responsibility

- The Company offered free trips to Non-governmental Organisations (Epilepsy SA) at Brenthurst – Brakpan Station –, which in monetary value is R1 378, 00 transporting patients to the railway station.
- AIDS Day held in Tasking on 2007.
- Tsakane Police Station- On a march against Crime around Tsakane residential area which was held on 2007.
- Again Epilepsy SA was offered two free trips from Brenthurst to Nigel and back and in monetary value was R1 600, 00.

2. Occupational Health and Safety Act

The Company had Occupational Health and Safety representatives who attended basic training and had to be taken again for additional training.

As part of our social responsibility program, we have provided free services to Epilepsy South Africa and Tirishano (an AIDS Hospice in the area).

**BRAKPAN BUS COMPANY
(PROPRIETARY) LIMITED
(Registration number 2000/024331/07)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2007

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Providing a public bus service to the communities of Brakpan, Springs & Tsakane and the hiring out of its buses to individuals and organisations.
Directors	P.F Radebe (Chairperson) G.C Prinsloo (Prof) M. Whitehead R.E. Matenche (Managing Director) L.M. Sibeko (Cllr Observer) N. Dube (Cllr Observer)
Registered office	1st Floor Block B Empire Park 55 Empire Road Parktown Johannesburg 2193
Business address	Cnr Lemmer/ Denne Road Rand Colliers Brakpan 1544
Postal address	P.O. Box 10298 Dalview Brakpan 1544
Holding company	Ekurhuleni Metropolitan Municipality
Bankers	ABSA Bank Limited
Auditors	The Office of the Auditor General – Johannesburg.
Company registration number	2000/024331/07

Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2007

Index

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

Index	Pages
Report of the Auditor General	4
Directors' Report	5 – 7
Corporate Governance Report	8 – 11
Statement of Financial Position	12 -13
Statement of Changes in Net Assets	14
Cash flow Statement	15
Accounting Policies	16 – 23
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Tax Computation Year End 30-June 2007	32

Report of the Auditor General

To the shareholder of Brakpan Bus Company (Proprietary) Limited



A U D I T O R - G E N E R A L

Mr R Matenche
Chief Executive Officer
Brakpan Bus Company
P O Box 10298
Dalview
1544

30 November 2007

Reference: TS 98 19611/2

Dear Mr Matenche

Report of the Auditor-General on the financial statements and performance information of Brakpan Bus Company for the year ended 30 June 2007

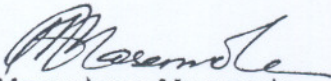
1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004 read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA).
2. Your attention is drawn to sections 121(4) and 127(1) of the MFMA with regard to the inclusion of this audit report in the annual report of your entity and the submission of the said annual report to the municipal manager of the parent municipality.
3. Until tabled in council by the Mayor of the parent municipality as required by section 127(2) of the MFMA, the audit report is **not a public document** and should therefore be treated as **confidential**.
4. As your municipal entity will be responsible for publishing the attached audit report as part of the annual report, you are required to do the following:
 - Submit the final printer's proof of the annual report (which includes the audit report) to the relevant audit manager of the Auditor-General for verification of the audit-related references before it is printed or copied. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature at the end of the hard copy of the audit report should be scanned in when preparing to print the report. The signature Auditor-General in the handwriting of the auditor authorised to sign the audit report, as well as the place and date of signing and the logo should also appear at the end of the report, as in the hard copy that is provided to you. The official logo and the authorised signature will be made available to you in electronic format if required.
5. Fifteen (15) copies of the report must be submitted immediately after printing to the following address:

Auditor-General
Att: **Parliamentary Manager**
ABSA Investments Campus

61 Empire Road
Parktown
Block E
1st Floor

6. Please notify the Provincial Auditor-General (Business Executive) well in advance of the date on which the audit report, or the annual report containing this audit report, will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.
8. Kindly acknowledge receipt of this letter.

Yours sincerely



Mangakane Masemola
Business Executive: Gauteng

Enquiries: Ockie Ludick
Telephone: (011) 276-1815
Fax: (011) 482-5135
Email: ockiel@agsa.co.za

**REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON
THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE BRAKPAN BUS
COMPANY (PTY) LTD FOR THE YEAR ENDED 30 JUNE 2007**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Brakpan Bus Company which comprise the statement of financial position as at 30 June 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the director's report, as set out on pages ... to

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury as set out in note 1 to the financial statements and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act, 1973 (Act No. 61 of 1973) of South Africa. This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.

7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the Brakpan Bus Company in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipal entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury as set out in accounting policy note 1 to the financial statements.

Basis for qualified opinion

Provisions

10. An amount of R171 784 was raised as a provision which did not meet the requirements of the definition of a provision in terms of IAS 37 (AC 130) Provisions, Contingent Liabilities and Contingent Assets. Therefore, provisions and expenses were overstated.

Government assistance

11. Brakpan Bus Company (Pty) Ltd was granted a right to use the bus fleet and the bus depot owned by Ekurhuleni Metropolitan Municipality, its parent municipality, at no cost. This transaction was not disclosed in the financial statements as required in terms of IAS 20 (AC134) Accounting for Government Grants and Disclosure of Government Assistance.

Opinion

12. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Brakpan Bus Company (Pty) Ltd as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury as set out in note 1 to the financial statements and in the manner required MFMA and the Companies Act, 1973.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

13. Municipal Finance Management Act

Contrary to the requirements of sections 95(c)(i), 96(2)(b), 97(i) and 99(2)(d) of the MFMA, documented policies and procedures regarding the management of assets, liabilities, revenue and expenditure management were not implemented during the year.

14. Municipal Systems Act

The Company did not enter into a performance contract with its managing director, as required by section 57(i)(b) of the Municipal Systems Act , 2000 (Act No. 32 of 2000).

Matters of governance

15. A fraud prevention plan was not approved by the board during the financial year under review.

Internal control

16. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipal entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Basis for qualification					
Provision			X		
Government assistance			X		
Other matters					
Non-compliance with applicable legislation					X
Matters of governance					X

Control activities

The control activities over the preparation of the financial statements such as supervision and review were not always effective. This was evident from the material corrections made to the financial statements submitted for audit on 31 August 2007.

Monitoring

The action to monitor the risk of non-compliance with laws and regulations was inadequate. This was indicative from the issues of non-compliance as reported above.

Unaudited supplementary schedules

17. The supplementary information as set out pages...to....does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on them.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

18. I was engaged to audit the performance information.

Responsibility of the accounting officer for the performance information

19. In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

Responsibility of the Auditor-General

20. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007*.
21. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
22. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings.

Audit findings

23. The performance information could not be submitted for audit purposes.

APPRECIATION

24. The assistance rendered by the staff of the Brakpan Bus Company during the audit is sincerely appreciated.

Auditor-General
Johannesburg

30 November 2007



A U D I T O R - G E N E R A L

Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2007

Directors' Responsibilities and Approval

Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2007

Directors' Report

The directors submit their report for the year ended 30 June 2007.

1. Review of activities

Main business and operations

The company is engaged in transporting passengers/workers and operates principally in Brakpan, Springs & Tsakane.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net profit of the company was R 440,321 (2006: profit R 20,442), after taxation of R 2240 681 (2006: R 106,184).

2. Post Statement of Financial Position events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

3. Directors' interest in contracts

The directors of the company have declared that they have no direct or indirect interest in the share capital of the company, or any contracts entered into by the company, as disclosed in the statutory records of the company.

4. Contribution from owners

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

5. Non-current assets

There have been no major changes in the nature of the non-current assets of the company during the year.

There have been no changes in the policy relating to the use of non-current assets.

6. Dividends

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

7. Directors

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

Name

P.F. Radebe Chairperson
G.C. Prinsloo Director
M. Whitehead Director
R.E Matenche Managing Director
L.M. Sibeko Councillor Observer-EMM
N. Dube Councillor Observer - EMM

8. Secretary

The company secretary is Castfin Trust and Consulting Services CC.

9. Holding company

The company's holding company is Ekurhuleni Metropolitan Municipality and the company remains a municipal entity.

10. Auditors

The Office of the Auditor General - Johannesburg assumed responsibility of the company audit in accordance with section 270(2) of the Companies Act, and in terms of the Municipal Finance Management Act, Act 56 of 2003 from the financial year ended 30 June 2007.

Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2007

Corporate Governance Report

1. Introduction

Brakpan Bus Company (Proprietary) Limited ensures that its processes and practices are reviewed on an ongoing basis to ensure compliance with legal obligations, use of funds in an economic, efficient, and effective manner and adherence to good corporate governance practices. Processes and practices are characterised by reporting on economic, environmental and social responsibility. Such reporting is underpinned by the principles of openness, integrity and accountability and is an inclusive approach that recognises the importance of all stakeholders with respect to the viability and sustainability of Brakpan Bus Company (Proprietary) Limited.

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour beginning at the top level of the organisation. Corporate governance sets the tone for behaviour right down to the lowest levels. Brakpan Bus Company (Proprietary) Limited complies with the requirements of the Companies Act, 1973.

2. Shareholding

Ekurhuleni Metropolitan Municipality is the sole shareholder of the company.

3. Governing body

3.1. Board of directors

3.1.1 Composition of the board

The names of the members of the board appear on page 7.

The Board of Brakpan Bus Company (Proprietary) Limited comprises six directors, one executive director and five non-executive directors, two of whom are councillors as observers in the board meetings representing Ekurhuleni Metropolitan Municipality. The directors are appointed by Ekurhuleni Metropolitan Municipality and were drawn from diverse backgrounds and bring a wide range of experience and professional skills to the board.

The managing director was appointed in 01 October 2004 on a month to month contract.

3.1.2 Board administration

The board have meetings on a quarterly basis per annum. The majority of the non-executive directors were present in person at all meetings.

3.1.3 Role and function of the board

The board is the accounting authority of Brakpan Bus Company (Proprietary) Limited in terms of the Companies Act, 1973.

The board is responsible for providing strategic direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating the detailed planning and implementation of policy to the Executive Management Committee. The board evaluates and monitors management's compliance with policy and its achievements against objectives. A structured approach is followed for delegation, reporting and accountability, which include reliance on various board committees. The chairman guides and monitors the input and contribution of the directors.

3.1.4 Board evaluation and performance

The shareholder evaluates the performance of the entire board and the individual members on an annual basis. The directors facilitate the evaluation of the performance of the senior management, including the managing director.

3.1.5 Directors' remuneration

Non-executive directors receive fees for their contribution to the board and the committees on which they serve.

The remuneration of the directors is determined by Ekurhuleni Metropolitan Municipality. The rewards and remuneration of the board are linked to the value added to Brakpan Bus Company (Proprietary) Limited.

4. Company secretarial function

The members have agreed to appoint Castfin Trust & Consulting Services CC in order to assist the board members in taking minutes and other secretarial functions.

5. Board committees

A number of board committees exist in order to assist the board in discharging its responsibilities. Each committee operates within the ambit of its defined terms of reference and delegated duties. A comprehensive framework, which assists in the control of the decision-making process and the delegation of authority within Brakpan Bus Company (Proprietary) Limited, has been approved by the board.

The board has approved the terms of reference of each of its committees and reviews the performance and effectiveness of the committees on a regular basis.

6. Executive management committee

The executive management committee comprises the managing director, the executive finance officer and executive operations officer. The committee is chaired by the managing director.

The committee assists the managing director in guiding and controlling the overall direction of the business and is responsible for ensuring the effective management of the day-to-day operations of the business.

7. Audit and risk management committee

7.1 Internal audit

Brakpan Bus Company (Proprietary) Limited was audited by an internal audit team from Ekurhuleni Metropolitan Municipality for the 2006/2007 financial year end.

7.2 Risk management

Ekurhuleni Metropolitan Municipality has approved an external auditing firm in order to compile a report as well as to formulate all the policy and procedures to identify high risk areas.

8. Internal control

The board has ultimate responsibility for establishing a framework for internal control, including an appropriate procurement and provisioning system. The controls throughout Brakpan Bus Company (Proprietary) Limited focus on those critical risk areas identified by operational risk management, confirmed by executive management. The controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. Organisational policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities. They contain self-monitoring mechanisms. Management closely monitor the controls and actions are taken to correct deficiencies as they are identified.

9. Audit

The external auditors are responsible for independently auditing and reporting on the financial statements in conformity with the Municipal Finance Management Act and International Auditing Standards.

10. Finance committee

The committee comprises two non-executive directors and the managing director. The chairman of the committee is an independent non-executive director.

The committee is also responsible for evaluating and approving the finance policies and procedures including monitoring of a budget.

11. Human resources and remuneration committee

The committee comprises two non-executive directors and the managing director. The chairman of the committee is an independent non-executive director.

The committee is also responsible for evaluating and approving the human resources policies, the employment equity plan and the workplace skills plan and conducting disciplinary/appeal hearings.

12. Operations committee

The committee comprises two non-executive directors and the managing director. The chairman of the committee is an independent non-executive director.

The operations committee is responsible for guiding the organisation on issues relating to the strategic direction of the company regarding operations, technical and the marketing and business development. Over and above this, the committee is responsible for reviewing certain tenders based on the organisations' level of delegations of authority.

13. Reporting to stakeholders

In order to present a balanced and understandable assessment of its position, Brakpan Bus Company (Proprietary) Limited is continually striving to ensure that its reporting and disclosure to stakeholders is relevant, clear and effective. It places great emphasis on reporting on both financial and non-financial matters, as well as addressing both positive and negative aspects in order to demonstrate the long-term sustainability of the organisation.

Brakpan Bus Company (Proprietary) Limited predetermined objectives, representing both financial and non-financial key performance indicators and its performance against these indicators are evaluated by the Ekurhuleni Metropolitan Municipality.

14. Stakeholder relations

In addition to the interests of governance by the shareholder, Brakpan Bus Company (Proprietary) Limited recognises the legitimate interests of employees, consumers, suppliers, investors and lenders of capital, trade unions and local communities in its affairs. Communication and interaction with stakeholders are ongoing during the year and is addressed through various channels with clients or passengers through meetings on bi-monthly passenger liaison committee depending on the different needs of the various stakeholders.

15. Social impact

Brakpan Bus Company (Proprietary) Limited prioritises the social needs of the community it serves, as it realised that its success and existence emanates from the said community. Brakpan Bus Company (Proprietary) Limited has contributed towards the gross domestic product for the country by providing direct employment to 65 and 16 indirect technical staff who service our busses daily.

16. Code of ethics

Brakpan Bus Company (Proprietary) Limited is committed to maintaining its integrity in dealing with all stakeholders. The company's code of conduct applies to all employees and forms part of their service contracts.

17. Transformation

Brakpan Bus Company (Proprietary) Limited remains firm in its support of the country's black economic empowerment as embraced by the South African government. Tenderers and companies dealing with the company should have a workable plan aimed at empowering the previously disadvantaged communities.

Brakpan Bus Company (Proprietary) Limited will achieve this without compromising the standards of the deliverables from its partners in business.

18. Employee participation

Participative structures are in place to ensure the ongoing involvement of employees and organised labour in influencing Brakpan Bus Company (Proprietary) Limited's policies and procedures work place forum.

19. Health and safety policy

The health and safety policy and the Occupational Health and Safety Act, 1993, continue to remain the guiding principles for the achievement of Brakpan Bus Company (Proprietary) Limited safety vision. The operations committee regularly reviews the health and safety performance and accidents to ensure that the necessary corrective measures are implemented. The operations committee of the board reviews the overall strategy.

20. Statement of commitment

Brakpan Bus Company (Proprietary) Limited is committed to adherence to the good corporate governance and all relevant legislation governing the local authorities, transport, employment and financial management.

Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2007

Statement of Financial Position

Figures in Rand	Note(s)	2007	2006
Assets			
Non-Current Assets			
Plant and equipment	2	635,681	797,442
Deferred tax	3	128,557	63,249
Current Assets			
Current tax receivable		-	9,830
Trade and other receivables	17	1,251,681	620,861
Cash and cash equivalents	4	<u>910,408</u>	<u>921,280</u>
Total Assets		2,926,327	2,412,662
Liabilities			
Current Liabilities			
Trade and other payables-EMM	18	695,944	629,603
Provisions	6	443,301	159,600
Tax Liability	14	<u>246,987</u>	-
Net Assets		1,540,095	1,623,459
NET ASSETS			
Contribution from owner	5	6	6
Retained income		<u>1,540,089</u>	<u>1,623,453</u>
Total net assets		1,540,095	1,623,459

Brakpan Bus Company (Proprietary) Limited

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Annual Financial Statements for the year ended 30 June 2007

Statement of Financial Performance

Figures in Rand	Note(s)	2007	2006
Revenue	7	10,791,934	9,392,924
Operating expenses		(10,112,877)	(9,266,634)
Operating surplus	8	679,057	126,290
Investment revenue	9	4,810	336
Finance costs	10	-	-
Surplus before taxation		683,868	126,626
Taxation	11	(241,509)	(106,184)
Surplus for the period		442,359	20,442

Brakpan Bus Company (Proprietary) Limited

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Annual Financial Statements for the year ended 30 June 2007

Statement of Changes in Net Assets

Figures in Rand	Contribution from owner	Accumulated surplus	Total net Assets
Opening balance as previously reported			
	6	1,040,683	1,040,689
Adjustments			
Fundamental errors affecting net Assets		(22,710)	(22,710)
Balance at 01 July 2004 as restated	6	1,017,973	1,017,979
Changes			
Surplus for the year		587,904	587,904
Total changes	-	587,904	587,904
Balance at 01 July 2005	6	1,605,877	1,605,883
Changes			
Surplus for the year		20,442	20,442
Total changes	-	20,442	20,442
Balance at 30 June 2006	6	1,626,319	1,626,325
EMM 2004/2005		(528,588)	
Balance at 01 July 2006	6	1,097,730	1,097,736
Changes			
Surplus for the year		442,359	442,359
Total changes	-		
Balance at 30 June 2007	6	1,540,089	1,540,095

Brakpan Bus Company (Proprietary) Limited

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Annual Financial Statements for the year ended 30 June 2007

Cash flow Statement

Figures in Rand

	Note(s)	2007	2006
Cash flows from operating activities			
Cash receipts from customers		10,299,059	9,595,229
Cash paid to suppliers and employees		(10,233,667)	(8,537,228)
Cash generated from operations	13	65,392	1,058,001
Interest income		4,810	336
Finance costs		-	-
Tax paid	14	(50,000)	(179,263)
Net cash from operating activities		20,202	879,074
Cash flows from investing activities			
Purchase of plant and equipment	2	(31,074)	(22,673)
Cash flows from financing activities			
Total cash movement for the period		(10,872)	856,401
Cash at the beginning of the period		921,280	64,879
Total cash at end of the period	4	910,408	921,280

Brakpan Bus Company (Proprietary) Limited

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Annual Financial Statements for the year ended 30 June 2007

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice including any interpretations of such Statements issued by the Accounting Practices Board, the prescribed standards of Generally Recognised Accounting Practice, The Municipal Finance Management Act, Act 56 of 2003, and the South African Companies Act, Act 61 of 1973 with the prescribed Standard of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent South African Statements of Generally Accepted Accounting Practice as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP2: Cash flow statements	AC118: Cash flow statements
GRAP3: Accounting policies, changes in Accounting Estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

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

The annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements

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 judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Allowance for doubtful debts

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 6.

Provisions. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Expected manner of realisation for deferred tax

Deferred tax is provided for based on the expected manner of recovery i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax asset.

1.2 Plant and equipment

The cost of an item of plant and equipment is recognised as an asset when:

- ~ it is probable that future economic benefits associated with the item will flow to the Company and
- ~ the cost of the item can be measured reliably.

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Cost model

Plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all plant and equipment other than freehold land, to write down the cost, less residual value, on a straight line basis, except for ticket machines which is on a reducing balance basis, over their useful lives as follows:

Item	Average useful life
Furniture and fixtures	3 years
Motor vehicles	4 years
IT equipment	3 years
Ticket machines	5 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

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 shall be depreciated separately.

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

The gain or loss arising from the derecognising of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognising 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.

1.3 Financial instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1.4 Tax

Current tax assets and liabilities

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

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

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 goodwill; or
- ~ the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- ~ the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- ~ it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- ~ is not a business combination; and
- ~ at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- ~ the temporary difference will reverse in the foreseeable future; and

~ taxable profit will be available against which the temporary difference can be utilised.

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 profit 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 balance sheet date.

1.4

Tax

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- ~ a transaction or event which is recognised, in the same or a different period, directly in Equity or
- ~ a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.5

Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- ~ tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- ~ tests goodwill acquired in a business combination for impairment annually.

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalue asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- ~ first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- ~ then, to the other assets of the unit, pro rata based on the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.6 Owners contributions and Net assets

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.

1.7 Employee benefits

Short-term employee benefits

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

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

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

1.8 Provisions and contingencies

Provisions are recognised when:

- ~ the company has a present obligation because of a past event;
- ~ it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and
- ~ a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

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

1.8 Provisions and contingencies

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- ~ the amount that would be recognised as a provision; and
- ~ the amount initially recognised less cumulative amortisation.

1.9 Government grants

Government grants are recognised when there is reasonable assurance that:

- ~ the company will comply with the conditions attaching to them; and
- ~ the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the income statement (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.10 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- ~ the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ~ the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- ~ the amount of revenue can be measured reliably;
- ~ it is probable that the economic benefits associated with the transaction will flow to the company; and
- ~ the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- ~ the amount of revenue can be measured reliably;
- ~ it is probable that the economic benefits associated with the transaction will flow to the company;
- ~ the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- ~ the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

1.10

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Brakpan Bus Company (Proprietary) Limited

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Annual Financial Statements for the year ended 30 June 2007

Notes to the Annual Financial Statements

Figures in Rand 2007 2006

2.	Plant and equipment	2007	2006
	Cost	Accumulated	

		Dep	Carrying Cost Value	Acc Dep	Carrying Value
Furniture and fixtures	21,032	(1,913)	19,119	1,850 (943)	907
Motor vehicles	259,356	(207,263)	52,093	259,356 (171,518)	87,838
IT equipment	44,115	(24,470)	19,645	29,941 (12,629)	17,312
Ticket machines	1,085,493	(540,669)	544,824	1,110,163 (418,778)	691,385
Total	1,409,996	(774,315)	635,681	1,401,310 (603,868)	797,442

Reconciliation of plant and equipment - 2007

	Opening Balance	Additions	Disposal	Depreciation	Total
Furniture and fixtures	907	16,900	-	(970)	19,119
Motor vehicles	87,838	-	-	(35,745)	52,093
IT equipment	17,312	14,174	-	(11,841)	19,645
Ticket machines	691,385	-	(10,355)	(136,206)	544,824
	797,442	31,074	(10,355)	(182,482)	635,681

Reconciliation of plant and equipment - 2006

	Opening Balance	Additions	Disposal	Depreciation	Total
Furniture and fixtures	1,519	-	-	(612)	907
Motor vehicles	142,980	-	-	(55,142)	87,838
IT equipment	1,616	22,673	-	(6,977)	17,312
Ticket machines	882,426	-	(18,194)	(172,847)	691,385
	1,028,541	22,673	(18,194)	(235,578)	797,442

Reconciliation of plant and equipment - 2005

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures		- 1,850	(331)	1,519
Motor vehicles	48,483	142,998	(48,501)	142,980
IT equipment	4,039	-	(2,423)	1,616
Ticket machines	1,102,390	-	(219,964)	882,426
	1,154,912	144,848	(271,219)	1,028,541

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

Brakpan Bus Company (Proprietary) Limited

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Annual Financial Statements for the year ended 30 June 2007

Notes to the Annual Financial Statements

Figures in Rand

2007

2006

3. Deferred tax

Deferred tax asset (liability)

Provision for audit fees	49,817	63,249
Provision for bonuses	<u>78,740</u>	<u>-</u>
	128,557	63,249

4. Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

	2007-	2006
Cash on hand	6,000	6,000
Bank balances	904,408	915,280
	910,408	921,280

5. Contribution from owner

Authorised

1000 Ordinary shares of R1 each 1,000 1,000

Reconciliation of number of shares issued:

Reported as at 01 July 2005 6 6

Issued

Ordinary 6 6

6. Provisions

	2007	2006
Provision for audit fees	171,784	159,600
Provision for Bonuses	271,517	-
Reconciliation of provisions – 2007	Provision for Bonuses	Provision for Audit fees
Opening Balance		159,600
Movement current year	271,517	171,784
Paid during the year	-	(159,600)
Balance	<u>271,517</u>	<u>171,784</u>

The provision for bonuses and audit fees represents the present value of the directors' best estimate of the direct costs of the employee cost and audit remuneration.

7 Revenue

Subsidy	5,863,495	4,826,130
Passenger fares	3,713,412	3,264,347

Private hire	1,215,027	1,302,447
	10,791,934	9,392,924

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Annual Financial Statements for the year ended 30 June 2007

Notes to the Annual Financial Statements

Figures in Rand

	2007	2006
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8. Operating profit

Operating profit for the year is stated after accounting for the following:

Operating lease charges

Equipment		
Contractual amounts	11,446	11,966
Auditors remuneration	185,000	300,914
Depreciation on property, plant and equipment	182,482	235,578
Directors emoluments	353,752	326,860
Employee costs	4,071,255	3,689,993
Profit (loss) on sale of property, plant and equipment	(10,355)	(18,194)

9. Investment revenue

Interest revenue

Bank	4,810	336
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10. Finance costs

Bank	-	-
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11. Taxation

Major components of the tax expense (income)

Normal tax

Current tax	266,915	100,170
Under/(over)provision	39,904	69,263
Deferred tax (asset)/ Liabilities –MTD	<u>(65,308)</u>	<u>(63,249)</u>
Balance	241,509	106,184

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Accounting profit	198,324	36,721
Fines	29	200
Prepaid expenses	3,256	-
Under provision	<u>39,904</u>	<u>69,263</u>
Balance	241,509	106,184
Applicable tax rate	29.00%	29.00%

Brakpan Bus Company (Proprietary) Limited

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Annual Financial Statements for the year ended 30 June 2007

Notes to the Annual Financial Statements

Figures in Rand	2007	2006
12. Auditors' remuneration		
Fees	185,000	159,600
Adjustment for previous year	-	141,314
	185,000	300,914
13. Cash generated from operations		
Profit before taxation	681,868	126,626
Adjustments for:		
Depreciation and amortisation	182,482	235,578
Loss on sale of assets	10,355	18,194
Other non-cash item	(493,241)	-
Interest received	(4,810)	(336)
Movements in provisions	443,301	159,600
Changes in working capital:		
Trade and other receivables	(621,048)	461,792
Trade and other payables	69,207	56,547
Provision	(172,816)	-
	65,392	1,058,001
14. Tax (paid) refunded		
Balance at beginning of the period	(9,830)	-

Current tax for the period recognised in income statement	306,819	169,433
Payment of tax	<u>(50,000)</u>	<u>(179,263)</u>
Balance at end of the period	246,987	(9,830)

15. Related parties

Relationships

Holding company	Ekurhuleni Metropolitan Municipality
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Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related Parties

Ekurhuleni Metropolitan Municipality	528,588	138,961
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Related party transactions

Purchases from (sales to) related parties

Ekurhuleni Metropolitan Municipality	4,936,167	3,844,177
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Brakpan Bus Company (Proprietary) Limited

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Annual Financial Statements for the year ended 30 June 2007

Notes to the Annual Financial Statements

Figures in Rand

	2007	2006
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16. Directors' emoluments

Executive

2007	Emoluments	Total
For services as directors	278,352	278,352

2006	Emoluments	Total
For services as directors	258,210	258,210

Non-executive

2007	Emoluments	Total
For services as directors	75,400	75,400
2006	Emoluments	Total
For services as directors	68,650	68,6750

17. Trade and other Receivable

Trade receivables	1,266,709	685,085
Allowance for doubtful debt	<u>(15,028)</u>	<u>(78,000)</u>
Balance	1,251,681	607,085

18. Trade and other Payables

Trade Payables	694,284	-
Accruals	<u>1,659</u>	<u>2,866</u>
Balance	695,943	2,866

19. Related party transactions

The immediate parent and ultimate controlling party respectively of the Group is Ekurhuleni Metro Municipality.

Transactions between the Holding company and its subsidiary, which are related parties of the Company, have been disclosed below.

Trading transactions

During the year, group entities entered into the following trading transactions with Ekurhuleni Metro Municipality:

Purchases of goods-current	2007	2006
Fuel and Lubricants	3,167,233	2,762,803
Repairs and maintenance	1,404,298	524,384

Amount owed/ (owing) EMM

Debt asset	105,214	136,256
Liabilities	(528,589)	(626,737)

Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2007

Detailed Statement of Financial Performance

Figures in Rand	Note(s)	2007	2006
Revenue			
Rendering of services		10,791,934	9,392,924
Other income			
Interest received	9	4,810	336
Operating expenses			
Secretary fees		7,000	-
Advertising		4,241	1,769
Auditors remuneration	12	185 000	300,914
Bad debts		15,028	602
Bank charges		55,521	49,842
Cleaning		9,506	18,535
Computer expenses		10,974	22,403
Consulting fees		33,342	60,127
Depreciation, amortisation and impairments		182,482	235,578
Employee costs		4,071,255	3,689,993
Fines and penalties		100	688
Hire busses		-	81,800
Insurance		20,938	19,806
Lease rentals on operating lease		11,446	11,966
Legal expenses		1,939	213
Levies		0	26,444
Loss on disposal of assets		10,355	18,194
Membership fees		9,720	9,872
Motor vehicle expenses		4,936,167	4,194,720
Municipal charges		77,016	74,778
Other expenses		19,931	2,000
Postage		234	-
Printing and stationery		37,031	29 082
Protective clothing		75,318	81,181
Provision for doubtful debts		-62,972	78,000
Refreshments		7,350	3,304
Refund - Special busses		13,807	10,445
Repairs and maintenance		8,653	119,249
Security		61,954	94,458
Telephone and fax		37,912	24,111
Training		16,613	6,560
Private Inspection		159,600	-
Questek Ticket Machines		98,284	-

		(10,110,377)	(9,266,634)
Operating surplus			
	8	683,868	126,626

Glossary of abbreviations



Ekurhuleni
METROPOLITAN MUNICIPALITY

GLOSSARY OF ABBREVIATIONS

BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BFES	Benoni Fire and Emergency Services
CBD	Central Business District
CBO	Community-based Organisation
CCC	Customer Care Centre
CCTV	Closed-Circuit Television
CID	City Improvement District
CLF	Consolidated Loans Fund
CMIP	Consolidated Municipal Infrastructure Programme
COJ	City of Johannesburg
CSIR	Council for Scientific and Industrial Research
DBSA	Development Bank of South Africa
DCM	Deputy City Manager
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
EGSC	Eastern Gauteng Services Council
EMF	Environmental Management Framework
EMM	Ekurhuleni Metropolitan Municipality
ERGO	East Rand Gold and Uranium Company
Erwat	East Rand Water Care Company
FY	Financial Year
GAMAP	Generally Accepted Municipal Accounting Practice
GAUMAC	Gauteng Manufacturing Advisory Centre
GDACEL	Gauteng Department of Agriculture, Conservation, Environment and Land Affairs
GDS	Growth & Development Strategy
GGP	Gross Geographic Product
GKPI	General Key Performance Indicator
ICASA	Independent Communication Authority of South Africa
ICT	Information and Communication Technology
IDZ	Industrial Development Zone
IDP	Integrated Development Plan
IKS	Indigenous Knowledge System
INCA	Infrastructure Finance Corporation

KI	Kilo Litre
KPI	Key Performance Indicators
kWL	Kilo Watt Litre
LED	Local Economic Development
LIS	Library Information System
MEC	Member of Executive Committee
MESHAWU	Municipality, Education, State Health and Allied Workers Union
MI	Municipal Infrastructure
MMC	Member of Mayoral Committee
MPCC	Multi-purpose Community Centre
NGO	Non-governmental Organisation
NRB	New Republic Bank
ORTIA	OR Tambo International Airport
PEM	Protein Energy Malnutrition
PIER	Public Information Education Programme
PMS	Performance Management System
PPP	Public Private Partnership
RED	Regional Executive Director
SAB	South African Breweries
SALA	South African Lighting Association
SAMWU	South African Municipal Workers' Union
SDC	Service Delivery Centre
SDF	Spatial Development Framework
SDRs	Service Delivery Regions
SED	Strategic Executive Director
SETA	Sector Education and Training Authority
SMMEs	Small, Medium and Micro Enterprises
VIP	Ventilated Improved Pit-latrine
VOIP	Voice Over Internet Protocol
WCA	Workman Compensation Act
WSA	Water Service Authority