Claremont Road Bypass Company
(Non-Profit Company)

(Registration number 2005/012793/08)

Annual Financial Statements
for the year ended 30 June 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Development of the Claremont Road Bypass
Directors	A Kerbelker DS Stoll C Vaskys
Registered office	25 Stegman Road Claremont 7708
Auditors	BDO Cape Inc. Chartered Accountants (S.A.) Registered Auditors BDO South Africa is a member firm of BDO International Limited
Company registration number	2005/012793/08
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa
Preparer	The annual financial statements were independently compiled by: KAS Drafting Proprietary Limited Hoosain Abbas Chartered Accountant (S.A.)
Published	20 August 2018

Index

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

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Chartered Accountants (SA)
6th Floor, BDO House
123 Hertzog Boulevard, Foreshore
Cape Town, 8001

PO Box 2275, Cape Town, 8000

Independent Auditor's Report

To the directors of Claremont Road Bypass Company (Non-Profit Company)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Claremont Road Bypass Company (Non-Profit Company) set out on pages 7 to 17, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Claremont Road Bypass Company (Non-Profit Company) as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Cape Incorporated

BDO Cape Incorporated

Yolanda Weaver-Sasman
Partner
Registered Auditor
Chartered Accountant (SA)

Date: 29 August 2018

6th Floor, BDO House
123 Hertzog Boulevard
Foreshore
Cape Town
8001

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa 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 International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The directors have reviewed the company's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 3 to 4.

The annual financial statements set out on pages 6 to 18, which have been prepared on the going concern basis, were approved by the directors on 20 August 2018 and were signed on its behalf by:

DS Stoll **A Kerbelker**

Cape Town

20 August 2018

Directors' Report

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

1. Review of activities

Main business and operations

The company's nature of business is to carry out development of the Claremont Road Bypass project and other related community services and operates in South Africa.

The 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 2 753 426 (2017: R 2 176 852), after taxation of R - (2017: R -).

2. Going concern

We draw attention to the fact that at 30 June 2018, the company had accumulated losses of R 3 949 859 (2017: R 6 703 285) and that the company's total liabilities exceed its assets by R 3 949 859 (2017: R 6 703 285).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This presumes that management does not intend to cease business operations in the foreseeable future.

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 cession in favour of the Development Bank of South Africa will remain in place for as long as is necessary, refer to note 5.

3. Events after the reporting period

The directors are not aware of any material fact or circumstance arising since the end of the financial year that would have a material effect on the annual financial statements for the year ended 30 June 2018.

4. Dividends

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

5. Directors

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

Name
A Kerbelker
DS Stoll
C Vaskys

6. Auditors

BDO Cape Inc. will continue in office in accordance with section 90 of the Companies Act of South Africa.

7. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act of South Africa.

Statement of Financial Position

Figures in Rand	Notes	2018	2017
Assets			
Current Assets			
Other financial assets	3	254 050	595 826
Cash and cash equivalents	4	6 001 393	4 446 188
		6 255 443	**5 042 014**
Equity and Liabilities			
Equity			
Accumulated loss		(3 949 859)	(6 703 285)
Liabilities			
Non-Current Liabilities			
Other financial liabilities	5	8 489 411	10 176 184
Current Liabilities			
Other financial liabilities	5	1 654 017	1 516 608
Trade and other payables	6	61 874	52 507
		1 715 891	**1 569 115**
Total Liabilities		**10 205 302**	**11 745 299**
Total Equity and Liabilities		**6 255 443**	**5 042 014**

Statement of Comprehensive Income

Figures in Rand	Notes	2018	2017
Revenue	7	3 277 041	3 135 924
Other income		217 133	-
Operating expenses		(30 792)	(28 889)
Operating profit	8	**3 463 382**	**3 107 035**
Investment revenue	9	243 635	151 271
Finance costs	10	(953 591)	(1 081 454)
Profit for the year		**2 753 426**	**2 176 852**
Other comprehensive income		-	-
Total comprehensive income		**2 753 426**	**2 176 852**
Total comprehensive income attributable to:			
Owners of the parent		2 753 426	2 176 852

Statement of Changes in Equity

Figures in Rand	Accumulated loss	Total equity
Balance at 01 July 2016	**(8 880 137)**	**(8 880 137)**
Changes in equity		
Total comprehensive income for the year	2 176 852	2 176 852
Total changes	2 176 852	2 176 852
Balance at 01 July 2017	**(6 703 285)**	**(6 703 285)**
Changes in equity		
Total comprehensive income for the year	2 753 426	2 753 426
Total changes	2 753 426	2 753 426
Balance at 30 June 2018	**(3 949 859)**	**(3 949 859)**

Statement of Cash Flows

Figures in Rand	Notes	2018	2017
Cash flows from operating activities			
Cash generated from operations	12	3 472 749	3 106 416
Interest income		243 635	151 271
Finance costs		(953 591)	(1 081 454)
Net cash from operating activities		**2 762 793**	**2 176 233**
Cash flows used in investing activities			
Net movement in other financial assets		341 776	558 975
Net cash from investing activities		**341 776**	**558 975**
Cash flows used in financing activities			
Repayment of other financial liabilities		(1 549 364)	(1 421 501)
Net cash used in financing activities		**(1 549 364)**	**(1 421 501)**
Total cash movement for the year		**1 555 205**	**1 313 707**
Cash at the beginning of the year		4 446 188	3 132 481
Total cash at end of the year	4	**6 001 393**	**4 446 188**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa, 2008. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

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 instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Trade and other payables

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

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.

1.2 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.

1.3 Borrowing costs

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the entity.

Management anticipates that all of the pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the entity's financial statements.

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017	Not material
• Amendments to IAS 7: Disclosure initiative	01 January 2017	Not material

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 9: Financial Instruments	01 January 2018	Not yet been assessed
• IFRS 16: Leases	01 January 2019	Not yet been assessed
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	Not yet been assessed
• IFRS 15: Amendment to Revenue from Contracts with Customers	01 January 2018	Not yet been assessed

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

3. Other financial assets

Loans and receivables

Claremont Improvement District Company The loan is unsecured, bears no interest and no repayment date has been determined.	254 050	595 826
Current assets		
Loans and receivables	254 050	595 826

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	6 001 393	4 446 188

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates:

Credit rating		
Nedbank Limited (Baa3)	6 001 393	4 446 188

5. Other financial liabilities

Held at amortised cost		
Development Bank of South Africa	10 143 428	11 692 792

Interest is charged at a nominal fixed rate of R186 (2017: R186) plus 154 (2017:154) basis points per annum.

Repayable in 28 equal six-monthly instalments, commencing on 30 September 2009.

Secured by an agreement of cession from Claremont Improvement District Company (Non-Profit Company) (Cedent), over their right and title to the levies collected by the City of Cape Town from the Claremont Improvement District rate payers in terms of the co-operation agreement.

The cedent, the company and the City of Cape Town concluded a co-operation agreement in terms of which, the City of Cape Town undertook to pay to the cedent levies collected from the rate payers within the Claremont Improvement District.

Non-current liabilities		
At amortised cost	8 489 411	10 176 184
Current liabilities		
At amortised cost	1 654 017	1 516 608
	10 143 428	**11 692 792**

6. Trade and other payables

Accrued audit fees	21 001	15 931
Value Added Taxation	40 873	36 576
	61 874	**52 507**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

6. Trade and other payables (continued)

Fair value of trade and other payables

The carrying amounts of trade and other payables approximates its fair value.

7. Revenue

Rendering of services	3 277 041	3 135 924

Revenue comprises Improvement District rates received from the City of Cape Town City Council, excluding value added taxation.

The City of Cape Town retains 3% of the revenue for probable bad debts and revenue is recognised at 97% which is considered to be the fair value of the consideration receivable on a cash basis.

8. Operating profit

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

Auditor's remuneration		
Audit fees	24 570	12 555

9. Investment revenue

Interest revenue		
Interest received	243 635	151 271

10. Finance costs

Current borrowings	953 591	1 081 454

11. Taxation

No provision has been made for 2018 tax as the company is a public benefit organisation.

12. Cash generated from operations

Profit before taxation	2 753 426	2 176 852
Adjustments for:		
Interest received	(243 635)	(151 271)
Finance costs	953 591	1 081 454
Changes in working capital:		
Trade and other payables	9 367	(619)
	3 472 749	**3 106 416**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Related parties

Relationships

Common controlled entity	Claremont Improvement District Company (Non-profit company)

Related party balances

	2018	2017
Loan accounts - Owing by related parties		
Claremont Improvement District Company (Non-Profit Company)	254 050	595 826

14. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

15. Contingent asset

As at the year end, the company has a contingent asset of R 350 790 (2017 :R 399 436) in respect of amounts retained by the City of Cape Town, as a provision for bad debts.

It is probable that R 190 965 (2017: R 247 532) of this amount will be receivable in the coming financial year (VAT inc.).

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below.

2018

	Loans and receivables	Total
Cash and cash equivalents	6 001 393	6 001 393
Other financial assets	254 050	254 050
	6 255 443	**6 255 443**

2017

	Loans and receivables	Total
Cash and cash equivalents	4 446 188	4 446 188
Other financial assets	595 826	595 826
	5 042 014	**5 042 014**

17. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below.

2018

	Financial liabilities at amortised cost	Total
Other financial liabilities	10 143 428	10 143 428
Trade and other payables	21 001	21 001
	10 164 429	**10 164 429**

2017

	Financial liabilities at amortised cost	Total
Other financial liabilities	11 692 792	11 692 792
Trade and other payables	15 931	15 931
	11 708 723	**11 708 723**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

18. Risk management

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.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2018	**Less than 1 year**	**Between 1 and 2 years**
Other financial liabilities	1 654 017	8 489 411
Trade and other payables	21 001	-

At 30 June 2017	**Less than 1 year**	**Between 1 and 2 years**
Other financial liabilities	1 516 608	10 176 184
Trade and other payables	15 931	-

Interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

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.

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

Financial instrument	**2018**	**2017**
Bank balance	6 001 393	4 446 188
Other financial assets	254 050	595 826

19. Going concern

We draw attention to the fact that at 30 June 2018, the company had accumulated losses of R 3 949 859 (2017: R 6 703 285) and that the company's total liabilities exceed its assets by R 3 949 859 (2017: R 6 703 285).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This presumes that management does not intend to cease business operations in the foreseeable future.

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 cession in favour of the Development Bank of South Africa will remain in place for as long as is necessary, refer to note 5.

Detailed Statement of Comprehensive Income

Figures in Rand	Notes	2018	2017
Revenue	7	**3 277 041**	**3 135 924**
Other income			
Interest received	9	243 635	151 271
Other income		217 133	-
		460 768	**151 271**
Operating expenses			
Accounting fees		(5 345)	(15 501)
Auditors remuneration		(24 570)	(12 555)
Bank charges		(877)	(833)
		(30 792)	**(28 889)**
Operating profit	8	**3 707 017**	**3 258 306**
Finance costs	10	(953 591)	(1 081 454)
Profit for the year		**2 753 426**	**2 176 852**