"A Promise Delivered"

Thabatshweu Housing Association (Pty) LTD
(Registration number 2005/012521/07)
Trading as Polokwane Housing Association
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	Municipal entity
Nature of business and principal activities	Provision of low cost rental housing
Board	M.J Gololo M Kgosana S.M Mashabela S.M Vilakazi O Galane T.M Makofane
Accounting Officer	J.T. Maimela
Registered office	Cnr Landdros Mare and Bodenstein Streets Civic Centre Polokwane 0700
Controlling entity	Polokwane Local Municipality
Bankers	First National Bank
Auditors	Auditor General South Africa Registered Auditors

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

GRAP	Generally Recognised Accounting Practice
ME's	Municipal Entities
MFMA	Municipal Finance Management Act

Board's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipal entity is engaged in provision of low cost rental housing and operates principally in South Africa.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Share capital / contributed capital

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

5. Secretary

A Person resigned as secretary of the municipality on and Vacant was appointed in his stead on .

The secretary of the municipality is Vacant of:

6. Auditors

Auditor General South Africa will continue in office for the next financial period.

The annual financial statements set out on pages 4-39, have been prepared on the going concern basis, were approved by the board on 31 August 2019 and were signed on its behalf by:

Accounting Officer
JT Maimela

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	22 449 402	2 483 401
Receivables from exchange transactions	3	1 009 795	1 455 347
Prepayments	4	2 540	12 616
Receivables from non-exchange transactions	37	26 697	109 503
		23 488 434	**4 060 867**
Non-Current Assets			
Property, plant and equipment	5	96 991 872	99 023 094
Intangible assets	6	87 210	100 835
Work-in-progress		25 744 174	-
		122 823 256	**99 123 929**
Total Assets		**146 311 690**	**103 184 796**
Liabilities			
Current Liabilities			
Payables from exchange transactions	7	27 799 555	1 980 707
Unclaimed receipts	8	640 592	618 748
Provisions	10	910 109	749 647
		29 350 256	**3 349 102**
Total Liabilities		**29 350 256**	**3 349 102**
Net Assets		**116 961 434**	**99 835 694**
Share capital / contributed capital	11	1 000	1 000
Reserves			
Revaluation reserve	12	78 317 796	75 653 283
Accumulated surplus		38 642 637	24 181 405
Total Net Assets		**116 961 433**	**99 835 688**

* See Note 28

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	13	9 755 280	9 968 580
Interest received (trading)		153	527
Administration and management fees received	15	1 940 072	1 862 872
Other income		-	295
Total revenue from exchange transactions		**11 695 505**	**11 832 274**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	16	44 741 330	32 573 083
Total revenue	14	**56 436 835**	**44 405 357**
Expenditure			
Employee related costs	17	(8 429 437)	(7 817 223)
Depreciation and amortisation	18	(4 692 667)	(4 710 271)
Derecognition loss		(16 692)	(19 636)
Finance costs	19	-	(89)
Lease rentals on operating lease	20	(52 798)	(39 716)
Debt Impairment	3	(8 732 291)	(8 691 459)
Contracted services	21	(16 345 067)	(23 815 260)
General Expenses	22	(3 706 652)	(3 795 129)
Total expenditure		**(41 975 604)**	**(48 888 783)**
Surplus (deficit) for the year		**14 461 231**	**(4 483 426)**

* See Note 28

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2017	**1 000**	**75 653 283**	**28 664 831**	**104 319 114**
Changes in net assets				
Surplus for the year	-	-	(4 483 426)	(4 483 426)
Total changes	-	-	(4 483 426)	(4 483 426)
Restated* Balance at 01 July 2018	**1 000**	**75 653 283**	**24 181 406**	**99 835 689**
Changes in net assets				
Revaluation of buildings	-	6 264 513	-	6 264 513
Revaluation of land	-	(3 600 000)	-	(3 600 000)
Net income (losses) recognised directly in net assets	-	2 664 513	-	2 664 513
Surplus for the year	-	-	14 461 231	14 461 231
Total recognised income and expenses for the year	-	2 664 513	14 461 231	17 125 744
Total changes	-	2 664 513	14 461 231	17 125 744
Balance at 30 June 2019	**1 000**	**78 317 796**	**38 642 637**	**116 961 433**
Note(s)	11	12		

* See Note 28

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Cash received from customers		3 501 648	3 909 821
Grants		28 497 298	9 000 000
		31 998 946	12 909 821
Payments			
Employee costs		(8 268 975)	(7 840 000)
Suppliers		21 980 207	(4 306 530)
		13 711 232	(12 146 530)
Net cash flows from operating activities	24	**45 710 178**	**763 291**
Cash flows from investing activities			
Purchase of work-in-progress		(25 744 174)	-
Cash flows from financing activities			
Finance lease payments		-	(12 647)
Net increase/(decrease) in cash and cash equivalents		**19 966 004**	**750 644**
Cash and cash equivalents at the beginning of the year		2 483 400	1 732 756
Cash and cash equivalents at the end of the year	2	**22 449 404**	**2 483 400**

* See Note 28

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	10 518 480	(845 720)	**9 672 760**	9 755 280	**82 520**	1
Interest received (trading)	800	(500)	**300**	153	**(147)**	2
Administration and management fees received	2 021 877	(21 877)	**2 000 000**	1 940 072	**(59 928)**	1
Total revenue from exchange transactions	**12 541 157**	**(868 097)**	**11 673 060**	**11 695 505**	**22 445**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	11 000 000	-	**11 000 000**	44 741 330	**33 741 330**	3
Total revenue	**23 541 157**	**(868 097)**	**22 673 060**	**56 436 835**	**33 763 775**	
Expenditure						
Personnel	(9 992 173)	(199 585)	**(10 191 758)**	(8 429 437)	**1 762 321**	4
Depreciation and amortisation	(4 800 000)	-	**(4 800 000)**	(4 692 667)	**107 333**	1
Loss on derecognition of assets	-	-	**-**	(16 692)	**(16 692)**	5
Lease rentals on operating lease	(180 000)	80 000	**(100 000)**	(52 798)	**47 202**	6
Debt Impairment	(4 000 000)	-	**(4 000 000)**	(8 732 291)	**(4 732 291)**	7
Contracted Services	(800 000)	-	**(800 000)**	(16 345 067)	**(15 545 067)**	8
General Expenses	(5 656 709)	(319 760)	**(5 976 469)**	(3 706 652)	**2 269 817**	9
Total expenditure	**(25 428 882)**	**(439 345)**	**(25 868 227)**	**(41 975 604)**	**(16 107 377)**	
Surplus before taxation	**(1 887 725)**	**(1 307 442)**	**(3 195 167)**	**14 461 231**	**17 656 398**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1 887 725)**	**(1 307 442)**	**(3 195 167)**	**14 461 231**	**17 656 398**	

Reconciliation

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipal entity will continue to operate as a going concern for at least the next 12 months.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipal entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.3 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Non-depreciable	Infinity
Buildings	Straight line	25 years
Furniture and fixtures	Straight line	14 years
Motor vehicles	Straight line	8 years
Office equipment	Straight line	14 years
IT equipment	Straight line	14 years
Leased assets	Straight line	5 years

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

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

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

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

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

Accounting Policies

1.4 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipal entity or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipal entity; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	11 years

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Policies

1.5 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Accounting Policies

1.5 Financial instruments (continued)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

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

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

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Trade and other receivables	Financial asset measured at amortised cost
Investments	Financial asset measured at fair value

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

Class	Category
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Accounting Policies

1.5 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipal entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Accounting Policies

1.5 Financial instruments (continued)

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.5 Financial instruments (continued)

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

Presentation

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

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

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

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

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

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Accounting Policies

1.6 Leases (continued)

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.7 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

1.8 Share capital / contributed capital

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

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Accounting Policies

1.9 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

1.10 Provisions and contingencies

Provisions are recognised when:
- the muncipal entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

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

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.10 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipal entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipal entity’s right to receive payment has been established.

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

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipal entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipal entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipal entity either receives value from another municipal entity without directly giving approximately equal value in exchange, or gives value to another municipal entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipal entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.13 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipal entity, and the costs can be measured reliably. The municipal entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipal entity. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipal entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

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

1.14 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Fruitless and wasteful expenditure

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

Accounting Policies

1.15 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

1.17 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.18 Budget information

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

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.19 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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

1.20 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

Accounting Policies

1.20 Events after reporting date (continued)

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipal entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipal entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.21 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosures is necessary to achieve a fair presentation shoudl be disclosed in a note to the financial statement, if both the following criteria are met:t

- Contract should be non cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services) and
- Contracts should relate to something other than the routine, steady, state business of the entity - therefore salary commitments relating to employment contracts or social security benefits, commitments are excluded.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash	60	60
Bank balances	20 788 482	904 538
Short-term deposits	1 660 771	1 578 528
Other cash and cash equivalents	89	275
	22 449 402	**2 483 401**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB BANK - Annerdale Ext 2 - 62808280490	20 557 398	-	-	20 557 398	-	-
FNB BANK - Polokwane Ext 76 - 62808279352	100	-	-	100	-	-
FNB BANK - 32 day notice - 74372485836	1 660 771	1 578 528	1 505 719	1 660 771	1 578 528	1 505 719
FNB BANK -Refundable Deposit - 62118359191	89	274	1 228	89	274	1 228
FNB BANK - Operational - 62078322105	230 985	904 538	225 749	230 985	904 538	225 749
Total	**22 449 343**	**2 483 340**	**1 732 696**	**22 449 343**	**2 483 340**	**1 732 696**

3. Receivables from exchange transactions

Trade debtors	43 712 306	35 447 410
Staff loans	17 890	17 890
Unclaimed receipts	640 592	618 748
Less: Provision for doubtful debts	(43 360 993)	(34 628 701)
	1 009 795	**1 455 347**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	34 628 700	25 937 241
Provision for impairment	8 732 293	8 691 459
	43 360 993	**34 628 700**

4. Prepayments

The prepayments for the current year relate to the subscription fees that were paid in advance to National Association of Social Housing.

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	28 400 000	-	28 400 000	32 000 000	-	32 000 000
Buildings	127 366 512	(58 985 784)	68 380 728	115 698 180	(48 954 037)	66 744 143
Furniture and fixtures	246 457	(190 932)	55 525	294 015	(209 669)	84 346
Motor vehicles	175 542	(175 542)	-	175 542	(175 542)	-
Office equipment	170 976	(87 627)	83 349	192 783	(93 162)	99 621
IT equipment	226 114	(153 844)	72 270	275 326	(180 342)	94 984
Leased assets	171 034	(171 034)	-	171 034	(171 034)	-
Total	**156 756 635**	**(59 764 763)**	**96 991 872**	**148 806 880**	**(49 783 786)**	**99 023 094**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Revaluations	Loss on derecognition of assets	Depreciation	Total
Land	32 000 000	(3 600 000)	-	-	28 400 000
Buildings	66 744 143	6 264 512	-	(4 627 927)	68 380 728
Furniture and fixtures	84 346	-	(8 638)	(20 183)	55 525
Office equipment	99 621	-	(2 515)	(13 757)	83 349
IT equipment	94 984	-	(5 540)	(17 174)	72 270
	99 023 094	**2 664 512**	**(16 693)**	**(4 679 041)**	**96 991 872**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	32 000 000	-	-	-	-	32 000 000
Buildings	71 372 071	-	-	(4 627 928)	-	66 744 143
Furniture and fixtures	119 201	(12 197)	10	(22 668)	-	84 346
Motor vehicles	5 567	-	-	(3 011)	(2 556)	-
Office equipment	119 844	(4 743)	-	(15 480)	-	99 621
IT equipment	113 267	(138)	(10)	(18 135)	-	94 984
Leased assets	8 552	-	-	(8 552)	-	-
	103 738 502	**(17 078)**	**-**	**(4 695 774)**	**(2 556)**	**99 023 094**

Revaluations

The effective date of the revaluations was Sunday, 30 June 2019. Revaluations were performed by independent valuer, Messers Eli Stroh (MDP PREPII) and S van der Spek of Eli Stroh(Pty) Ltd. Eli Stroh (Pty) Ltd are not connected to the municipal entity and have recent experience in location and category of the property being valued. Land and buildings are valued once every three years.

Other information

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	101 035	242 177

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the muncipal entity.

Notes to the Annual Financial Statements

Figures in Rand

6. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	201 633	(114 423)	87 210	201 633	(100 798)	100 835

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	100 835	(13 625)	87 210

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	115 333	(14 498)	100 835

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Payables from exchange transactions

Trade payables	72 075	156 169
Payments received in advanced - contract in process	79 959	100 997
Payables relating to Work-in-progress	25 744 174	-
Accrued expense	194 229	12 021
Deposits received	1 709 120	1 633 877
Salary and wage control	(1)	12 476
Skills development levy	-	65 168
CoGHSTA unspent grant	(1)	(1)
	27 799 555	**1 980 707**

8. Unclaimed receipts

This account relates to unidentified receipts. Tenants from time to time deposit rentals using incorrect reference numbers. This becomes impossible for management to allocate such receipts to a specific rental debtor.

Unclaimed receipts	640 592	618 748

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Movement during the year

10. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Reversed during the year	Total
Provision for leave	456 379	209 751	(70 083)	596 047
Provision for bonus	293 268	314 062	(293 268)	314 062
	749 647	**523 813**	**(363 351)**	**910 109**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reversed during the year	Total
Provision for leave	508 792	28 102	(80 515)	456 379
Provision for bonus	263 636	275 198	(245 566)	293 268
	772 428	**303 300**	**(326 081)**	**749 647**

11. Share capital / contributed capital

Authorised		
1000 Ordinary shares of R1 each	1 000	1 000
Issued		
Ordinary	1 000	1 000

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

12. Revaluation reserve

Opening balance	75 653 283	75 653 283
Revaluation of land and buildings	2 664 513	-
	78 317 796	**75 653 283**

Revaluation surplus relating to property, plant and equipment

The devaluation in the current year relates to both land and buildings.

13. Rental of facilities and equipment

Premises		
Rental income: Ga - Rena	9 755 280	9 968 580

14. Revenue

Rental of facilities and equipment	9 755 280	9 968 580
Interest received (trading)	153	527
Administration and management fees received	1 940 072	1 862 872
Other income	-	295
Government grants & subsidies	44 741 330	32 573 083
	56 436 835	**44 405 357**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental of facilities and equipment	9 755 280	9 968 580
Interest received (trading)	153	527
Administration and management fees received	1 940 072	1 862 872
Other income - (rollup)	-	295
	11 695 505	**11 832 274**

The amount included in revenue arising from non-exchange transactions is as follows:		
Government grants & subsidies	44 741 330	32 573 083

15. Other revenue

Administration and management fees received	1 940 072	1 862 872
Other income	-	295
	1 940 072	**1 863 167**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

16. Government grants and subsidies

Operating grants		
Polokwane Municipality Operational Grant	24 184 032	32 573 083
Capital grants		
SHRA subsidies	20 557 298	-
	44 741 330	**32 573 083**

This note relates to the revenue recognised portion of the grants as reflected in the Statement of Financial Performance.

Social Housing Regulatory Authority Grant

Current-year receipts	20 557 298	-
Conditions met - transferred to revenue	(20 557 298)	-
	-	-

The grant relates to development of Annerdale Extension 2 (Ga-Rena Phase 2).

Polokwane Municipality Operational Grant

Current-year receipts	24 184 032	32 573 083
Conditions met - transferred to revenue	(24 184 032)	(32 573 083)
	-	-

This grant relates to money received from Polokwane Municpality to cover operational expenses.

17. Employee related costs

Basic	5 275 736	4 886 499
Bonus	314 062	275 198
Medical aid - company contributions	317 138	241 597
UIF	38 296	34 313
SDL	60 395	53 991
Leave pay provision charge	209 751	28 102
Provident Fund	535 246	343 271
Overtime payments	12 753	636
Acting allowances	68 413	30 196
Car allowance	153 000	17 097
Housing benefits and allowances	148 000	108 000
Directors travelling cost & accomodation	240 205	249 900
B.C. Admin levy	807	745
Directors fees	1 055 635	1 547 678
	8 429 437	**7 817 223**

18. Depreciation and amortisation

Property, plant and equipment	4 679 041	4 695 773
Intangible assets	13 626	14 498
	4 692 667	**4 710 271**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

19. Finance costs

Other interest paid	-	89

20. Lease rentals on operating lease

Equipment		
Contractual amounts	52 798	39 716

21. Contracted services

Consultants and Professional Services		
Accounting fees	489 197	440 000
Research and development	15 556 000	23 133 083
Professional fees - asset register maintenance	198 835	-
Contractors		
Maintenance of Buildings and Facilities	100 054	237 877
Maintenance of Equipment	981	4 300
	16 345 067	**23 815 260**

22. General expenses

Internal audit fees	176 439	43 140
Advertising	35 696	58 951
Auditors remuneration	993 536	885 925
Bank charges	29 788	29 579
Staff welfare	2 897	5 541
Insurance	196 397	185 749
Conferences and seminars	74 992	-
Computer expenses	2 527	25 068
Postage and courier	-	78
Printing and stationery	43 252	47 229
Protective clothing	-	21 250
Security (Guarding of municipal property)	1 361 280	1 561 733
Software expenses	74 190	85 412
Subscriptions and membership fees	35 560	44 535
Telephone and fax	144 136	246 605
Training	23 072	87 119
Travel - local	358 553	333 062
Electricity	-	300
Legal fees	-	131 055
Credit checks	-	2 798
Impairment of SARS amount	154 337	-
	3 706 652	**3 795 129**

23. Auditors' remuneration

Fees	993 536	885 925

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Cash generated from operations

Surplus (deficit)	14 461 231	(4 483 426)
Adjustments for:		
Depreciation and amortisation	4 692 667	4 710 271
Impairment deficit	16 692	19 636
Debt impairment	8 732 291	8 691 459
Movements in provisions	160 462	(22 781)
Changes in working capital:		
Receivables from exchange transactions	(8 286 739)	(7 957 913)
Other receivables from non-exchange transactions	82 806	(312 966)
Prepayments	10 076	35 462
Payables from exchange transactions	25 818 848	83 596
Unclaimed receipts	21 844	(47)
	45 710 178	**763 291**

25. Commitments

Authorised operational expenditure

MEG Security		
• Contract amount	650 796	1 089 604
• Expenditure to date	(155 712)	(1 089 604)
	495 084	**-**

Total operational commitments		
Already contracted for but not provided for	495 084	-

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

26. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Controlling entity	Polokwane Local Municipality

Related party transactions

Operational grant from related party		
Polokwane Municipality	7 940 000	9 000 000
Accounting fees paid for by related party		
Polokwane Municipality	489 197	440 000
Expenses paid by related parties		
I@ Consulting - maintenance of asset regiser paid by Polokwane Municipality	198 835	-
Maya Innovate (Pty) Ltd - Land use project for student accommodation	7 329 019	7 068 965
Kelotlhoko Construction (Pty) Ltd - Land use project - Gap and social housing scheme	5 498 150	4 797 975
Chiefton Facilities Management (Pty) Ltd - Land use management	2 728 331	11 266 143

Polokwane Municipality exempted Polokwane Housing Association from the liability for rates and taxes incurred by the latter.

27. Directors' emoluments

Executive

2019

	Basic salary	Medical aid	Provident fund	UIF and SDL	Total
J.T. Maimela	1 076 314	68 419	92 816	13 232	1 250 781

2018

	Basic salary	Medical aid	Provident fund	UIF and SDL	Total
J.T. Maimela	980 023	63 102	82 492	12 216	1 137 833

Non-executive

2019

	Directors fees	Travel	Other	Total
C. Dibete	163 176	10 129	-	173 305
M.J. Gololo	146 460	2 008	-	148 468
M. Kgosana	142 476	6 400	-	148 876
S.M Mashabela	224 017	10 111	-	234 128
S.M. Vilakazi	197 076	4 352	-	201 428
O. Galane	182 430	1 164	-	183 594
Other expenditure relating to directors	-	-	206 040	206 040
	1 055 635	**34 164**	**206 040**	**1 295 839**

2018

	Directors fees	Travel	Other	Total
C. Dibete	202 265	7 202	-	209 467
M.J. Gololo	97 191	3 378	-	100 569
M. Kgosana	111 837	3 930	-	115 767
S.M Mashabela	106 506	4 666	-	111 172
S.M. Vilakazi	117 168	889	-	118 057
O. Galane	97 191	3 087	-	100 278
NA Baloyi	190 828	6 937	-	197 765
TA Maake	115 798	8 733	-	124 531
PN Bosch	98 730	3 834	-	102 564
SP Myeza	144 302	2 875	-	147 177
TM Makofane	87 876	1 951	-	89 827
Company Secretary	177 171	2 823	-	179 994
Other expenditure relating to directors	-	-	199 589	199 589
	1 546 863	**50 305**	**199 589**	**1 796 757**

Notes to the Annual Financial Statements

28. Prior period errors

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	-	-	-	-
Receivables from non-exchange transactions	-	-	109 503	109 503
	-	**-**	**109 503**	**109 503**
Total Assets	**-**	**-**	**109 503**	**109 503**
Liabilities				
Current Liabilities				
Payables from exchange transactions	1 871 205	-	109 503	1 980 708
Total Liabilities	**1 871 205**	**-**	**109 503**	**1 980 708**
Net Assets	**(1 871 205)**	**-**	**-**	**(1 871 205)**

28.1 Receivables from non-exchange transactions

Balance previosly reported	-
Add: SARS PAYE (debit balance)	109 503
	109 503

SARS PAYE has been overpaid and therefore transferred to non exchange receivables. The matter is currently receiving attention..

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28.2 Payables from exchange transactions

Balance previosly reported	1 871 205
Add: SARS payable with a debit balance (reclassified to accounts receivable)	109 502
	1 980 707

SARS PAYE has a debit balance and therefore was moved to accounts receivable.

Notes to the Annual Financial Statements

28. Prior period errors (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Rental of facilities and equipment	1 854 872	8 113 708	-	9 968 580
Administration and management fees received	9 976 580	(8 113 708)	-	1 862 872
Total revenue from exchange transactions	**11 831 452**	**-**	**-**	**11 831 452**
Revenue from non-exchange transactions				
Transfer revenue				
Government grants & subsidies	9 000 000	23 573 083	-	32 573 083
Total revenue	**20 831 452**	**23 573 083**	**-**	**44 404 535**
Expenditure				
Contracted services	(242 177)	(23 573 083)	-	(23 815 260)
Operating surplus	**20 589 275**	**-**	**-**	**20 589 275**
Surplus for the year	**20 589 275**	**-**	**-**	**20 589 275**

28.3 Rental of facilities and equipment

Balance previosly reported	1 854 872
Prior period error: reclassification of amount from management fees	8 113 708
	9 968 580

The rental income recognised in the prior year from Ga-Rena was erraneously presented as administration and management fees whilst the rental income received on behalf of a third party from Seshego CRU for which the entity receives an administration and management fee, was recognised as rental income.

28.4 Administration and management fees recieved

Balance previosly reported	9 976 580
Prior period error: reclassification of amount to rental of facilities and equipment	(8 113 708)
	1 862 872

The rental income recognised in the prior year from Ga-Rena was erraneously presented as administration and management fees whilst the rental income received on behalf of a third party from Seshego CRU for which the entity receives an administration and management fee, was recognised as rental income.t

28.5 Government grants & sudsidies

Balance previosly reported	9 000 000
Payment of accounting fees by Polokwane Municipality	440 000
Payment of research and development by Polokwane Municipality	23 133 083
	32 573 083

The accounting fees and research and development expenses were not previously recognised in the accounting records as it was invoiced to and paid by Polokwane Municipality. It was brought into the accounting records during the current year in the form of grant income.

Notes to the Annual Financial Statements

28. Prior period errors (continued)

28.6 Contracted services

Balance previosly reported	242 177
Accounting fees	440 000
Research and development	23 133 083
	23 815 260

The accounting fees and research and development expenses were not previously recognised in the accounting records as it was invoiced to and paid by Polokwane Municipality. It was brought into the accounting records during the current year in the form of grant income.

29. Risk management

Financial risk management

Liquidity risk

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipal entity 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. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2019	2018
Cash at bank	25 449 402	2 483 485
Receivables from exchange	1 012 335	1 491 839

Market risk

Interest rate risk

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

The municipal entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipal entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipal entity to fair value interest rate risk..

30. Going concern

We draw attention to the fact that at 30 June 2019, the municipal entity had an accumulated surplus of R 14 461 231..

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

30. Other transfer revenue 2 (continued)

The ability of the municipal entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipal entity . The parent municipality has shown interest in continuing supporting the entity through operational grants until the entity is financially viable.

31. Fruitless and wasteful expenditure

Opening balance as previously reported	460 651	449 695
Opening balance as restated	**460 651**	**449 695**
SARS interest and Penalties	-	8 072
Auditor General Interest	2 380	1 368
Telkom interest	-	1 516
Closing balance	**463 031**	**460 651**

32. Irregular expenditure

Opening balance as previously reported	16 951 763	16 652 340
Opening balance as restated	**16 951 763**	**16 652 340**
Reason for deviation does not appear justifiable	45 540	10 767
Winning supplier not on Database	23 645	64 403
Evaluation not in terms of criteria	35 696	40 580
No MBD forms	12 600	183 673
Closing balance	**17 069 244**	**16 951 763**

33. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Amount paid - current year	993 536	855 925

PAYE and UIF

Amount paid - current year	1 117 554	1 286 250

Pension and Medical Aid Deductions

Amount paid - current year	851 822	904 537

34. Deviation from supply chain management regulations

Advertisement,Geysers and Strategic session consultants amounting to R93 836.00 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of SCM plicy and regulations. The reasons for these deviations were documented and reported to the board who considered them and subsequently approved the deviation from the normal supply chain management.

35. Budget differences

Material differences between budget and actual amounts

N1 - Variance is less than 10% and therefore no explanation is required.

N2 - The entity deposited less than the anticipated due to rental boycotts amongst other reasons.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

35. Fair value adjustments (continued)

N3 - The difference is as a result of grants received from SHRA subsidies for the development of Annerdale Ext 2 that was not budgeted for the year under review as well as payments toward contracted services made on our behalf by the parent entity.

N4 - The difference is as result of vacancies of company secretary and revenue officer.

N5 - No amount was budgeted for as the derecognition was not anticipated.

N6 - The contract of the photocopiers had expired and no new contract was entered into.

N7 - Rental boycotts negatively affected collection therefore the high provision for receivables

N8 - The difference is as a result of expenditure incurred by the parent entity which was not budgetd for.

N9 - The difference is a result of budget that could not be spent as a result of non collection of rentals.

36. New standards and interpretations

36.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality 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:
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikey there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

36.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact

Notes to the Annual Financial Statements

36. New standards and interpretations (continued)

• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2017/2018 annual financial statements.

37. Receivables from non-exchange transactions

SARS: PAYE		26 697	109 503