THABATSHWEU HOUSING COMPANY (PTY) LTD
(Registration number 2005/012521/07)
Trading as Polokwane Housing Association
Financial statements
for the year ended 30 June 2013
Published 31 August 2013

THABATSHWEU HOUSING COMPANY (PTY) LTD

(Registration number 2005/012521/07)
Trading as Polokwane Housing Association
Financial Statements for the year ended 30 June 2013

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Provision of low cost rental housing
Directors	Mr JT Maimela - CEO Mrs NA Baloyi - Chairperson Advocate TC Maake Mr TM Makofane Mrs PN Bosch Mr SP Myeza Mrs C Dibete
Business address	35 Landdros Mare Street Polokwane 0699
Postal address	P O Box 1157 Ladanna 0704
Bankers	First National Bank
Auditor	Office of the Auditor General
Company registration number	2005/012521/07

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

Published

31 August 2013

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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Recognised Accounting Practice issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA (Act No 56 of 2003). The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Recognised Accounting Practice issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA (Act No 56 of 2003) 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 board 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 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 2014 and, in the light of this review and the current financial position, they are not satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.However, there are financial measures being implemented to address the going concern problem.

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

The financial statements set out on pages 4 to 24, which have been prepared on the going concern basis, were approved by the board on 31 August 2013 and were signed on its behalf by:

Mr JT Maimela - CEO

Directors' Report

The directors submit their report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

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

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

2. Events after the reporting period

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

3. Authorised and issued share capital

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

4. Directors

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

Name	Nationality
Mr JT Maimela - CEO	South African
Mrs NA Baloyi - Chairperson	South African
Advocate TC Maake	South African
Mr TM Makofane	South African
Mrs PN Bosch	South African
Mr SP Myeza	South African
Mrs C Dibete	South African

5. Secretary

The company secretary during the year was Advocate KR Sebola.

6. Auditor

Office of the Auditor General will continue in office in accordance with section 90 of the Companies Act 71 of 2008.

THABATSHWEU HOUSING COMPANY (PTY) LTD

(Registration number 2005/012521/07)
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Financial Statements for the year ended 30 June 2013

Statement of Financial Position

Figures in Rand	Notes	2013	2012
Assets			
Non-Current Assets			
Property, plant and equipment	2	138,489,264	107,509,069
Investments	13	25,012,589	23,765,147
		163,501,853	**131,274,216**
Current Assets			
Trade and other receivables	3	7,750,280	2,348,629
Prepayments		21,001	-
Cash and cash equivalents	4	2,093,459	2,330,089
		9,864,740	**4,678,718**
Non-Current Assets		163,501,853	131,274,216
Current Assets		9,864,740	4,678,718
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**173,366,593**	**135,952,934**
Equity and Liabilities			
Equity			
Share capital	5	1,000	1,000
Revaluation reserve		90,060,663	55,505,663
Distributable reserve		14,625,948	11,130,228
		104,687,611	**66,636,891**
Liabilities			
Non-Current Liabilities			
Loan from Polokwane Municipality	6	6,662,528	5,844,325
National Housing Finance Corporation loan	7	22,833,050	26,291,655
Deferred income	8	25,012,588	23,765,147
		54,508,166	**55,901,127**
Current Liabilities			
National Housing Finance Corporation loan	7	6,719,688	6,719,688
Trade and other payables	9	7,236,616	6,625,795
Provisions	14	135,400	65,419
Accruals	17	79,112	4,014
		14,170,816	**13,414,916**
Non-Current Liabilities		54,508,166	55,901,127
Current Liabilities		14,170,816	13,414,916
Liabilities of disposal groups		-	-
Total Liabilities		**68,678,982**	**69,316,043**
Equities		104,687,611	66,636,891
Liabilities		68,678,982	69,316,043
Total Equity and Liabilities		**173,366,593**	**135,952,934**

THABATSHWEU HOUSING COMPANY (PTY) LTD

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Statement of Financial Performance

Figures in Rand	Notes	2013	2012
Revenue	10	10,425,900	10,360,312
Revenue		10,425,900	10,360,312
Cost of sales		-	-
Other income		7,666,455	5,907,771
Operating expenses		(11,131,712)	(15,993,396)
		10,425,900	10,360,312
		(3,465,257)	(10,085,625)
Operating profit		**6,960,643**	**274,687**
Investment revenue		1,185	1,848
Finance costs	18	(3,519,313)	(2,950,159)
Profit (loss) for the year from continuing operations		3,442,515	(2,673,624)
Profit (loss) for the year from discontinued operations		-	-
Profit (loss) for the year		**3,442,515**	**(2,673,624)**
Other comprehensive income		-	-
Total comprehensive income (loss)		**3,442,515**	**(2,673,624)**
Total comprehensive income (loss) attributable to:			
Owners of the parent		3,442,515	(2,673,624)

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Statement of Changes in Net Assets

Figures in Rand	Share capital	Reserve - CG Polokwane Municipality	Other NDR	Total reserves	Distributable reserve	Total equity
Balance at 01 July 2011	**1,000**	**8,217,389**	**-**	**8,217,389**	**7,432,661**	**15,651,050**
Changes in equity						
Total comprehensive income for the year	-	(8,217,389)	-	(8,217,389)	(2,673,624)	(10,891,013)
Prior year error	-	-	-	-	(2,487,683)	(2,487,683)
Revaluation of PPE	-	-	-	-	215,594	215,594
Surplus on revaluation	-	-	55,505,663	55,505,663	11,130,228	66,635,891
Total changes	-	(8,217,389)	55,505,663	47,288,274	6,184,515	53,472,789
Balance at 01 July 2012	**1,000**	**-**	**55,505,663**	**55,505,663**	**2,237,688**	**57,744,351**
Changes in equity						
Total comprehensive income for the year	-	-	-	-	3,957,178	3,957,178
Surplus on revaluation	-	-	34,555,000	34,555,000	-	34,555,000
Total changes	-	-	34,555,000	34,555,000	3,957,178	38,512,178
Balance at 30 June 2013	**1,000**	**-**	**90,060,663**	**90,060,663**	**15,140,611**	**105,202,274**

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Cash Flow Statement

Figures in Rand	Notes	2013	2012
Cash flows from operating activities			
Cash generated from operations	11	6,002,384	6,784,673
Interest income		1,185	1,848
Finance costs		(3,519,313)	(2,950,159)
Net cash from operating activities		**2,484,256**	**3,836,362**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(5,386)	(40,853)
Proceeds on loan from related party		-	717,724
Capitalisation of interest to COGHSTA loan		409,101	-
Correction of prior years' error		409,102	-
Purchase of investments		-	(1,272,540)
Net cash from investing activities		**812,817**	**(595,669)**
Cash flows from financing activities			
Proceeds from National Housing Finance Corporation loan		-	(3,147,357)
Repayment of national housing finance corporation loan		(3,458,605)	-
Movement in accruals		(75,098)	4,014
Net cash from financing activities		**(3,533,703)**	**(3,143,343)**
Total cash movement for the year		**(236,630)**	**97,350**
Cash at the beginning of the year		2,330,089	2,232,739
Total cash at end of the year	4	**2,093,459**	**2,330,089**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA (Act No 56 of 2003), and the Companies Act 71 of 2008. The 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 Property, plant and equipment

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

Property, plant and equipment is initially measured at cost.

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.

Land and buildings are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of land and buildings 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.

The revaluation surplus in equity related to the specific item of land and buildings is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

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

Item	Average useful life
Land	Infinite
Buildings	25 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	3 years
Computer software	2 years

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

The depreciation charge for each period is recognised in profit or loss .

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

Accounting Policies

1.2 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 receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

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.

1.3 Employee benefits

Short-term employee benefits

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

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

Accounting Policies

1.4 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

A constructive obligation to restructure arises only when an entity:

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

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

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

Contingent assets and contingent liabilities are not recognised.

1.5 Government grants

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

Accounting Policies

1.6 Revenue

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

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

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.

1.7 Borrowing costs

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 until such time as the asset is ready for its intended use. 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 temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the 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:

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

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

1.8 Going concern assumption

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

Notes to the Financial Statements

Figures in Rand	2013	2012

2. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	37,000,000	-	37,000,000	37,000,000	-	37,000,000
Buildings	117,368,829	(16,368,829)	101,000,000	82,813,829	(12,943,829)	69,870,000
Furniture and fixtures	317,463	(172,311)	145,152	317,463	(140,585)	176,878
Motor vehicles	175,542	(150,613)	24,929	175,542	(121,356)	54,186
Office equipment	468,221	(298,340)	169,881	486,210	(261,623)	224,587
IT equipment	364,790	(215,488)	149,302	362,535	(179,117)	183,418
Total	**155,694,845**	**(17,205,581)**	**138,489,264**	**121,155,579**	**(13,646,510)**	**107,509,069**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Revaluations	Depreciation	Impairment loss	Total
Land	37,000,000	-	-	-	-	37,000,000
Buildings	69,870,000	-	34,555,000	(3,425,000)	-	101,000,000
Furniture and fixtures	176,878	-	-	(31,726)	-	145,152
Motor vehicles	54,186	-	-	(29,257)	-	24,929
Office equipment	224,587	3,131	-	(48,879)	(8,958)	169,881
IT equipment	183,418	2,255	-	(36,371)	-	149,302
	107,509,069	**5,386**	**34,555,000**	**(3,571,233)**	**(8,958)**	**138,489,264**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Devaluation	Depreciation	Total
Land	37,000,000	-	-	-	37,000,000
Buildings	88,568,000	-	(14,559,308)	(4,138,692)	69,870,000
Furniture and fixtures	208,424	-	-	(31,546)	176,878
Motor vehicles	83,443	-	-	(29,257)	54,186
Office equipment	238,273	33,000	-	(46,686)	224,587
IT equipment	211,321	7,853	-	(35,756)	183,418
	126,309,461	**40,853**	**(14,559,308)**	**(4,281,937)**	**107,509,069**

Other information

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

Details of valuation of land and buildings

The effective date of the revaluations was 18 June 2013. Revaluations were performed by an independent sworn valuers, Messers Mr Eli Stroh (MDP PREPII) and S. van der Spek of Eli Stroh (Pty) Ltd. Eli Stroh (Pty) Ltd is not connected to the copmany and have recent experience in location and category of the property being valued. The valuation of the prior financial year was performed by Spectrum Valuation Services (Pty) Ltd.

Notes to the Financial Statements

Figures in Rand	2013	2012

3. Trade and other receivables

Trade receivables	12,064,712	9,009,311
Staff loans	8,943	8,943
Sundry debtors	12,580	12,580
Other receivables (accrued)	1,512	1,512
Other receivables	246,740	265,491
Less : Provision for doubtful debts	(4,584,207)	(6,949,208)
	7,750,280	**2,348,629**

Investigations are underway as to the causes and nature of staff loans and sundry debtors. The fate thereof would be decided upon by the results of the said investigations.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2,093,399	2,330,029
Cash on hand	60	60
	2,093,459	**2,330,089**

5. Share capital

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

6. Loan from related party

Holding Local Authority

Polokwane Municipality	6,662,528	5,844,325

This loans bears interest at the implied rate of 14 % compound per annum and is repayable after 10 years. The repayment of the loan commences in the 2016/17 financial year.

7. National Housing Finance Corporation loan

At fair value through profit or loss		
NHFC Loan - Current Portion	6,719,688	6,719,688
Held at fair value		
National Housing Finance Corporation	22,833,050	26,291,655
	6,719,688	6,719,688
	22,833,050	26,291,655
	29,552,738	**33,011,343**
Non-current liabilities		
Long term liabilities	22,833,050	26,291,655

Notes to the Financial Statements

Figures in Rand	2013	2012

7. National Housing Finance Corporation loan (continued)

Current liabilities		
Fair value through profit or loss	6,719,688	6,719,688
	22,833,050	26,291,655
	6,719,688	6,719,688
	29,552,738	**33,011,343**

This loan is secured by immovable property described as ERF 513, Railway Street, Ladanna, Polokwane and bears interest at a market related interest rate. The current liability is as a result of an agreement between the entity and the financier to pay a fixed monthly amount R559, 974.00.

8. Deferred income

The deferred revenue of R 25 012 589 represents unspent grants received from the Department of Local Government and Housing for the development of the second phase of Ga-Rena rental village.

9. Trade and other payables

Trade payables	509,524	285,872
Income received in advance	323,548	586,588
Employee payables	14,545	22,284
Rates and Taxes	3,722,366	3,206,471
Deposits received	2,666,633	2,524,580
	7,236,616	**6,625,795**

10. Revenue from exchange transactions

Rental Income	10,393,100	10,343,912
Administrative income	32,800	16,400
	10,425,900	**10,360,312**

11. Cash generated from operations

Profit before taxation	3,442,515	(2,673,624)
Adjustments for:		
Depreciation	3,571,231	4,281,936
Interest received	(1,185)	(1,848)
Finance costs	3,519,313	2,950,159
Impairment loss	15,032	-
Movements in provisions	69,981	65,419
Prior and current years' adjustment of non-cash items	(845,284)	(2,487,683)
Changes in working capital:		
Trade and other receivables	(5,681,579)	391,553
Prepayments	(21,001)	-
Trade and other payables	610,821	2,965,611
Deferred income	1,247,442	1,293,150
Accruals	75,098	-
	6,002,384	**6,784,673**

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Figures in Rand	2013	2012

12. Correction of errors

Correction of prior period errors

Prior period errors relate to the following:

1. recognition of prior years' interest on the loan from COGHSTA that was effected during the current period, and;

2. during the year ended 30 June 2012 and previous years, land and buildings that did not satisfy the definition of investment property in accordance with GRAP 16 were incorrectly recognised as such instead of property, plant and equipment.

3. trade debtors that were not billed in the prior year the error of which was discovered in the current year and accordingly corrected
4. PPE for which the net book values were understated in the prior year

The effects of the errors are as outlined below. The comparative amounts have been restated as follows:

Notes to the Financial Statements

Figures in Rand	2013	2012

12. Correction of errors (continued)

Effect on opening balances

Accumulated surplus: reversal of fair value adjustments	-	26,032,834
PPE recognition of buildings	-	62,535,166
Net effect on accumulated surplus	**-**	**88,568,000**
PPE recognition of land	-	37,000,000
Accumulated depreciation on recognition of building	-	8,805,138
Revaluation surplus on subsequent recognition of building	-	34,837,972
Accumulated surplus: recognition of interest on deferred income	-	415,247
Effect on closing balances		
Depreciation	-	4,138,692
Reversal of fair value adjustment	-	1,332,000
Net effect on accumulated surplus	**-**	**5,470,692**
Revaluation loss on buildings	-	14,559,308
Capitalisation of interest to investment	-	415,247
Accumulated surplus - recognition of bank overdraft	-	2,595
Cash and cash equivalents	-	(2,595)
Net effect on accumulated surplus	**-**	**-**
Increase in debtors	-	50,778
Increase in PPE net book values	-	45,841
	-	**96,619**
Loan from Polokwane Municipality		
Concessionary loan previously incorrectly recognised	-	8,217,389
Property, plant and equipment		
Furniture and fittings at cost	-	18,173
Furniture and fittings- accumulated depreciation	-	(1,967)
Motor vehicles- accumulated depreciation	-	25,553
Office Equipment- cost	-	(3,643)
Office Equipment - accumulated depreciation	-	(39,564)
Computer Equipment- accumulated depreciation	-	60,550

Notes to the Financial Statements

Figures in Rand	2013	2012

12. Correction of errors (continued)

Computer Equipment- cost	-	2,129
	-	**61,231**

Trade and other payables		
Provision for salary bonus incorrectly stated	-	184,729
Rates and taxes liability understand	-	1,231
Trade creditors	-	426,565
	-	**612,525**

Rental Income

Revenue form rental and admin and management fees was incorrrectly stated in the previous financial year	-	12,126
Effect on rental income	-	12,126

13. Investments

Held to maturity investments	25,012,589	23,765,147

Investments are attributable to Department of Local Government and Housing unspent grant. The investment is long term in nature as the investment will only be met after 12 months.

	-	-
	-	-
	-	-
	25,012,589	23,765,147
	-	-

Non-current assets		
Investments	25,012,589	23,765,147
Non-current assets	25,012,589	23,765,147
Current assets	-	-

Investments are attributable to Department of Local Government and Housing unspent grant. The investment is long term in nature as the investment will only be met after 12 months.

14. Provisions

Reconciliation of provisions - 2013

	Opening balance	Additions	Paid during the year	Total
Provision for leave pay	65,419	135,400	(65,419)	135,400

Reconciliation of provisions - 2012

	Opening balance	Additions	Total
Provision for leave pay	-	65,419	65,419

Notes to the Financial Statements

15. New Standards and Interpretations

15.1 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 2013 or later periods:

GRAP 105 - Transfers of Functions betwen Entities Under Common Control

The effective date of the standard is for years beginning on or after 01 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

GRAP 106 - Transfers of Functions Between Entities Not Yet Under Common Control

The effective date of the standard is for years beginning on or after 01 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

GRAP 107 Mergers

The effective date of the amendment is for years beginning on or after 01 January 2013.

The company expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

GRAP 18 Segmenting Reporting

The effective date of the standard is for years beginning on or after 01 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

GRAP 20 Related Party Disclosures

The effective date of the standard is for years beginning on or after 01 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

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Notes to the Financial Statements

16. Irregular expenditure

Opening balance	9,383,061	8,726,193
Current year's irregular expenditure	544,725	656,868
Total	**9,927,786**	**9,383,061**

The irregular expenditure represents amount paid to Sidas Security for security services.

17. Fruitless and wasteful expenditure

One of the former members of the board of directors allegedly made cash withdrawal of R 2 000.00 at the bank after the baord was dissolved. The matter is currently being investigated.

18. Finance costs

Interest paid	3,519,313	2,950,159

19. Auditors' remuneration

Fees	259,227	254,974

20. Contingent assets and liabilities

There are no contingent assets and liabilities.

21. Related parties

Holding Local Authority	Polokwane Municipality
Board members	Mr JT Maimela
	Mrs N.A. Baloyi
	Advocate TC Maake
	Mrs PN Bosch
	Mr SP Myeza
	Mrs C Dibete
	Mr TM Makofane

Related party balances

Loan accounts - Owing to related parties		
Polokwane Municipality	14,879,917	14,061,713

Related party transactions

Rates and taxes paid to related parties		
Polokwane Municipality	709,519	785,939
Director's fees paid to related parties		
Mr JT Maimela	750,000	-
Mrs NA Baloyi	317,114	283,722
Advocate TC Maake	156,503	178,391
Mr Tm Makofane	147,823	176,200
Mrs PN Bosch	151,060	204,848
Mr SP Myeza	127,322	170,741
Mrs C Dibete	147,823	11,869
Travel and accommodation paid to directors		
Travel and accommodation	161,279	114,858

Notes to the Financial Statements

Figures in Rand	2013	2012

22. Directors' emoluments

Executive

2013

	Emoluments	Total
Mr JM Maimela - CEO	750,000	750,000

2012

	Directors' fees	Total
Ms CE Molepo - Acting CEO	621,778	621,778

Non-executive

2013

	Directors' fees	Travel and accommodation	Total
All Non-Executive Directors	-	161,279	161,279
Mrs NA Baloyi - Chairperson	317,114	-	317,114
Advocate TC Maake	156,503	-	156,503
Mr TM Makofane	147,823	-	147,823
Mrs PN Bosch	151,060	-	151,060
Mr SP Myeza	127,322	-	127,322
Mrs C Dibete	147,823	-	147,823
	1,047,645	**161,279**	**1,208,924**

2012

	Directors' fees	Travel and Accommodation	Total
All Non-Executive Directors	-	114,858	114,858
Mrs NA Baloyi - Chairperson	283,722	-	283,722
Advocate TC Maake	178,391	-	178,391
Mr TM Makofane	176,200	-	176,200
Mrs PN Bosch	204,848	-	204,848
Mr SP Myeza	170,741	-	170,741
Mrs C Dibete	11,869	-	11,869
	1,025,771	**114,858**	**1,140,629**

23. Change in estimate

Property, plant and equipment

The useful lives of Office Furniture, IT Equipment , Computer Software and Motor Vehicles were initially estimated to be 5 years, 3 years, 2 years and 5 years respectively. In the current period management have revised their estimates to 10 years, 10 years, 10 years and 7 years respectively. The effect of this revision has decreased the depreciation charges for the current and future periods by R 20,069

Notes to the Financial Statements

Figures in Rand	2013	2012

24. 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.

25. Going concern

THABATSHWEU HOUSING COMPANY (PTY) LTD trading as Polokwane Housing Association currently is experiencing financial challenges which have necessitated a recovery strategy by the Board of Polokwane Housing Association. The financial challenges experienced has placed a tremendous pressure on the Polokwane Housing Association liquidity ratios and financial sustainability.

Although certain of the strategies have already being implementation by the Polokwane Housing Board, it is the assumption that it will take some time for the Polokwane Housing Board to recover from its present financial position.

However the following are financial measures being implemented to achieve the strategic goals of the Polokwane Housing Association:

1. A comprehensive Debt Collection strategy has been developed to ensure a much more effective debt collection. This would result in increased levels in debt collection. A debt collection company has also being appointed to assist with collection of outstanding Debt

2. Where need, will negotiations be conduct with institutions to amend the terms of payment of external funding in order to save cost.

3. The Municipality has committed itself to funding the entity through an operational grant for the next 3 financial years.

4. The 2013/2014 Budget will focus on the actual service delivery provision and to have superfluous items eliminated from the budget.

26. Comparison with the budget

The comparison of the Municipal entity's actual financial performance with that budgeted is set out in Annexure A1.

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Detailed Income Statement

Figures in Rand	Notes	2013	2012
Revenue			
Rental Income		10,393,100	10,343,912
Administration income		32,800	16,400
	10	**10,425,900**	**10,360,312**
		10,425,900	10,360,312
		-	-
Other income			
Discount received		48	-
Recoveries		1,406	26,076
Bad debts reversal		2,365,001	-
Interest received		1,185	1,848
Government grants		5,300,000	5,881,695
		7,667,640	**5,909,619**
Operating expenses			
Administration and management fees		(1,453)	(2,172)
Advertising		(25,047)	(9,819)
Auditor remuneration	19	(259,227)	(254,974)
Bad debts		-	(3,212,511)
Bank charges		(76,398)	(79,767)
Cleaning		-	(7,712)
Computer expenses		(46,342)	(28,263)
Consulting fees		(11,571)	(52,127)
Depreciation, amortisation and impairments		(3,586,263)	(4,281,936)
Employee costs		(2,232,035)	(2,550,156)
Entertainment		(1,846)	(11,653)
Conference and workshops		(211,345)	-
Employee Costs - Benefits		(765,985)	(774,388)
Refreshment and catering		(3,225)	(3,759)
Valuation fees		(93,480)	-
Rates and taxes		(1,224,182)	(785,940)
Insurance		(218,256)	(196,010)
Lease rentals		(48,552)	(65,811)
Legal expenses		-	(183,044)
Motor vehicle expenses		(18,587)	(26,387)
Directors' fees		(1,208,924)	(1,140,629)
Postage		(2,090)	(3,030)
Printing and stationery		(14,663)	(26,098)
Protective clothing		(7,478)	(5,434)
Repairs and maintenance		(256,387)	(314,154)
Security		(544,725)	(1,631,452)
Subscriptions		(21,795)	(15,240)
Telephone and fax		(174,681)	(174,981)
Training		(31,820)	(126,537)
Travel - local		(40,355)	(29,412)
Travel - overseas		(5,000)	-
		(11,131,712)	**(15,993,396)**
		10,425,900	10,360,312
		7,667,640	5,909,619
		(11,131,712)	(15,993,396)
Operating profit		**6,961,828**	**276,535**

The supplementary information presented does not form part of the financial statements and is unaudited

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Detailed Income Statement

Figures in Rand	Notes	2013	2012
Finance costs	18	(3,519,313)	(2,950,159)
Profit (loss) before taxation		3,442,515	(2,673,624)
Taxation		-	-
Profit (loss) for the year		**3,442,515**	**(2,673,624)**