Housing Company Tshwane NPC
(Registration number 2001/029821/08)
Annual Financial Statements
for the year ended 30 June 2017
These annual financial statements have not been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

General Information

Country of incorporation and domicile	South Africa
Company registration number	2001/029821/08
Nature of business and principal activities	To develop and manage social / rental housing for the benefit of the residents of the City of Tshwane
Directors	AJ Singh DM Masilela ME Mphahlele SST Kholong SMT Phetla WP Rowland M Matlou
Registered office	Shop 7-8 Ground Floor Bothongo Plaza West 271 Francis Baard Street Pretoria 0001
Postal address	PO Box 11586 The Tramshed 0126
Controlling Municipality	City of Tshwane Metropolitan Municipality
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa
Company Secretary	Jerry Mokadikwa
Applicable legislations	Companies Act (Act 71 of 2008) Municipal Financial Management Act 56 of 2003 Municipal Structures Act (Act 117 of 1998) Municipal Systems Act (Act 32 of 2000) Housing Act (Act 107 of 1997) Constitution of the Republic of South Africa (Act 108 of 1996) Public Audit Act (Act 25 of 2004)
Preparer	The annual financial statements were internally compiled by: L Makibinyane Finance Manager
Published	30 June 2020

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The reports and statements set out below comprise the annual financial statements presented to the board of directors:

Abbreviations

GRAP	Generally Recognised Accounting Practice
ME's	Municipal Entities
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
SDL	Skills Development Levy
UIF	Unemployment Insurance Act
NPC	Non Profit Company
SARS	South African Revenue Service

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is his responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently being applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the entity’s cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future, provided that City of Tshwane Metropolitan Municipality (CTMM) continues its financial support for the entity.

The entity is wholly dependent on the City of Tshwane Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the City of Tshwane Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the accounting officer is primarily responsible for the financial affairs of the entity, he is supported by the entity's external auditors.

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

The annual financial statements set out on pages 5 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2017 and were signed on the company's behalf by:

A Mothoagae
Acting Chief Executive Officer

Report of the Auditor General

To the Board of Directors of Housing Company Tshwane NPC

Directors' Report

The directors submit their report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

Housing Company Tshwane is a municipal entity of the City of Tshwane as defined in the MFMA.

The entity is engaged in to develop and manage social / rental housing for the benefit of the residents of the city of tshwane of Tshwane.

During the year there were no changes in the activities of the business.

Net surplus of the entity was R 30,180,920 (2016: deficit R 1,695,953)

2. Going concern

We draw attention to the fact that at 30 June 2017, the entity had accumulated surplus of R 63,649,395 and that the entity's total liabilities are below its assets by R 72,671,976.

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is the support from the parent municipality (City of Tshwane) and the City of Tshwane has no intention to liquidate the company. The entity is generating additional revenue by renting out the advertising space at Eloff building.

3. Subsequent events

The directors are not aware of any significant matter or circumstance arising since the end of the year which may have an effect on the financial statements.

4. Directors' interest in contracts

The directors have declared that they have no interest in the contracts of the company.

5. Accounting policies

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board and additional disclosure requirements in terms of Municipal Finance Management Act (Act 56 of 2003).

6. Share capital / contributed capital

The entity is a non-profit company and has no share capital during the year under review.

7. Dividends or similar distributions

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

Directors' Report

8. Accounting Officer

The directors of the entity during the year are as follows:

Name	Nationality	Changes
AJ Singh	South African	Appointment: 10/04/2012
DM Masilela	South African	Appointment: 20/04/2009
ME Mphahlele	South African	Appointment: 10/04/2012
SST Kholong	South African	Appointment: 10/04/2012
SMT Phetla	South African	Appointment: 10/04/2012
WP Rowland	South African	Appointment: 10/04/2012
M Matlou	South African	Appointment: 29/04/2015
AT Ngcezula	South African	Resigned: 28 February 2017

9. Company Secretary

The secretary of the entity is Jerry Mokadikwa of:

Business address

Shop 7-8 Ground floor, Bothongo Plaza West
271 Francis Baard Street
Pretoria
0001

10. Corporate governance

General

The board of directors are committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the board of directors supports the highest standards of corporate governance and the ongoing development of the best practice.

The board of directors confirm and acknowledge their responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The board of directors discuss the responsibilities of management in this respect at Board meetings.

The salient features of the entity's adoption of the Code is outlined below:

Board of directors

The Board:
- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.

Chairperson and Chief Executive Officer

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Directors' Report

Remuneration

The board members are remunerated for the attendance of committees, shareholders and board meetings. The City of Tshwane determine the rates payable for attendance.

The remuneration of the Chief Executive Officer, who is the only executive director of the entity, is determined by the board of directors with the guidance of Parent municipality.

Information on predetermined objectives

The entity has developed strategic objectives with related key performance indicators using the SMART principles. The performance of the set targets are measured on a monthly and quarterly basis.

The performance on the set targets has declined as compared to the previous financial due to non performance of projects with various reasons. Timberlands projects were put on hold due to objections from the community on the development of Timberland Social Housing. These objections caused some delays in the completion of detailed design.

There has been a delay in the completion of internal reticulation for Chantelle project as the existing building could not be demolished due to the current occupant refusing to vacate the building. Legal advice is sought from Attorneys to evict the person. The contractor has been instructed to re-schedule the portion of works to a later stage whilst the matter is been resolved.

On the Sunnyside project, the BAC recommended that the tender be re-advertised due to high cost and the professional team is currently looking for alternative building technologies in order to reduce the high cost.

The entity could not deliver 100 social housing units on Townlands project due contractor's non-performance. For the period under review, the entity had 17 key performance indicators (KPI) and 11 out of these indicators were achieved.

11. Controlling entity

The entity's controlling entity is City of Tshwane Metropolitan Municipality.

12. Auditors

In accordance with section 92 of the Municipal Finance Act (No 56 of 2003), Auditor General of South Africa will continue as the entity's external auditor for the next financial period.

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Jerry Mokadikwa
Company Secretary

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Other receivables from exchange transactions	6	108,992	110,534
Receivables from exchange transactions	7	126,613	86,238
Receivables from non-exchange transactions	8	-	13,408,050
Cash and cash equivalents	10	39,396,342	14,168,404
		39,631,947	**27,773,226**
Non-Current Assets			
		-	-
Property, plant and equipment	3	63,037,662	29,904,254
Intangible assets	4	10,835	16,275
		63,048,497	**29,920,529**
Total Assets		**102,680,444**	**57,693,755**
Liabilities			
Current Liabilities			
Operating lease liability	5	13,976	45,610
Unspent conditional grants and receipts	12	1,549,448	700,000
Interest bearing liabilities	13	315,398	315,398
Employee benefits	14	355,934	847,697
Payables from exchange transactions	16	24,700,532	18,611,520
VAT payable	17	978,550	958,667
Rental deposit received	15	552,524	527,400
		28,466,362	**22,006,292**
Non-Current Liabilities			
Interest bearing liabilities	13	1,542,106	1,857,698
Total Liabilities		**30,008,468**	**23,863,990**
Net Assets		**72,671,976**	**33,829,765**
Reserves			
Revaluation reserve	11	9,022,581	361,290
Accumulated surplus		63,649,395	33,468,475
Total Net Assets		**72,671,976**	**33,829,765**

* See Note 34

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue	19	5,500,389	3,979,072
Cost of sales	20	(3,625,834)	(4,810,113)
Gross surplus (deficit)		**1,874,555**	**(831,041)**
Other income		271,844	153,678
Operating expenses		(27,707,627)	(20,906,024)
Grant revenue recognised	21	55,890,913	19,761,448
Operating surplus (deficit)	22	**30,329,685**	**(1,821,939)**
Interest revenue	25	136,262	94,644
Finance costs	27	(285,027)	(329,948)
Surplus (deficit) for the year		**30,180,920**	**(2,057,243)**

* See Note 34

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2015	**-**	**35,525,718**	**35,525,718**
Changes in net assets			
Change in accounting policy	-	(361,290)	(361,290)
Net income (losses) recognised directly in net assets	-	(361,290)	(361,290)
Deficit for the year	-	(1,695,953)	(1,695,953)
Total recognised income and expenses for the year	-	(2,057,243)	(2,057,243)
Change in accounting policy	361,290	-	361,290
Total changes	361,290	(2,057,243)	(1,695,953)
Restated* Balance at 01 July 2016	**361,290**	**33,468,475**	**33,829,765**
Changes in net assets			
Revaluation of Building	8,661,291	-	8,661,291
Net income (losses) recognised directly in net assets	8,661,291	-	8,661,291
Surplus for the year	-	30,180,920	30,180,920
Total recognised income and expenses for the year	8,661,291	30,180,920	38,842,211
Total changes	8,661,291	30,180,920	38,842,211
Balance at 30 June 2017	**9,022,581**	**63,649,395**	**72,671,976**

* See Note 34

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		5,015,667	3,432,687
Grants		74,524,485	16,700,000
Interest income		136,262	94,644
Other receipts		6,740,001	437,681
		86,416,415	20,665,012
Payments			
Cash paid to suppliers		(38,250,366)	(15,321,966)
Cash paid to employees and directors		(8,225,966)	(7,994,265)
Finance costs		(285,027)	(329,948)
		(46,761,359)	(23,646,179)
Net cash flows from operating activities	29	**39,655,056**	**(2,981,167)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(14,111,526)	(435,632)
Purchase of other intangible assets	4	-	(16,320)
Net cash flows from investing activities		**(14,111,526)**	**(451,952)**
Cash flows from financing activities			
Repayment of interest bearing liabilities		(315,592)	(315,423)
Net cash flows from financing activities		**(315,592)**	**(315,423)**
Net increase/(decrease) in cash and cash equivalents		**25,227,938**	**(3,748,542)**
Cash and cash equivalents at the beginning of the year		14,168,404	17,916,946
Cash and cash equivalents at the end of the year	10	**39,396,342**	**14,168,404**

* See Note 34

Statement of Comparison of Budget and Actual Amounts

Budget

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	8,923,838	(3,697,238)	**5,226,600**	5,500,389	**273,789**	43
Other income	112,847	(30,724)	**82,123**	271,844	**189,721**	43
Interest received	69,420	6,180	**75,600**	136,262	**60,662**	43
Total revenue from exchange transactions	**9,106,105**	**(3,721,782)**	**5,384,323**	**5,908,495**	**524,172**	
Revenue from non-exchange transactions						
Transfer revenue						
Grant from the City of Tshwane	36,756,788	(5,274,103)	**31,482,685**	31,482,685	**-**	43
Total revenue	**45,862,893**	**(8,995,885)**	**36,867,008**	**37,391,180**	**524,172**	
Expenditure						
Employee costs	(13,840,511)	1,746,140	**(12,094,371)**	(7,384,864)	**4,709,507**	43
Remuneration for directors	(1,303,209)	(178,569)	**(1,481,778)**	(1,326,377)	**155,401**	43
Depreciation and amortisation	(511,811)	135,787	**(376,024)**	(582,033)	**(206,009)**	43
Debt impairment	(1,798,582)	1,227,349	**(571,233)**	(728,665)	**(157,432)**	43
Finance costs	(284,029)	-	**(284,029)**	(285,027)	**(998)**	43
Contracted Services	(15,687,847)	12,615,344	**(3,072,503)**	(13,857,691)	**(10,785,188)**	43
General Expenses	(15,688,170)	5,873,579	**(9,814,591)**	(7,453,831)	**2,360,760**	43
Total expenditure	**(49,114,159)**	**21,419,630**	**(27,694,529)**	**(31,618,488)**	**(3,923,959)**	
Surplus before taxation	**(3,251,266)**	**12,423,745**	**9,172,479**	**5,772,692**	**(3,399,787)**	
Surplus for the year from continuing operations	**(3,251,266)**	**12,423,745**	**9,172,479**	**5,772,692**	**(3,399,787)**	
Transfer recognised - capital	41,304,450	28,651,091	**69,955,541**	24,408,228	**(45,547,313)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**38,053,184**	**41,074,836**	**79,128,020**	**30,180,920**	**(48,947,100)**	

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 Position						
Assets						
Current Assets						
Inventories	384,839	(384,839)	**-**	-	**-**	
Receivables from exchange transactions	996,928	(629,800)	**367,128**	126,613	**(240,515)**	43
Other receivables from exchange transactions	153,366	(12,832)	**140,534**	108,992	**(31,542)**	43
Cash and cash equivalents	4,838,334	3,881,915	**8,720,249**	39,396,342	**30,676,093**	43
	6,373,467	**2,854,444**	**9,227,911**	**39,631,947**	**30,404,036**	
Non-Current Assets						
Investment property	72,500,000	(59,000,000)	**13,500,000**	-	**(13,500,000)**	43
Property, plant and equipment	3,080,152	70,012,138	**73,092,290**	63,037,662	**(10,054,628)**	43
Intangible assets	34,493	(23,643)	**10,850**	10,835	**(15)**	43
	75,614,645	**10,988,495**	**86,603,140**	**63,048,497**	**(23,554,643)**	
Total Assets	**81,988,112**	**13,842,939**	**95,831,051**	**102,680,444**	**6,849,393**	
Liabilities						
Current Liabilities						
Interest bearing liabilities	315,398	-	**315,398**	315,398	**-**	43
Operating lease liability	-	-	**-**	13,976	**13,976**	43
Payables from exchange transactions	940,674	(346,502)	**594,172**	24,700,532	**24,106,360**	43
VAT payable	-	-	**-**	978,550	**978,550**	39
Unspent conditional grants and receipts	-	-	**-**	1,549,448	**1,549,448**	43
Employee benefits	205,124	69,382	**274,506**	355,934	**81,428**	43
Rental deposit received	526,841	-	**526,841**	552,524	**25,683**	43
	1,988,037	**(277,120)**	**1,710,917**	**28,466,362**	**26,755,445**	
Non-Current Liabilities						
Interest bearing liabilities	1,542,248	-	**1,542,248**	1,542,106	**(142)**	43
Total Liabilities	**3,530,285**	**(277,120)**	**3,253,165**	**30,008,468**	**26,755,303**	
Net Assets	**78,457,827**	**14,120,059**	**92,577,886**	**72,671,976**	**(19,905,910)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	**-**	9,022,581	**9,022,581**	43
Accumulated surplus	78,457,827	14,120,059	**92,577,886**	63,649,395	**(28,928,491)**	
Total Net Assets	**78,457,827**	**14,120,059**	**92,577,886**	**72,671,976**	**(19,905,910)**	

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Customers and others	7,218,767	(2,612,714)	**4,606,053**	5,015,667	**409,614**	43
Operating grants	36,756,788	8,133,947	**44,890,735**	44,890,735	**-**	
Interest income	30,000	(9,000)	**21,000**	136,262	**115,262**	43
Capital grant	41,304,450	28,651,091	**69,955,541**	29,633,750	**(40,321,791)**	43
Other revenue	-	82,123	**82,123**	6,740,001	**6,657,878**	43
	85,310,005	**34,245,447**	**119,555,452**	**86,416,415**	**(33,139,037)**	
Payments						
Employee costs	(15,143,720)	1,567,571	**(13,576,149)**	(8,225,966)	**5,350,183**	43
Suppliers	(28,485,863)	2,512,154	**(25,973,709)**	(38,250,366)	**(12,276,657)**	43
Finance costs	(284,029)	-	**(284,029)**	(285,027)	**(998)**	43
	(43,913,612)	**4,079,725**	**(39,833,887)**	**(46,761,359)**	**(6,927,472)**	
Net cash flows from operating activities	**41,396,393**	**38,325,172**	**79,721,565**	**39,655,056**	**(40,066,509)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(41,304,450)	(34,443,257)	**(75,747,707)**	(14,111,526)	**61,636,181**	43
Net cash flows from investing activities	**(41,304,450)**	**(34,443,257)**	**(75,747,707)**	**(14,111,526)**	**61,636,181**	
Cash flows from financing activities						
Repayment of interest bearing liability	(315,398)	-	**(315,398)**	(315,592)	**(194)**	43
Net cash flows from financing activities	**(315,398)**	**-**	**(315,398)**	**(315,592)**	**-**	
Net increase/(decrease) in cash and cash equivalents	(223,454)	3,881,915	**3,658,461**	25,227,938	**21,569,672**	
Cash and cash equivalents at the beginning of the year	5,061,788	-	**5,061,788**	14,168,404	**9,106,616**	
Cash and cash equivalents at the end of the year	**4,838,334**	**3,881,915**	**8,720,249**	**39,396,342**	**30,676,288**	

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.

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.

Assets, liabilities, revenue and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity and the amounts have been rounded to the nearest Rand.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

In the application of the accounting policies, which are described in note 1.4, management is required to make estimates and assumptions about the fair value of land and building that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. The fair values of land and building are determined after taking into account prevailing market rentals and occupation levels. An appropriate capitalization rate is used that reflects the risk associated with the particular building. Actual results may differ from these estimates.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Useful lives of property, plant and equipment

The entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or services potential are expected to be consumed. Management will decrease the depreciation charges where useful lives is more than previously estimated useful lives.

Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured at the reporting date taking into account the historical information about their default rates.

Use of estimates

The preparation of the financial statements in conforming to South African Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial statements are disclosed in the relevant sections of the interim financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Financial assets

The entity follows the guidance of GRAP 104 to determine when a financial asset is impaired. This determination requires judgement. In making this judgement, the entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, 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 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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Building which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Land and Building is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated 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 every 2 year.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

The revaluation surplus in equity related to a specific item of property, plant and equipment 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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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 in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	**Depreciation method**	**Average useful life**
Building	Straight line	30 years
Furniture and fixtures	Straight line	15 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	12 years
IT equipment	Straight line	12 years
Other fixed assets	Straight line	10 years

An entity shall assess at each reporting date whether there is any indication that the entity’s expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

The depreciation charge for each period is recognised in 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.

Assets under construction

Management has capitalised detailed design and construction on Townlands project. The asset is capitalised at cost and will not be depreciated until such time that construction is completed.

1.5 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 entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Accounting Policies

1.5 Intangible assets (continued)

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 entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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.

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

Item	**Useful life**
License fee	1 year
Computer software	3 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

1.6 Receivables from non-exchange transactions

Receivable from non-exchange transactions are receivables from conditional grant and subsidies where the revenue has been recognised and the entity has complied with conditions embodied in the agreement.

Accounting Policies

1.7 Financial instruments

Financial instruments are recognised on the entity's financial position when the entity becomes a party to the contractual provision of the instrument which gives rise to financial assets of one entity and a financial liability or a residual interest of another entity.

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 financial asset is:
- cash;
- 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 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.

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.

Classification

The classification of financial assets depends on their nature and purpose and is determined at the time of initial recognition.

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 amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Interest bearing liabilities	Financial liability measured at amortised cost
Rental deposit received	Financial liability measured at amortised cost

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value. 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 trasactions.

The entity recognises financial assets using trade date accounting.

Accounting Policies

1.7 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 category:
- Financial instruments at amortised cost.

The amortised cost of financial asset or financial liability is the amount at which the financial asset or 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 in the case of a financial asset.

Receivables from exchange transactions

Debtors are initially recognised at fair value and subsequently measured at amortised costs using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the debtors.

The impairment is measured as the difference between the debtor's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred), discounted at the effective interest rate. The debtor's carrying amount is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit. An estimate is made for doubtful debts at reporting date taking into account different classes of debtors and their historical information about default rates.

Receivables from non-exchange transactions

Receivables from non-exchange transactions are receivables from conditional grant and subsidies where the revenue has been recognised and the entity has complied with conditions embodied in the agreement.

Receivables from non-exchange transactions is measured at fair value and subsequently measured at amortised cost.

Interest bearing liabilities

Interest bearing liabilities are initially measured at fair value and are subsequently measured at amortised costs, using the effective interest rate method.

Payables from exchange transactions

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

Cash and cash equivalents

These are initially measured at fair value and subsequently recorded at amortised cost. For cash flow purposes cash and cash equivalents include cash on hand.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership, or when the entity loses control of contractual rights that comprise the assets.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

Financial risk management

The entity has exposure to the following risk from its use of financial instruments:
- Credit risk;

Accounting Policies

1.7 Financial instruments (continued)

- Liquidity risk;
- Interest rate risk
- Price risk

This note presents information about the entity's exposure to each of the above risk, the entity's objectives, policies and processes for measuring and managing risk, and entity's management of capital. Further quantitative disclosures are included throughout these financial statements. The board of directors has overall responsibility for the establishment and oversight of the entity's risk management framework. The entity's risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market condtitions and the entity's activities. The entity aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the entity if tenants or counterparty to a financial instrument fails to meet its contractual obligations and this arises mainly due to tenants. Potential concentrations of credit risk consist mainly of cash and cash equivalents.To mitigate the risk, tenants are sent reminders towards the end of the month about their rental payment.

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations when are due. The entity's approach to managing liquidity is to ensure that it always has sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation. The entity receives grant from the City of Tshwane every year based on budget requirements.

Interest rate risk

The entity has adopted a policy of ensuring that the entity's income and operating cash flows are substantially independent of changes in the market interest rates. The interest rate risk arise from long-term borrowing from National Housing Finance Corporation (NHFC). Interest rate trends are constantly monitored and appropriate steps taken to ensure that the exposure to the effects of changes in the level of interest is limited. The policy is to minimise interest rate cash flows risk exposure on long-term borrowings.

Price risk

The entity manages price risk with regards to rentals by increasing rental on an annual basis i.e. July (as per the lease agreements). Other price risk factors from suppliers and contractors are largely independent of HCT, but budget allowances are made annually.

Capital management

The entity's objectives when managing capital is to safeguard the entity's ability to continue as a going concern in order to provide benefits for the other stakeholders and to maintain an optimal capital structure to reduce cost of capital. The capital structure of the entity consists of loans and reserves as disclosed in the Statement of Financial Position.

Gains and losses

For financial assets and financial liabilities measured at amortised 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.

Financial assets measured at amortised cost:

Accounting Policies

1.7 Financial instruments (continued)

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 directl 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 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.8 Tax

Taxation

The entity is exempted from tax in terms of section 10(1)a of the Income tax Act.

Tax expenses and VAT

Revenue, expenses and assets are recognised net of the amount of VAT utilising turnover method except:

- Where the VAT incurred on the purchases or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or part of the expense item applicable.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is reported separately from other receivables or payables in the annual statement of financial position.

1.9 Leases

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

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 difference between the amounts recognised as income and the contractual receipts are recognised as an operating lease asset or liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.This liability is not discounted.

1.10 Employee benefits

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

Accounting Policies

1.10 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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement, or in case of accumulating absences, when absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made and for senior managment the bonus is approved by the board. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.11 Provisions and contingencies

Provisions are recognised when:
- the 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 impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance costs.

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

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

Provisions are not recognised for future operating surplus.

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

Accounting Policies

1.11 Provisions and contingencies (continued)

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

1.12 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 disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancelable or only cancelable 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 benefit commitments are excluded.

1.13 Revenue from exchange transactions

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.

Income in respect of housing rental is accrued monthly and recognised on the statement of financial performance.

Revenue recognition

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.

Revenue is recognised at the fair value of the consideration received or receivable, net of indirect taxes, rebates and trade discounts and consists of rental income and interest received.

Revenue is recognised when it is probable that future economic benefits can be reliably measured.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

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 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.

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

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

Interest

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 entity, and
- The amount of the revenue can be measured reliably.

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

1.14 Revenue from non-exchange transactions

A revenue from non-exchange transactions is when the entity receives values from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

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 potential must be returned to the transferor.

Donations are recognised on a cash receipts basis, or, where the donation is in the form of property, plant and equipment, when the risk or rewards of ownership have transferred to the entity. Donations are measured at fair value.

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognised by the entity. When, as a result of non-exchange transaction, the entity recognise an asset, it also recognises the revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition.

Income received from conditional grants, donations and subsidies is recognised to the extent that the entity has complied with any of the criteria, conditions embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Grants or receipts of a revenue nature, income is transferred as revenue to the statement of financial performance to the extent that the criteria, conditions or obligations have been met.

Recognition

An inflow of resources from non-exchange transaction is recognised as a liability if conditions attached is not met.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognised an amount of revenue equal to that reduction.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.15 Comparative figures

Comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results, as set out in the affected notes to the financial statements.

1.16 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipal entity otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised in terms of section 32 of the MFMA.

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.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 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.

Accounting Policies

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.21 Budget information

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 01/07/2016 to 30/06/2017.

The annual financial statements and the budget are prepared on a comparable basis, a separate statement is prepared called the "Statement of Comparison of Budget and Actual Amounts". The Statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

The annual financial statements and the budget are on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget has been included in the annual financial statements. Refer to note 41.

A comparable basis means that the budget and annual financial statements:
are prepared using the same basis of accounting i.e. either cash or accrual;
include the same activities and entities;
use the same classification system; and
are prepared for the same period.

1.22 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties. The entity regards related party as a person or an entity with the ability to control individually or jointly, or exercise significant influence over the entity.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Management is regarded as related party, and comprise of senior management and the board of directors.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.23 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:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

Accounting Policies

1.23 Events after reporting date (continued)

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

1.24 Change in accounting estimates

A change in accounting estimate will be accounted for in the current period and in the future periods if it affects the future periods. The effect of the change in estimate would be accounted for in surplus or deficit or against the asset or liability, where applicable, in the specific period in which the change occurs.

A change in accounting estimate will always be made at the beginning of the period and the depreciation for that period onwards will be based on the revised estimate over the remaining useful life. The effect will be calculated based on the carrying amount beginning of the year divided by the remaining useful life of assets.

1.25 Prior year errors

Prior year errors are omissions from and misstatements in an entity's financial statements for one or more prior periods arising from failure to use or the misuse of reliable information that was available when the financial statments for that period were issued, and could have been reasonably expected to tbe taken into account in those financial statements.

All prior year errors are corrected retrospectively to the earliest period applicable. Comparative amounts for the prior years in which the error occured are restated.

1.26 Operating Expenses

Operating expenses are decreases in economic benefits of service potential during the reporting period in the form of outflows or consumption of assets or incurrence's of liablilities that result in decreases in net assets, other than those relating to distributions to owners. The operating expenses relate to those expenses incurred in the course of undertaking the functions and activities of the entity. Items disclosed separately are those required by financial reporting standards.

The operating expenses are recognised in the statement of financial performance, in the determination of the results for the operating period, when and only when:

(a) it is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred; and

(b) the consumption or loss of economic benefits can be measured.

The expense relating to VAT audit adjustment was processed in the previous financial year to deal with the incorrect treatment of VAT on grant.

1.27 Accumulated surplus

Retained earnings or accumulated surplus/(deficit) being the cumulative effect of differences between revenue and expenditure as per statement of financial performance.

Accounting Policies

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:
- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The entity has adopted the standard for the first time in the 2017 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:
- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:
- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The entity has adopted the standard for the first time in the 2017 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

DIRECTIVE 11: Changes in measurement bases following the initial adoption os Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Accounting Policies

2. New standards and interpretations (continued)

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The entity has adopted the standard for the first time in the 2017 annual financial statements.

The adoption of this has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity’s accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

Accounting Policies

2. New standards and interpretations (continued)

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

Accounting Policies

2. New standards and interpretations (continued)

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

Accounting Policies

2. New standards and interpretations (continued)

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:
- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset’s service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset’s service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The entity expects to adopt the standard for the first time in the 2018 annual financial statements.

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

GRAP 26 (as amended 2015): Impairment of cash-generating assets

Accounting Policies

2. New standards and interpretations (continued)

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The entity expects to adopt the standard for the first time in the 2018 annual financial statements.

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

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. “Generally accepted accounting practice” has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

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

The entity expects to adopt the standard for the first time in the 2019 annual financial statements.

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

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

Accounting Policies

2. New standards and interpretations (continued)

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

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

Notes to the Financial Statements

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,900,000	-	2,900,000	2,300,000	-	2,300,000
Buildings	18,900,000	-	18,900,000	11,561,290	(361,290)	11,200,000
Building: asset under construction	39,068,233	-	39,068,233	14,662,035	-	14,662,035
Furniture and fixtures	502,938	(247,291)	255,647	470,769	(235,404)	235,365
Motor vehicles	149,086	-	149,086	-	-	-
Office equipment	123,682	(34,363)	89,319	104,482	(25,292)	79,190
IT equipment	429,653	(105,055)	324,598	412,861	(70,294)	342,567
Other fixed assets	1,532,144	(181,365)	1,350,779	1,140,520	(55,423)	1,085,097
Total	**63,605,736**	**(568,074)**	**63,037,662**	**30,651,957**	**(747,703)**	**29,904,254**

Reconciliation of property, plant and equipment - June 2017

	Opening balance	Additions	Revaluations	Depreciation	Total
Land	2,300,000	-	600,000	-	2,900,000
Building	11,200,000	-	8,061,290	(361,290)	18,900,000
Building: asset under construction	14,662,035	24,406,198	-	-	39,068,233
Furniture and fixtures	235,365	32,169	-	(11,887)	255,647
Motor vehicles	-	182,728	-	(33,642)	149,086
Office equipment	79,190	19,200	-	(9,071)	89,319
IT equipment	342,567	16,791	-	(34,760)	324,598
Other fixed assets	1,085,097	391,625	-	(125,943)	1,350,779
	29,904,254	**25,048,711**	**8,661,290**	**(576,593)**	**63,037,662**

Reconciliation of property, plant and equipment - June 2016

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	2,300,000	-	-	-	-	2,300,000
Buildings	11,200,000	-	-	361,290	(361,290)	11,200,000
Plant and machinery	-	14,662,035	-	-	-	14,662,035
Furniture and fixtures	185,589	76,302	(6,355)	-	(20,171)	235,365
Office equipment	86,964	14,383	(12,398)	-	(9,759)	79,190
IT equipment	391,804	84,049	(94,025)	-	(39,261)	342,567
Other fixed assets	185,498	924,178	-	-	(24,579)	1,085,097
	14,349,855	**15,760,947**	**(112,778)**	**361,290**	**(455,060)**	**29,904,254**

Notes to the Financial Statements

Figures in Rand	2017	2016

3. Property, plant and equipment (continued)

Revaluations

Eloff Building, being the remaining extent of Erf 2599 and is situated at the corner of Nana Sita and Paul Kruger Street, within the Pretoria Central Business District. It has 91 residential and 4 commercial units for rental purposes. The property was transferred to the company (HCT) by the City of Tshwane at no cost in 2001. The initial recognition amount comprised, inter alia, of the capitalised grant to the value of the building transferred and the cost of refurbishing the former office block to residential units to meet affordable rental accomodation and earn rental income. There was also a loan raised from NHFC to refurbish the building. The Building serves as security over the loan granted to the company as per note 13.

The fair value of the building has been determined by management , having regard, inter alia, to the proposed valuation by independent sworn appraiser. The valuation was performed using income approach taking into account income generated from rentals, occupation levels and capitalisation rates. The valuer holds a recognised professional qualification and has recent experience in property valuations. The capitalisation rate applied to the property is **11.5%** and movement is reflected as a revaluation reserve in the Statement of Financial Position as per note **11**.

The effective date of the revaluations was 30 June 2017. Revaluations was performed by Mr Curtis Mugari, Candidate Valuer (National Diploma: Real Estate (UJ) and Mr Mugari is not connected to the entity.

Land and buildings are re-valued independently every **2** years.

Repairs and maintenance on the building

	2017	2016
Amount spent on service providers	1,064,282	1,760,655
Material bought and used	29,256	23,337
Time spent by employees	24,541	31,844
	1,118,079	**1,815,836**

Reconciliation of Work-in-Progress June 2017

	Included within Assets under construction PPE	Total
Opening balance	13,753,812	13,753,812
Additions/capital expenditure	15,270,929	15,270,929
	29,024,741	**29,024,741**

Reconciliation of Work-in-Progress June 2016

	Included within Assets under constrcution PPE	Total
Additions/capital expenditure	13,753,812	13,753,812

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

4. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses & computer software	16,320	(5,485)	10,835	16,320	(45)	16,275

Reconciliation of intangible assets - June 2017

	Opening balance	Amortisation	Total
Computer software	16,275	(5,440)	10,835

Reconciliation of intangible assets - June 2016

	Opening balance	Additions	Amortisation	Total
Licenses	88,791	-	(88,791)	-
Computer software	22,233	16,320	(22,278)	16,275
	111,024	**16,320**	**(111,069)**	**16,275**

No intangible assets are pledged as security

5. Operating lease liability

Operating lease liability represent rentals payable by the entity for its head office. The lease was negotiated for the period of 3 years commencing on the 01 October 2014 - 30 September 2017, with an annual escalation of 10%. The second lease for parking bays was negotiated for the period of 28 months commencing on the 01 June 2015 - 30 September 2017, with an annual escalation of 10% The third lease for parking bays was negotiated for a period of 23 months commencing on the 01 November 2015 - 30 September 2017, with an annual escalation of 10%. The fourth lease for parking bays was negotiated for the period of 20 months commencing on the 01 February 2016 - 30 September 2017, with an annual escalation of 10% . These leases have no binding renewal terms. The entity does not have the option to purchase the building. No contingent rent is payable. Refer to note 30.

Operating lease liability represent rentals payable by the entity for its copier machine. This lease was negotiated for a term of 3 years commencing from 31 January 2014 to 31 January 2017 and at the end of lease the machine reverts back to the owner Konica (Sunlyn). The lease has an escalation clause of 15% per annum. At the end of January 2017,the lease contract was extended on a month to month basis until the end of June 2017 when the bidding process was finanlised on the new copier machine. Refer to note 30.

	2017	2016
Premises and equipment	13,976	45,610

6. Other receivables from exchange transactions

	2017	2016
Prepayments & unallocated	10,724	11,826
Deposits	98,268	98,708
	108,992	**110,534**

7. Receivables from exchange transactions

Housing Company Tshwane has a consolidated account billing system. The division of debtors per service category is done on a pro-rata basis.

Figures in Rand	2017	2016

7. Receivables from exchange transactions (continued)

Housing rentals & levies	903,504	636,442
Allowance for impairment	(776,891)	(550,204)
	126,613	**86,238**

Credit Risk Management of Trade and other receivables

Trade receivables comprise tenants who rent the flats. Management evaluates credit risk of tenant on an ongoing basis. Credit risk of tenants is conducted using the system called Tenant Profile Network (TPN) taking into account their financial position, credit profile and other factors. Tenants should pay rental in advance and if the payment is not received by the 7th of each month then 2% interest rate is charged on outstanding balances.

The City of Tshwane has transferred Clarina Complex to Housing Company Tshwane in July 2013 and Silwekroon complex in July 2016 for management. The complex is utilised to provide alternative accommodation to ex-Schubart Park residents as per the Schubart Park Court order. The order compels the City of Tshwane to provide rent free accommodation to tenants while in the process of refurbishing Schubart Park Complex.

The vetting and confirmation process to identify the ex-Schubart Park residents is conducted by Human Settlement Department from the City of Tshwane and Housing Company Tshwane allocate units to tenants once the vetting process is finalised. Clarina tenants are charged a levy fee of R516.60 per month and they have to pay before the 7th of each month otherwise they are charged R50 interest.

7. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates:

Trade receivables by classification:

	June 2017		June 2016	
Housing rentals & levies	Commercial	Residential	Commercial	Residential
Housing rental	8,587	79,938	3,601	30,919
Provision for doubtful debts	(1,282)	(40,061)	-	(16,969)
Subtotal	7,305	39,877	3,601	13,950
Housing Levies	-	814,980	-	601,922
Provision for doubtful debts	-	(735,547)	-	(533,235)
	7,305	**119,310**	**3,601**	**82,637**

Housing rental ageing: Commercial		
Current (0 - 29 days)	7,305	3,601
30 - 59 days	358	-
60 - 89 days	18	-
90 - 119 days	17	-
120 - 365 days	889	-
	8,587	**3,601**

Housing rental ageing : Residential		
Current (0 - 29 days)	39,877	14,016
30 -59 days	14,799	3,642
60 - 89 days	11,013	3,473
90 - 119 days	5,476	3,329
120 - 365 days	8,773	6,460
	79,938	**30,920**

Housing levies ageing		
Current (0 -29 days)	79,432	68,690
30 - 59 days	74,742	61,743
60 - 89 days	74,091	56,599
90 - 119 days	71,672	76,088
120 -365 days	515,043	338,802
	814,980	**601,922**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 30 days past due are not considered to be impaired. At 30 June 2017, R 126,614 (2016: R 86,307) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

29 days pat due	126,614	86,307

7. Receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables were impaired and provided for.
The amount of the provision was R776,891 as of 30 June 2017 (30 June 2016: R550,204).

The creation and release of allowances for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

	2017	2016
Over 120 to 150 days	524,705	345,262

Reconciliation of allowance for impairment of trade and other receivables

	2017	2016
Opening balance	(550,204)	(712,001)
Amounts recovered	45,499	34,594
Amounts written off as uncollectible	506,089	677,407
Increase/decrease in allowance recognised in surplus or deficit	(778,275)	(550,204)
	(776,891)	**(550,204)**

8. Receivables from non-exchange transactions

	2017	2016
Grant from the City of Tshwane	-	13,408,050

9. VAT receivable

The entity pays VAT on the invoice basis under category A - periods of two months ending on the last day of Jan, Mar, July etc (odd numbered months).

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Cash on hand	10,000	4,177
Bank balances	39,386,342	14,164,227
	39,396,342	**14,168,404**

	2017	2016
Cash and cash equivalents held by the entity that are not available for use by the entity	808,818	690,500

The money is held to refund the tenant when the tenant vacate the unit, or to set off on amounts owed.

The entity had the following bank accounts with ABSA Bank Limited

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
9110 408 066 - Eloff Deposit	808,818	690,500	598,581	808,818	690,500	598,581
4065 722 829 - Eloff Cheque	2,147,369	12,700,366	11,730,624	2,147,369	12,700,366	11,730,624
4057 481 879 - Cheque	36,430,357	773,361	5,586,660	36,430,357	773,361	5,586,660
4091569887 - Townlands Cheque	(203)	-	-	(203)	-	-
Total	**39,386,341**	**14,164,227**	**17,915,865**	**39,386,341**	**14,164,227**	**17,915,865**

Notes to the Financial Statements

Figures in Rand	2017	2016

11. Revaluation reserve

Revaluation surplus for Eloff building has been transferred to revaluation reserve.

Opening balance	361,290	-
Change during the year	8,661,291	361,290
	9,022,581	**361,290**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
City of Tshwane	1,549,448	700,000

Movement during the year

Balance at the beginning of the year	700,000	-
Additions during the year	61,116,435	8,700,000
Income recognition during the year	(55,890,912)	(19,761,448)
Grant owed by the City of Tshwane	-	13,408,050
VAT on grant paid to SARS	(4,376,075)	(1,646,602)
	1,549,448	**700,000**

The unspent grant is a transfer from the City of Tshwane's Housing department to assist the entity with the installation of reticulation services for Chanell project.The money was not spent due to the delay in the appointment of service provider.

13. Interest- bearing liability

At amortised cost		
National Housing Finance Corporation Limited The loan is secured, bears interest at 14% per annum, and is repayable in 81 months with the average of monthly payments of **R51,051.56**. The loan is secured by a mortgage bond over the Land and Building.	1,857,504	2,173,096
Non-current liabilities		
At amortised cost	1,542,106	1,857,698
Current liabilities		
At amortised cost	315,398	315,398

Figures in Rand	2017	2016

14. Employee benefits

Reconciliation of employee benefits - June 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Leave provision	274,004	133,799	(51,869)	-	355,934
Bonus provision	563,755	-	-	(563,755)	-
Employee benefit cost	9,938	-	(9,938)	-	-
	847,697	**133,799**	**(61,807)**	**(563,755)**	**355,934**

Reconciliation of employee benefits - June 2016

	Opening Balance	Additions	Utilised during the year	Total
Leave provision	151,338	180,114	(57,448)	274,004
Bonus provision	-	563,755	-	563,755
Employee benefit cost	-	9,938	-	9,938
	151,338	**753,807**	**(57,448)**	**847,697**

Short - term absences for which the employees are compensated for include vacation leave for employees. Sick leave was not provided for since employees forfeit it when they leave the company.

15. Rental deposit received

	2017	2016
Tenant's deposit	552,524	527,400

16. Payables from exchange transactions

	2017	2016
Trade payables	8,193,757	17,914,676
Advanced Rental Income	254,760	172,100
Accrued expenses - SARS (PAYE, UIF & SDL)	129,341	154,278
Rental received on behalf of COT	196,768	196,506
Accrued expenses - creditors	15,925,906	173,960
	24,700,532	**18,611,520**

17. VAT payable

	2017	2016
VAT payables	978,550	958,667

The entity pays VAT on the invoice basis under category A - periods of two months ending on the last day of Jan, Mar, Jul etc (odd numbered months).

18. Financial instruments disclosure

Categories of financial instruments

June 2017

Financial assets

	At amortised cost	Total
Cash and cash equivalents	39,396,342	39,396,342
Receivables from exchange transactions	126,613	126,613
	39,522,955	**39,522,955**

Notes to the Financial Statements

Figures in Rand	2017	2016

. **Financial instruments disclosure (continued)**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	24,249,004	24,249,004
Interest bearing liabilities	1,857,504	1,857,504
Rental deposit received	552,524	552,524
	26,659,032	**26,659,032**

June 2016

Financial assets

	At amortised cost	Total
Cash and cash equivalents	14,168,404	14,168,404
Receivables from exchange transactions	86,238	86,238
Receivables from non-exchange transactions	13,408,050	13,408,050
	27,662,692	**27,662,692**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	18,242,914	18,242,914
Interest bearing liabilities	2,173,096	2,173,096
Rental deposit received	527,400	527,400
	20,943,410	**20,943,410**

19. Revenue from exchange transaction

	2017	2016
Rental income	5,478,489	3,964,072
Lease fees	21,900	15,000
	5,500,389	**3,979,072**

20. Cost of sales

	2017	2016
Rates & Taxes	277,186	200,381
Repairs & Maintenance	2,347,149	3,298,114
Security	375,165	450,564
Cleaning	162,224	278,285
Water & Electricity	85,559	220,007
Property expenses - other	306,169	310,645
Small tools	6,128	-
Insurance	66,254	52,117
	3,625,834	**4,810,113**

Notes to the Financial Statements

Figures in Rand	2017	2016

21. Grant revenue recognised

Conditional

	2017	2016
Conditional grants received	55,890,913	19,761,448

In terms of the Service Delivery Agreement (SDA) signed in November 2013 between Housing Company Tshwane(HCT) and the City of Tshwane, HCT had to ensure that the following projects were implemented :

Projects	Baseline	July 2013/2014	July 2014/2015	July 2015/2016	Total
Eloff	95	95	-	-	95
Blesbok	-	70	-	-	70
Bosbok	-	84	-	-	84
Ou Stalshoogte	-	-	114	-	114
Nuwe Stalshoogte	-	-	106	-	106
Die Heuwel	-	-	104	-	104
Groenveld	-	-	30	-	30
Clarina	-	159	-	432	591
Townlands	-	-	-	750	750
Timberlands	-	-	-	328	328
JJ Bosmanshuis	-	-	57	-	57
Subtotal	95	408	411	1,510	2,329
	95	**408**	**411**	**1,510**	**2,329**

The SDA also outlined the City of Tshwane's responsibility as follows:
- to make land available (for greenfield projects) or buildings (brownfileds) in the form of written Land Availability Agreement to HCT when it is ready to implement the projects listed above.
- to provide financial assistance in terms of the approved budget or availability of funds to assist HCT to perform its obligations.
- to transfer all the rental housing stock in its jurisdiction falling within the mandate of the City of Tshwane to HCT subject to the signing of Transfer Agreement.
- The SDA clearly stipulate that if the money is not utilised, it must be returned to the City of Tshwane. As a result the grant is classified as conditional grant.

The company received grant to the value of R61,116,435 from the CIty of Tshwane and had R55,890,913 to carry out the mandate as stipulated in the SDA. During the current financial year, The City of Tshwane has transferred only Silwerkroon building to HCT for management.

22. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

	2017	2016
Operating lease charges		
Premises		
• Contractual amounts	577,971	554,488
Equipment		
• Contractual amounts	65,106	62,127
	643,077	**616,615**
Loss on sale of property, plant and equipment	-	(112,778)
Depreciation on property, plant and equipment	582,033	566,129
Employee costs	8,711,241	8,996,240
Penalty and interest	8	12,063
Audit fees	792,330	794,364

Notes to the Financial Statements

Figures in Rand	2017	2016

23. Employee related costs

Basic	7,291,716	7,131,620
Travel & other allowance	684,529	617,635
Bonus payout	84,615	189,069
Bonus provision	-	563,755
UIF - company contribution	50,215	40,366
SDL - company contribution	88,307	75,343
Leave payout	73,175	57,448
Leave provision	355,934	274,004
Telephone allowance	82,750	47,000
	8,711,241	**8,996,240**

24. Debt impairment

Debt impairment	728,665	515,611

25. Interest revenue

Interest revenue		
Bank	16,862	29,020
Interest on debtors	119,400	65,624
	136,262	**94,644**

26. Depreciation and amortisation

Property, plant and equipment	576,593	455,060
Intangible assets	5,440	111,069
	582,033	**566,129**

27. Finance costs

Non-current borrowings	285,027	329,948

28. Auditors' remuneration

Fees	792,330	746,588

Notes to the Financial Statements

Figures in Rand	2017	2016

29. Cash generated from (used in) operations

Surplus (deficit)	30,180,920	(2,057,243)
Adjustments for:		
Depreciation and amortisation	582,033	566,129
Loss on disposal of assets	-	112,778
Debt impairment	728,665	515,611
Movements in operating lease assets and accruals	(31,634)	(2,171)
Movements in employee benefits	(491,763)	696,359
Other non-cash items	(258,608)	99
Changes in working capital:		
Receivables from exchange transactions	(40,375)	30,512
Consumer debt impairment	(728,665)	(515,611)
Other receivables from non-exchange transactions	-	(5,408,050)
Other receivables from exchange transactions	1,542	(12,168)
Payables from exchange transactions	6,089,013	3,010,560
VAT payables	19,883	(663,276)
Unspent conditional grants and receipts	3,578,921	700,000
Rental deposit received	25,124	45,304
	39,655,056	**(2,981,167)**

Notes to the Financial Statements

Figures in Rand	2017	2016

30. Commitments

Operating leases - as lessee (expense)

	2017	2016
Minimum lease payments due		
- within one year	144,493	569,588
- in second to fifth year inclusive	-	142,397
	144,493	**711,985**

Operating lease payments represent rentals payable by the entity for its head office. The lease was negotiated for the period of 3 years commencing on the 01 October 2014 - 30 September 2017, with an annual escalation of 10%. The second lease for parking bays was negotiated for the period of 28 months commencing on the 01 June 2015 - 30 September 2017, with an annual escalation of 10% The third lease for parking bays was negotiated for a period of 23 months commencing on the 01 November 2015 - 30 September 2017, with an annual escalation of 10%. The fourth lease for parking bays was negotiated for the period of 20 months commencing on the 01 February 2016 - 30 September 2017, with an annual escalation of 10% . These leases have no binding renewal terms. The entity does not have the option to purchase the building. No contingent rent is payable. The lease payments for the period of 12 months amounts to **R577,971.**

Operating leases - as lessee (expense)

	2017	2016
Minimum lease payments due		
- within one year	-	31,063

Operating lease payments represent rentals payable by the entity for its copier machine. This lease was negotiated for a term of 3 years commencing from 31 January 2014 to 31 January 2017 and at the end of lease the machine reverts back to the owner Konica (Sunlyn). The lease has an escalation clause of 15% per annum. At the end of January 2017,the lease contract was extended on a month to month basis until the end of June 2017 when the bidding process was finanlised on the new copier machine. The lease payments for the 12 months period amounts to **R65,106.** No contingent rent is payable.

Non-Cancelable contracts

	2017	2016
Townlands project	-	940,916
Timberlands project	157,948	361,486
Magic Labour Hire - Townlands construction	354,608,918	-
MIH Projects (Pty) Ltd	46,990,148	-
Metroprojects (Pty) Ltd	25,026,663	-
Ditshemega Projets and Training	11,214,105	-
	437,997,782	**1,302,402**

The entity signed 6 months Service Level Agreements with both MIH and Metroprojects to conduct pre-feasibility studies on Townlands and Timberlands projects which will deliver 1,200 and 320 social housing units respectively for Housing Company Tshwane by the end of 2020/2021 financial year. MIH has completed 95% of detailed design for Townlands project which is capitalised on assets under construction.

The entity appointed Magic Labour Hire for the constrcution of 1,200 social housing units on Townlands project during the next 3 years. The total construction costs amounts to **R366,969,297.**

MIH Project was appointed to manage constructions phase on Townlands project and to ensure that the construction is completed as per the design. The scope of work was extended at a cost amount of **R56,788,480**.

Metroproject was appointed to manage constructions phase for Townlands project and to ensure that the construction is completed as per the design. The scope of work was extended at a cost amount of **R30,322,622.**

Ditshemega was appointed for the installation of bulk services on Chantelle Project at a cost of **R17,333,079.**

Figures in Rand	2017	2016

31. Related parties

Relationships	
Untimate controlling entity	City of Tshwane Metropolitan Municipality
Municipal entity under the same control	Tshwane Economic Development Agency (TEDA)
Municipal entity under the same control	Sandspruit Works Association (SWA)
Compensation of board members and senior managers	Refer to note 32

Related party balances

Amounts included in Trade receivable/Trade payable regarding related parties		
Rental received on behalf of City of Tshwane	(196,506)	(196,506)
Amount owed by the City of Tshwane (grant)	-	13,408,050
Deposit owed by the City of Tshwane(water & electricity)	22,640	22,290
Amount owed by the City of Tshwane (water, sanitation, rates and taxes)	16,881	16,881
Unspent conditional grants and receipts	1,549,448	700,000
	1,392,463	**13,950,715**

Related party transactions with parent municipality

Grant recognised as income	55,890,913	19,761,448
Telephone paid by the City of Tshwane on behalf of HCT	83,221	82,260
Rates and Taxes	(277,186)	(200,381)
Water and electricity	(85,559)	(220,007)
Deposit paid	-	(22,290)
	55,611,389	**19,401,030**

The entity benefited from the following services provided by related party at no cost:
- Use of risk management and internal audit resources from City of Tshwane
- Use of audit committee resources from City of Tshwane
- Use of network, telecommunication and server support provided by City of Tshwane
- Occupational Health and Safety services from City of Tshwane
- Insurance management by City of Tshwane
- The Acting Head of Housing and Human Settlement was seconded to HCT as the Acting CEO from April 2017 to June 2017

32. Directors' remuneration

Executive and Management

June 2017

	Basic	Telephone allowance	Travel and other allowance	Bonus - 13 cheque	Leave pay-out	Total
Chief Executive Officer - A Ngcezula	678,273	16,000	74,236	84,615	67,894	921,018
Finance Manager - L Makibinyane	692,189	12,000	121,000	-	-	825,189
Property Manager - W Ramotshela	508,137	12,000	55,642	-	-	575,779
Chief Operats Officer - W Campbell	830,034	18,000	91,017	-	-	939,051
Company Secretary - J Mokadikwa	325,995	-	-	-	-	325,995
Property Development Manager - J Mkhonto	595,112	12,000	65,202	-	-	672,314
	3,629,740	**70,000**	**407,097**	**84,615**	**67,894**	**4,259,346**

June 2016

	Basic	Reimbursable travel allowance & subsistance allowance	Settling allowance	Telephone allowance	Leave payout	Bonus	Total
Chief Executive Officer - A Ngcezula	1,070,416	9,007	197,521	16,000	-	42,308	1,335,252
Finance Manager - L Makibinyane	760,570	14,072	-	8,000	-	51,231	833,873
Property Development Manager - A Magubane	290,173	27,110	-	2,000	44,545	-	363,828
Property Manager - W Ramotshela	527,338	50,678	-	8,000	-	35,478	621,494
Chief Operations Officer - W Campbell	725,297	10,970	-	12,000	-	-	748,267
Company Secretary - J Mokadikwa	279,500	10,945	-	-	-	11,448	301,893
Property Development Manager - J Mkhonto	55,026	-	27,168	1,000	-	-	83,194
	3,708,320	**122,782**	**224,689**	**47,000**	**44,545**	**140,465**	**4,287,801**

Non-executive

June 2017

	Directors' fees	Reimbursable travel allowance	Total
AJ Singh	158,670	13,268	171,938
DM Masilela	169,980	32,060	202,040
ME Mphahlele	160,412	34,346	194,758
SST Kholong	196,178	15,365	211,543
SMT Phetla	179,642	43,738	223,380
WP Rowland	147,306	-	147,306
M Matlou	175,412	-	175,412
	1,187,600	**138,777**	**1,326,377**

Accounting Policies

Figures in Rand

32. Directors' remuneration (continued)

June 2016

	Directors' fees	Reimbursable travel allowance	Total
AJ Singh	166,063	17,038	183,101
DM Masilela	147,268	19,716	166,984
ME Mphahlele	241,233	75,193	316,426
SST Kholong	259,856	17,644	277,500
SMT Phetla	185,187	124,133	309,320
WP Rowland	162,192	9,660	171,852
M Matlou	166,068	-	166,068
	1,327,867	**263,384**	**1,591,251**

33. Change in accounting estimate

Property, plant and equipment

The entity has changed the accounting policy in terms of Property, plant and equipment where all other class of assets are at cost model and land and building are at revaluation model.

The effect of the change in policy are as follows:

Statement of changes in net assets		
Increase in depreciation	-	361,290
Increase in revaluation surplus	-	361,290
	-	**722,580**

34. Comparative figures

During 2016 financial year, the entity recorded Eloff building as Investment Property to the value of R13,500,000 but with amendments of GRAP 16 which became effective on the 1 April 2016, management had to reclassify the building to Property, plant and equipment.

The effects of reclassification are as follows:

Statement of financial position		
Decrease in Investment Property	-	13,500,000
Increase in Property, plant and equipment	-	13,500,000

35. Prior period error

During the financial year 2016, the entity capitalised assets under construction at an amount exclusive of input VAT whereas the entity is constructing Townlands project for the exempt supplies.The input vat was reversed to get the correct amount of assets inclusive ot vat.

The entity also had to correct the cash flow statement on investing activities(PPE) to remove the assets that were not paid for at year end and accounted for on Trade payables as recommended by the Auditor General.

The effects of prior period error are as follows:

Accounting Policies

35. Prior period error (continued)

Statement of financial position - extract

Increase in property, plant and equipment	908,223
Decrease in input VAT	908,223
Total	**1,816,446**

Cash Flow Statement - extract

Decrease in Investing activities (PPE)	14,417,092
Increase in cash paid to suppliers	14,136,266
Decrease on cash received from customers	718,407
Total	**29,271,765**

Disclosure note:

During the financial year 2016, management erroneously included debtors with credit balance in the financial instruments under payables from exchange transactions.

Decrease in payables from exchange trasactions	-	368,606

36. Risk management

Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going-concern in order to provide benefits for the other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the entity consists of loans and reserves as disclosed in the Statement of Financial Position.

1,857,504	2,173,096

Accounting Policies

Figures in Rand

36. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash at all times to meet obligations. The liquidity risk has been managed by developing a pipeline of new projects and securing the present municipality commitment to capitalise the entity for 3 financial years, subject to the implementation of the new entity's business plan.

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

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

June 2017	Not later than one month	Later than one month but not later than three months	Later than three months but not later than one year	Later than one year but within ten years	Total
Payables from exchange transactions	14,450,672	-	9,798,332	-	24,249,004
Interest bearing liabilities	48,370	95,109	411,817	1,302,208	1,857,504
Rental deposit received	-	-	-	552,524	552,524
	14,499,042	**95,109**	**10,210,149**	**1,854,732**	**26,659,032**

June 2016	Not later than one month	later than one month but not later than three months	Later than three months but not later than one year	Later than one year but within ten years	Total
Payables from exchange transactions	4,834,864	13,408,050	-	-	18,242,914
Interest bearing liabilities	52,132	102,512	444,949	1,573,503	2,173,096
Rental deposit received	-	-	-	527,400	527,400
	4,886,996	**13,510,562**	**444,949**	**2,100,903**	**20,943,410**

36. Risk management (continued)

Credit risk

Credit quality of trade and other receivables

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables.

Trade receivables comprises of tenants who rent flats from Housing Company Tshwane. The management evaluates credit risk relating to tenants on an ongoing basis. Credit risk of tenants is conducted using the system called Tenant Profile Network(TPN) taking into account their financial positions, credit profile and other factors. Tenants pay rental in advance and if the payment is not received by the 7th of each month then 2% interest rate is charged on outstanding amount.

The entity has considered the impact of changes in the credit risk by evaluating their assets and liablities.

The City of Tshwane transferred Clarina Complex to Housing Company Tshwane in July 2013 and Silwekroon complex in July 2016 for management. The Clarina complex complex is utilised to provide alternative accommodation to ex-Schubart Park residents as per the Shubart Park Court order. The order compels the City of Tshwane to provide a rent free accommodation to tenants while in the process of refurbishing Schubart Park.

Financial instrument	June 2017	June 2016
Receivables from exchange transactions	126,613	86,238
Receivables from non-exchange transactions	-	13,408,050
Cash and cash equivalents	39,396,342	14,168,404

The vetting and confirmation process to identify the ex-Schuabrt Park residents is conducted by the Human Settlement department from the City of Tshwane and Housing Company Tshwane allocate units to tenants once the vetting process is finalised. Clarina tenants are charged a levy fee of R516.60 per month and they have to pay before the 7th of each month otherwise they are charged R50 interest.

Market risk

Interest rate risk

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

The entity's interest rate risk arises from long-term borrowing from NHFC. As at 30 June 2017, Housing Company Tshwane had an interest borrowings of R1,857,504 (June 2016 : 2,173,096) at a fixed interest rate of 14% (NACM).The loan expires on the 30 November 2023. Interest rate trends are constantly monitored and appropriate steps taken to ensure that exposure to the effects of changes in the level of interest is limited. The policy is to minimise interest rate cash flows risk exposure on long-term financing. The table below illustrate the sensitivity of profit before tax to changes in the interest rate.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
NHCF loan	14.00 %	239,898	195,742	140,798	107,431	82,494
NHFC loan	14.50 %	248,466	202,733	145,826	111,268	85,222
NHFC loan	15.00 %	257,034	209,724	162,414	115,105	84,378
NHFC loan	16.00 %	274,169	223,706	173,242	122,778	90,244

Price risk

The entity manages price risk with regard to rentals by increasing rental amounts of flats on an annual basis i.e July (as per the revised lease agreements). Other price risk factors from our suppliers and contractors are largely independent of Housing Company Tshwane, but budget allowances are made annually by Housing Company Tshwane.

Accounting Policies

Figures in Rand

37. Going concern

We draw attention to the fact that at 30 June 2017, the entity had accumulated surplus of R 63,649,395 and that the entity's total liabilities are below its assets by R 72,671,976.

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is the support from the parent municipality (City of Tshwane) and the city has no intention to liquidate the company. The entity is generating additional revenue by renting out the advertising space at Eloff building.

38. Events after the reporting date

The Accounting Officer is aware of any matter or circumstance arising since the period ending 30 June 2017.

- The shareholder finalised the review process of entities and the entity will continue as a going concern.
- The turnaround strategy is been developed to re-visit the mandate of the entity and ensure its financial sustainability.
- Strategic vacant positions will be filled to improve performance of the entity i.e CEO & CFO
- The term of the board came to an end in June 2017 and council did extended the term for two board members.

39. Fruitless and wasteful expenditure

Opening balance	464,708	369
Recoveries	(14,339)	-
Current year	8	464,339
Condoned by the board	(450,000)	-
Closing balance	**377**	**464,708**

The entity incurred fruitless and wasteful expenditure of **R6.59** due to late payment of office electricity bill to PEC Metering. PEC Metering invoices are paid within the period of 22 days from the invoice date irrespective of when they are received and the payment was released from the bank on the 24 day of the invoice date. Management tried to negotiate for the reversal of the interest but PEC Metering could not agree.

Management opened Project bank account for Townlands project and the account was never linked to the other accounts, could not be accessed on the internet banking and accumulated interest on bank charges to the amount of **R1.68**. Management realised the interest after the end of the financial year and this has resulted into fruitless and wasteful expenditure. The investigation was concluded in August 2017 and amount will be recovered from the responsible officials.

40. Irregular expenditure

Opening balance	22,216,307	-
Add: Irregular Expenditure - current year	3,618,763	22,216,307
Less: Amounts recoverable (not condoned)	(12,130)	-
	25,822,940	**22,216,307**

The Irregular expenditure emanate from the previous financial year where the entity contravened the SCM policy since the Supply Chain Officer was appointed as a member of both bid evaluation committee (BEC) and bid adjudication committee (BAC) for both Townlands and Timberlands projects. The total Irregualr expenditure relating to these projects amounts to **R940,916** and **R203,538** respectively **(R1,144,454**). The board instituted an investigation with regards to the expenditure and the Suppy Chain was given a warning.

40. Irregular expenditure (continued)

The entity could not follow proper SCM policy as the instruction was given by the previous political leadership to accelerate the development of Townlands project. MIH was appointed for the pre-construction planning and design for Townlands social housing development in Marabastad x14. However, due to budgetary constraints, the appointment was done in phases with the pre-planning and design activities being implemented concurrently. first phase being for the Development of the SDP and associated studies over a period of 6 months. After the appointment, two significant events came to light, viz.:

Although the township establishment had been approved, the conditions of establishment had not yet been met and hence the township had not yet been promulgated;A sod turning event was arranged by the Mayor’s office, which took place in February 2016. At this event, a commitment was made to go to ground by August 2016. And hence, the project had to be accelerated with theIn order to meet the tight deadlines, assistance was sought from CoT departments regarding approvals.

During the pre-construction studies, it became evident that an existing sewer pipeline had to be relocated in order to maximise the development potential of the site. In the meantime, due to the availability of funding HCT and CoT had set delivery targets for the end of the 2016/17 financial year namely 30 June 2017 of 100 units. The main contractor was expected to be appointed by end November 2017. In order to make the tight deadline it was crucial for them to hit the ground running.

The contractor would commence with the earthworks. The live sewer line running through the centre of the site, is a bulk supply line and therefore had to be relocated as a matter of urgency to avoid breakage. After considering all the options, and because time was of the essence, the HCT board decided to appoint MIH to relocate the sewer line instead of issuing a further tender, which was one of the considerations. Another consideration was for the works to be included in the main contract, but this would add at least 2months to their schedule, which would impact their ability to deliver the target of 100 units by 30 June 2017.

Management reported the expenditure to the board as deviations and the expenditure was approved since **clause 25.29.1 modifications of Contract/ Variation of the SCM policy** was used which states that any granting of a substantial extension of the stipulated time for performance of a contract, agreeing to any substantial modification of the scope of the services, substituting key staff, waiving the conditions of a contract, or making any changes in the contract that would in aggregate increase the original amount of the contract by not more than 20 percent, will be subject to the approval of the accounting officer, however Internal Auditors raised this as Irregular since MIH was appointed by the entity for the pre-construction phase and not for construction phase. The total Irregular expenditure amounts to **R3,762,374** but only **R2,474,309.07** was paid during the financial year. The board resolved that the expenditure was a result of oversight from management and instituted an investigation.

Details of irregular expenditure recoverable (not condoned)

Petty cash threshold exceeded	12,130

41. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Accounting Policies

Figures in Rand

41. Reconciliation between budget and statement of financial performance (continued)

Net surplus (deficit) per the statement of financial performance	30,180,920	(2,057,243)
Adjusted for:		
Over budget on rental facilities and equipments	(273,789)	(25,562)
Over budget on other income	(189,721)	(11,862)
Over budget on interest income	(60,662)	(98,758)
Under budget on grant income	-	2,238,552
Under budget on employee costs	(4,709,507)	(1,260,681)
Under budget on remuneration of directors	(155,401)	153,718
Under budget on depreciation	206,009	(393,584)
Over budget on finance costs	998	1,371
Under budget on contracted services	13,296,808	(4,033,970)
Under budget on general expenses	(2,360,760)	(6,961,576)
Over budget on debt impairment	157,432	157,963
Over budget on loss on disposal assets	-	112,778
Under budget on transfer recognised - capital	43,035,693	-
Net surplus (deficit) per approved budget	**79,128,020**	**(12,178,854)**

42. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Fees	792,330	746,588

PAYE and UIF

Opening balance	154,278	107,711
Current year subscription / fee	1,726,214	1,520,464
Amount paid - current year	(1,751,151)	(1,473,897)
	129,341	**154,278**

VAT

VAT payable	978,550	958,667

VAT output payables and VAT input receivables are shown in note 11 .

All VAT returns have been submitted by the due date throughout the year.

Accounting Policies

Figures in Rand

42. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:

- in an emergency
- if such goods or services are produced or available from a single provider only
- for the acquisition of special work of art or historical objects where specifications are difficult to complete
- acquisition of animals for zoos or nature and game reserves
- in any other exceptional case where it is impractical or impossible to follow the official procurement process

Housing Company Tshwane deviated from official procurement processes during the year since it was impractical to follow proper supply chain processes as the service was previously offered by a single supplier. The Accounting Officer reported deviations to the board during the next board meeting and deviations were condoned by the board.

Incident		
Nasho membership	16,500	-
Unblocking of sewer pipe at Clarina	11,003	-
Licence fee(Pastel payroll and accounting & Caseware)	70,968	5,716
SATRACK training/SACOB training	51,510	34,238
Repair of electrical distribution board at SIlwerkroon	5,183	-
Repair of Bio-Metric access control	3,118	23,652
Inspection of elevator	-	3,306
Supply of purified drinking water	-	2,309
Manage the construction phase of Townlands project	56,788,480	-
Manage the construction phase of Timberlands project	30,322,622	-
	87,269,384	**69,221**

43. Budget differences

Material differences between budget and actual amounts

Statement of Financial performance

Rental of facilities and equipment

The variance is as a result of improved vacancy rate on buildings under management, the budgeted vacancy rate was 5% and the entity has reduced it to 2%. The performance will be maintained.

Interest received

The variance was attributed to interest charged to Clarina tenants on outstanding levies payment. Clarina building is the complex transferred to Housing Company Tshwane by the City. The complex is utilized to provide alternative accommodation to ex-Schubart Park residents. The residents are charged levies of R566 per month for services offered by the entity i.e. security and cleaning. The collection rate at Clarina building is very poor. As a mitigation strategy towards non-payment of levies, residents have been handed over to Legal Service Providers for collection. In the new financial year 2017/2018, the report will be tabled to Council to rescind the Clarina Court order and introduce rental payments.

Other revenue

Accounting Policies

43. Budget differences (continued)

The variance was as a result of a sale of tender documents for the advertised tenders. In the future, the entity will include the sale of tender documents as a revenue stream.

Grant from the City of Tshwane

The variance was attributed to certain tenders that were cancelled as they were not responsive in terms of pricing. The grant is recognized once the entity has fulfilled the mandate as per the Service Delivery Agreement between the City and the entity. To mitigate cancellation of tenders, proper costing and bench-marking exercise will be done once specifications are drafted and completed.

Employee Costs

The variance was due to the resignation of the CEO at the end of February 2017 and unfilled vacant positions as a result of moratorium from City on the filling of vacant positions and the review process of entities. The review process has now been finalised and the City has taken a decision to keep the HCT. The process to fill the vacant positions will thus commence in the new financial year.

Remuneration of directors

Directors’ remuneration is lower than the budgeted amount due to a reduction in the number of board and committee meetings hence the variance. Budget management will be maintained.

Depreciation and amortisation

Depreciation increased as a result of Investment property being re-allocated to property, plant and equipment.

Debt impairment

The provision for debt impairment is higher as a result of Clarina tenants who are not paying their levies. Tenants allocated at Clarina did not go through the normal HCT processes of affordability assessments as the city needed to abide by a Court ruling to find alternative accommodation to ex-Schubart Park residents. A majority of the residents are unemployed and of those who are employed some, do not earn enough to even pay the levied amount hence the variance of R157 000.00. As a mitigation strategy towards non-payment of levies, residents have been handed over to Legal Service Providers for collection. In the new financial year 2017/2018, the report will be tabled to Council rescind the Clarina Court order to enforce rental payments of these residents.

Contracted services

The variance was due to Timberlands' preliminary design which was allocated under capital expenditure as detailed design.

General Expenses

The variance was as a result of tenders being cancelled for not being responsive in terms of pricing and less expenditure on maintenance of properties under management. To mitigate on cancellation of tenders and less maintenance expenditure, proper costing and bench-marking exercise will be performed once specifications are drafted and completed and property maintenance plan will be implemented as per the budget.

Transfer recognised - Capital

The variance was as a result of non-performance on projects. However, most of these projects did not perform due to various reasons.

Timberlands project was put on hold due to objections from the community on the development of Timberland Social Housing. These objections caused some delays in the completion of detailed design.

43. Budget differences (continued)

There has been a delay in the completion of internal reticulation for Chantelle project as the existing building could not be demolished due to the current occupant refusing to vacate the building. Legal advice is sought from Attorneys to evict the person. The contractor has been instructed to re-schedule the portion of works to a later stage whilst the matter is been resolved.

On the Sunnyside project, the BAC recommended that the tender be re-advertised due to high cost and the professional team is currently looking for alternative building technologies in order to reduce the high cost.

Statement of Financial Position

Receivables from exchange transactions

Management budgeted for less bad debts provision on Clarina tenants but the actual provision was higher as result of Clarina tenants who are not paying their levies.

Other receivables from exchange transactions

Management budgeted for the electricity deposit on pre-paid but the deposit was reversed to top up the consumption on common areas (corridors).

Cash and cash equivalent

Cash and cash equivalents is higher due projects that were not implemented as per the budget.

Property, plant and equipment

The variance was as a result of non-performance on projects and re-allocation of Investment Property to Land and Building. However, most of these projects did not perform due to various reasons.

Timberlands project was put on hold due to objections from the community on the development of Timberland Social Housing. These objections caused some delays in the completion of detailed design.

There has been a delay in the completion of internal reticulation for Chantelle project as the existing building could not be demolished due to the current occupant refusing to vacate the building. Legal advice is sought from Attorneys to evict the person. The contractor has been instructed to re-schedule the portion of works to a later stage whilst the matter is been resolved.

On the Sunnyside project, the BAC recommended that the tender be re-advertised due to high cost and the professional team is currently looking for alternative building technologies in order to reduce the high cost. Property, plant and equipment is higher due projects that were not implemented as per the budget .

Operating Lease Liability

The operating lease liability was included in payables from exchange transactions since the MTREF does not accommodate this line item.

Payables from exchange transactions

The higher variance is a result of Timberlands project's invoice that was received during the end of the month of June 2017 and motivation had to be prepared by the Property Development division before the invoice can be paid.

VAT payable

VAT payable is higher due to grant invoices submitted to the City of Tshwane to assist the entity with the sewer and water reticulation for both Sunnyside and Chantelle projects.

Unspent conditional grant and receipts

The entity did not budget for unspent conditional grant in the current financial year.

43. Budget differences (continued)

Employee benefits

The entity has increased staff compliment as per board approved organisational structure.

Rental deposit received

Rental deposit is twice monthly rental and during the budget process management did not account for increase in rental deposit.

Cash Flow Statement

Customer Receipts

Management budgeted for lower collection rate at Silwerkroon. The collection rate has improved at both Eloff (101%) and Silwerkroon (101%) but declined at Clarina building (23.92%).

Grant Receipts

The entity has not received grant funding from Social Housing Regulatory Authority (SHRA) and Gauteng Department of Housing (GDH) for Townlands project. The first stanch of grant from SHRA is expected in the new financial year since conditions precedent were met as per the funding agreement with HCT.

Interest Income

The entity has collected more interest than what was budgeted due to Clarina tenants being charged more interest than budgeted for.

Payments to employees

The variance was due to the resignation of the CEO at the end of February 2017 and unfilled vacant positions as a result of moratorium from City on the filling of vacant positions and the review process of entities. The review process has now been finalised and the City has taken a decision to keep the HCT. The process to fill the vacant positions will thus commence in the new financial year.

Payments to suppliers

The opening cash flow balance cannot be changed on the National Treasury template and this is forcing management to balance the closing cash flow by adjusting payments to suppliers. However, the internal budget of the entity reflect the correct amount of payments.

Purchase of Property, plant and equipment

The variance was as a result of non-performance on projects. However, most of these projects did not perform due to various reasons.

Timberlands project was put on hold due to objections from the community on the development of Timberland Social Housing. These objections caused some delays in the completion of detailed design.

There has been a delay in the completion of internal reticulation for Chantelle project as the existing building could not be demolished due to the current occupant refusing to vacate the building. Legal advice is sought from Attorneys to evict the person. The contractor has been instructed to re-schedule the portion of works to a later stage whilst the matter is been resolved.

On the Sunnyside project, the BAC recommended that the tender be re-advertised due to high cost and the professional team is currently looking for alternative building technologies in order to reduce the high cost. Property, plant and equipment is higher due projects that were not implemented as per the budget .

Differences between budget and actual amounts basis of preparation and presentation

Accounting Policies

43. Budget differences (continued)

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from 01/07/2016 to 30/06/2017. The annual financial statements differ from the budget, which is approved on the accrual basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the annual financial statements were recasted from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters and additional grant received from the City of Tshwane for Townlands and Chantelle projects. For details on these changes please refer to pages to in the annual report.

Detailed Income statement

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Rental Income		5,478,489	3,964,072
Lease fees		21,900	15,000
		5,500,389	**3,979,072**
Cost of sales			
Property expenses		(3,625,834)	(4,810,113)
Gross surplus (deficit)		**1,874,555**	**(831,041)**
Other income			
Tender documents		72,600	-
Discount received		-	1,899
Bad debts & fruitless and wastefull expenditure recoveries		37,736	2,247
Maintenance recoveries		2,710	3,548
Recoveries bank charges		24,513	29,286
Other income		47,314	24,806
Telephone income		83,221	82,260
Storeroom rental		3,750	5,600
Recoveries water & sewer		-	4,032
Interest received	25	136,262	94,644
Government grants		55,890,913	19,761,448
		56,299,019	**20,009,770**
Expenses (Refer to page 66)		**(27,707,627)**	**(20,906,024)**
Operating surplus (deficit)	22	**30,465,947**	**(1,727,295)**
Finance costs	27	(285,027)	(329,948)
Surplus (deficit) for the year		**30,180,920**	**(2,057,243)**

* See Note 34

Detailed Income statement

Figures in Rand	Note(s)	2017	2016 Restated*
Operating expenses			
Advertising		(436,208)	(398,788)
Auditors remuneration	28	(792,330)	(746,588)
Bad debts		(728,665)	(515,611)
Bank charges		(76,128)	(64,559)
Computer expenses		(436,504)	(377,447)
Consulting and professional fees		(13,116,772)	(6,659,219)
Depreciation, amortisation and impairments		(582,033)	(566,129)
Employee costs		(8,711,241)	(8,996,240)
Entertainment		-	(1,431)
Service fees		-	(960)
Cleaning		(3,188)	(27,319)
Fines and penalties		(8)	(12,363)
Insurance		(85,453)	(68,310)
Lease rentals on operating lease		(643,077)	(616,615)
Legal expenses		(871,798)	(561,131)
Loss on disposal of assets		-	(112,778)
Motor vehicle expenses		(17,880)	-
Postage		(4,250)	(2,002)
Printing and stationery		(299,226)	(270,190)
Protective clothing		(196,743)	(48,475)
Rates & Taxes		(52,228)	(9,954)
Repairs and maintenance		(5,637)	(55,006)
Security		-	(158,547)
Staff welfare		(74,147)	(83,691)
Subscriptions		(99,126)	(62,120)
Telephone and fax		(92,638)	(89,757)
Training		(162,119)	(122,436)
Travel - local		(101,489)	(170,357)
Utilities		(118,739)	(108,001)
		(27,707,627)	**(20,906,024)**

* See Note 34